

**The Houston Audubon Society, Inc.**

Financial Statements  
and Independent Auditors' Report  
for the years ended June 30, 2022 and 2021

# The Houston Audubon Society, Inc.

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## Independent Auditors' Report

To the Board of Directors of  
The Houston Audubon Society, Inc.:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of The Houston Audubon Society, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Houston Audubon Society, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Houston Audubon Society, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Houston Audubon Society, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Houston Audubon Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Houston Audubon Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Blazek & Vetterling*

October 26, 2022

# The Houston Audubon Society, Inc.

Statements of Financial Position as of June 30, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 264,798	\$ 328,248
Short-term investments (Note 4)	1,438,731	1,286,599
Contributions receivable (Note 3)	20,274	148,922
Other assets	54,827	44,279
Long-term investments (Note 4)	3,197,705	3,673,411
Cash surrender value of life insurance	218,677	211,552
Depreciable property, net (Note 5)	3,489,001	3,403,668
Nature sanctuaries (Note 6)	<u>4,635,841</u>	<u>4,621,958</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,319,854</u></b>	<b><u>\$ 13,718,637</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 49,446	\$ 41,664
Construction payable	175,944	
Deferred revenue	47,745	42,020
Refundable advances – Paycheck Protection Program	<u>                    </u>	<u>377,366</u>
Total liabilities	<u>273,135</u>	<u>461,050</u>
Net assets (Note 9):		
Without donor restrictions (Note 7)	7,513,906	7,497,707
With donor restrictions (Note 8)	<u>5,532,813</u>	<u>5,759,880</u>
Total net assets	<u>13,046,719</u>	<u>13,257,587</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 13,319,854</u></b>	<b><u>\$ 13,718,637</u></b>

*See accompanying notes to financial statements.*

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## The Houston Audubon Society, Inc.

Statement of Activities for the year ended June 30, 2022

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions ( <i>Note 10</i> ):			
Financial contributions – other	\$ 616,110	\$ 351,864	\$ 967,974
Government – Paycheck Protection Program		382,142	382,142
Contributions of nature sanctuaries	3,183		3,183
Other nonfinancial contributions	2,083		2,083
Special events	368,321		368,321
Direct donor benefits	(87,814)		(87,814)
Admission and program fees	278,001		278,001
Merchandise sales	71,797		71,797
Net investment return	(299,016)	(167,243)	(466,259)
Loss on disposal of property	(45,528)		(45,528)
Total revenue	907,137	566,763	1,473,900
Net assets released from restrictions:			
Expenditures for program purposes	713,845	(713,845)	
Capital expenditures	79,985	(79,985)	
Total	1,700,967	(227,067)	1,473,900
EXPENSES:			
Program services:			
Sanctuaries and habitat conservation	637,186		637,186
Environmental education and outreach	546,571		546,571
Total program services	1,183,757		1,183,757
Management and general	263,527		263,527
Fundraising	237,484		237,484
Total expenses	1,684,768		1,684,768
CHANGES IN NET ASSETS	16,199	(227,067)	(210,868)
Net assets, beginning of year	7,497,707	5,759,880	13,257,587
Net assets, end of year	<u>\$ 7,513,906</u>	<u>\$ 5,532,813</u>	<u>\$ 13,046,719</u>

*See accompanying notes to financial statements.*

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## The Houston Audubon Society, Inc.

Statement of Activities for the year ended June 30, 2021

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions ( <i>Note 10</i> ):			
Financial contributions	\$ 728,054	\$ 986,451	\$ 1,714,505
Contributions of nature sanctuaries	383,170		383,170
Other nonfinancial contributions	7,322		7,322
Special events	274,802		274,802
Direct donor benefits	(17,867)		(17,867)
Admission and program fees	220,120		220,120
Merchandise sales	62,961		62,961
Net investment return	<u>550,037</u>	<u>247,003</u>	<u>797,040</u>
Total revenue	2,208,599	1,233,454	3,442,053
Net assets released from restrictions:			
Expenditures for program purposes	301,100	(301,100)	
Capital expenditures	<u>326,655</u>	<u>(326,655)</u>	
Total	<u>2,836,354</u>	<u>605,699</u>	<u>3,442,053</u>
EXPENSES:			
Program services:			
Sanctuaries and habitat conservation	645,168		645,168
Environmental education and outreach	<u>424,021</u>		<u>424,021</u>
Total program services	1,069,189		1,069,189
Management and general	245,362		245,362
Fundraising	<u>235,994</u>		<u>235,994</u>
Total expenses	<u>1,550,545</u>		<u>1,550,545</u>
CHANGES IN NET ASSETS	1,285,809	605,699	1,891,508
Net assets, beginning of year	<u>6,211,898</u>	<u>5,154,181</u>	<u>11,366,079</u>
Net assets, end of year	<u>\$ 7,497,707</u>	<u>\$ 5,759,880</u>	<u>\$ 13,257,587</u>

*See accompanying notes to financial statements.*

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## The Houston Audubon Society, Inc.

### Statement of Functional Expenses for the year ended June 30, 2022

<u>EXPENSES</u>	<u>SANCTUARIES AND HABITAT CONSERVATION</u>	<u>ENVIRONMENTAL EDUCATION AND OUTREACH</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and benefits	\$ 282,745	\$ 386,358	\$ 669,103	\$ 186,603	\$ 196,385	\$ 1,052,091
Depreciation	152,136	23,717	175,853	1,984	1,984	179,821
Professional fees	19,256	14,573	33,829	41,093	12,853	87,775
Sanctuary and property maintenance	52,749	15,644	68,393	918	918	70,229
Insurance	33,833	20,177	54,010	4,542	1,639	60,191
Supplies	29,224	19,537	48,761	1,679	3,976	54,416
Communications	6,507	17,844	24,351	1,324	1,620	27,295
Utilities	15,466	6,381	21,847	693	693	23,233
Printing, publications, and postage	3,900	2,580	6,480	3,819	10,655	20,954
Licenses, accreditations, and subscriptions	13,107	4,430	17,537	376	78	17,991
Travel	7,410	6,834	14,244	830	1,658	16,732
Credit card fees				16,428		16,428
Cost of merchandise sold		13,125	13,125			13,125
Property taxes	11,425		11,425			11,425
Educational classes and fieldtrips		6,601	6,601			6,601
Grants and awards	510	1,419	1,929			1,929
Other	<u>8,918</u>	<u>7,351</u>	<u>16,269</u>	<u>3,238</u>	<u>5,025</u>	<u>24,532</u>
Total expenses	<u>\$ 637,186</u>	<u>\$ 546,571</u>	<u>\$ 1,183,757</u>	<u>\$ 263,527</u>	<u>\$ 237,484</u>	1,684,768
Direct donor benefits						<u>87,814</u>
Total						<u>\$ 1,772,582</u>

*See accompanying notes to financial statements.*



## The Houston Audubon Society, Inc.

### Statement of Functional Expenses for the year ended June 30, 2021

<u>EXPENSES</u>	<u>SANCTUARIES AND HABITAT CONSERVATION</u>	<u>ENVIRONMENTAL EDUCATION AND OUTREACH</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and benefits	\$ 290,398	\$ 280,150	\$ 570,548	\$ 188,900	\$ 195,853	\$ 955,301
Depreciation	110,858	18,133	128,991	1,794	1,794	132,579
Professional fees	12,168	20,510	32,678	39,142	17,164	88,984
Sanctuary and property maintenance	53,115	10,635	63,750	528	528	64,806
Insurance	49,269	14,334	63,603	4,411	1,500	69,514
Supplies	19,936	17,445	37,381	1,525	3,655	42,561
Communications	7,921	19,172	27,093	1,313	1,586	29,992
Utilities	17,588	5,340	22,928	738	738	24,404
Printing, publications, and postage	1,639	3,229	4,868	2,483	6,867	14,218
Licenses, accreditations, and subscriptions	430	4,276	4,706	290	2,223	7,219
Travel	4,924	2,863	7,787	174	1,555	9,516
Credit card fees	2,280	9,281	11,561		1,227	12,788
Cost of merchandise sold	8,375	2,298	10,673			10,673
Property taxes	6,744		6,744		165	6,909
Educational classes and fieldtrips		8,680	8,680			8,680
Grants and awards	51,581	5,920	57,501	163	219	57,883
Other	<u>7,942</u>	<u>1,755</u>	<u>9,697</u>	<u>3,901</u>	<u>920</u>	<u>14,518</u>
Total expenses	<u>\$ 645,168</u>	<u>\$ 424,021</u>	<u>\$ 1,069,189</u>	<u>\$ 245,362</u>	<u>\$ 235,994</u>	1,550,545
Direct donor benefits						<u>17,867</u>
Total						<u>\$ 1,568,412</u>

*See accompanying notes to financial statements.*

## The Houston Audubon Society, Inc.

Statements of Cash Flows for the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (210,868)	\$ 1,891,508
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for capital projects		(679,148)
Contributions restricted for endowment		(100)
Net realized and unrealized (gain) loss on investments	599,153	(717,070)
Change in cash surrender value of life insurance	(7,125)	(7,023)
Depreciation	179,821	132,579
Loss on disposal of depreciable property	45,528	
Contributions of nature sanctuaries	(3,183)	(383,170)
Transfer of nature sanctuary to other organization		50,120
Changes in operating assets and liabilities:		
Contributions receivable	44,286	(61,838)
Other assets	(10,548)	130,019
Accounts payable and accrued expenses	7,782	(16,491)
Deferred revenue	5,725	35,000
Refundable advances – Paycheck Protection Program	<u>(377,366)</u>	<u>188,766</u>
Net cash provided by operating activities	<u>273,205</u>	<u>563,152</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net purchases of short-term investments	(152,132)	(300,139)
Purchases of long-term investments	(1,164,778)	(220,494)
Sales of long-term investments	1,005,959	183,597
Change in money market mutual funds held as investments	35,372	(35,769)
Purchases of depreciable property	(137,938)	(282,894)
Involuntary conversion of depreciable property	3,200	
Purchases of nature sanctuaries	<u>(10,700)</u>	<u>(289,673)</u>
Net cash used by investing activities	<u>(421,017)</u>	<u>(945,372)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for capital projects	84,362	594,786
Proceeds from contributions restricted for endowment		<u>100</u>
Net cash provided by financing activities	<u>84,362</u>	<u>594,886</u>
<b>NET CHANGE IN CASH</b>	<b>(63,450)</b>	<b>212,666</b>
Cash, beginning of year	<u>328,248</u>	<u>115,582</u>
Cash, end of year	<u>\$ 264,798</u>	<u>\$ 328,248</u>
<i>Supplemental disclosure of cash flow information:</i>		
Contributions of marketable securities (sold upon receipt)	\$21,524	\$5,122

*See accompanying notes to financial statements.*

## The Houston Audubon Society, Inc.

Notes to Financial Statements for the years ended June 30, 2022 and 2021

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Houston Audubon Society, Inc. (HAS) is a Texas nonprofit corporation organized in 1969 as an autonomous and self-supporting chapter of the National Audubon Society. HAS was founded to promote conservation of wildlife and natural resources. Land and habitat conservation, natural science education and conservation advocacy are the pillars guiding the organization’s work. HAS is accredited by the Land Trust Accreditation Commission, demonstrating its commitment to a sound program of land conservation and stewardship. HAS’s stated mission is to advance the conservation of birds and positively impact their supporting environments through leading and nurturing a community that values and supports birds. Strategies to achieve that mission include protecting priority habitats for birds, creating bird friendly communities, and inspiring people to learn more about and appreciate birds in their natural environment.

HAS currently has approximately 4,500 members, coordinates over 390 volunteers, conducts nature-based education programs, and owns and manages 17 nature sanctuaries on the upper Texas coast. The 4,115 acres of land protected within these sanctuaries feature diverse habitats including piney woods, marshes, and endangered coastal prairies. Several sanctuaries are open to the public, including two urban sanctuary centers located in Houston, Texas and world-renowned coastal sanctuaries located in High Island and the Bolivar Peninsula, Texas. HAS’s headquarters and native plant nursery are located at the Edith L. Moore Nature Sanctuary in west Houston.

In 2022, HAS expanded cultivation of native plants through the opening of the Entergy Coastal Natives Nursery and broke ground on the Morse Field Station in High Island, which will provide logistical support for all coastal operations including land management, research and monitoring, and spring migration activities. In addition, HAS delivered 449 nature-based education programs, completed a new deck and kayak launch at its Raptor and Education Center, and piloted a community-based outreach program in the Sunnyside neighborhood of Houston. In 2021, several capital projects were completed, including an elevated canopy walkway and permanent restrooms at Smith Oaks Sanctuary. In addition, HAS acquired approximately 600 acres to expand the High Island sanctuary system and received a donation of 40 acres on North Deer Island, further protecting the most productive waterbird breeding colony in Galveston Bay.

Federal income tax status – HAS is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Cash includes demand deposits and cash on hand. At times, demand deposits exceed the federally insured limit per depositor per institution.

Short-term investments are reported at fair value and consist of U. S. Government and Treasury money market mutual funds as of June 30, 2022 and 2021. All other investments are considered long term.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Investments are reported at fair value. Net investment return consists of interest and dividends, and realized and unrealized gains and losses, net of external and direct internal investment expenses.

Depreciable property having a cost of more than \$5,000 and an estimated life of more than one year is reported at cost, if purchased, or at fair value at the date of gift, if donated. Depreciation is computed on the straight-line method over estimated useful lives of 20 to 40 years for buildings, 5 to 25 years for land and building improvements and 5 years for furniture, fixtures and equipment.

Nature sanctuaries are reported at cost, or in the case of donated land, at estimated fair value at the date of the gift. Certain sanctuaries are subject to donor restrictions and must be maintained in perpetuity as nature preserves.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before HAS is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Non-cash contributions – Donated materials and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenue is the total paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Direct donor benefits represent the cost of goods and services provided to attendees of the special events.

Admission and program fees are derived from providing admission to sanctuaries, education and outreach programs, habitat management and facility rentals. Fees are due and recognized at the point in time when the services are provided to the customer in an amount that reflects the consideration HAS expects to be entitled to in exchange for those services. There are \$16,500 of contract assets resulting from fees at June 30, 2022, 2021 and 2020. Liabilities resulting from program fees are \$17,745 at June 30, 2022, \$12,020 at June 30, 2021, and \$2,270 at June 30, 2020.

Merchandise sales are derived from themed apparel, educational books, native plants and other items at three HAS locations. Sales of these items are recognized at the point in time when the sales price is collected and the purchased items are provided to the customer. There are no contract assets or liabilities resulting from merchandise sales at June 30, 2022, 2021, or 2020.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Professional fees, salaries and related costs are allocated on the basis of estimated time and effort expended. Expenses related to facilities are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 264,798	\$ 328,248
Short-term investments	1,438,731	1,286,599
Contributions receivable	20,274	148,922
Long-term investments	<u>3,197,705</u>	<u>3,673,411</u>
Total financial assets	4,921,508	5,437,180
Less financial assets not available for general expenditure:		
Endowment investments not expected to be appropriated in the next 12 months	(2,403,847)	(2,250,012)
Restricted by donors for capital projects and additions	<u>(728,745)</u>	<u>(808,796)</u>
Total financial assets available for general expenditure	<u>\$ 1,788,916</u>	<u>\$ 2,378,372</u>

Financial assets available for general expenditure include amounts expected to be appropriated from donor-restricted assets and endowment earnings during the upcoming year. For purposes of analyzing resources available to meet general expenditures over a 12-month period, HAS considers all expenditures related to its ongoing activities of land and habitat conservation, natural science education, and conservation advocacy, as well as the conduct of services undertaken to support those activities, to be general expenditures, but does not consider capital expenditures to be general expenditures.

HAS regularly monitors liquidity required to meet its operating needs while striving to maximize the investment of available funds. To manage unanticipated liquidity needs, HAS has board-designated endowment investments of \$1,318,923 at June 30, 2022. Although HAS does not intend to spend from the board-designated investments, amounts from the board-designated investments could be made available, if necessary.

### NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contribution receivable are as follows:

	<u>2022</u>	<u>2021</u>
Operating contributions receivable	\$ 20,274	\$ 64,560
Contributions receivable for capital additions		<u>84,362</u>
Total contributions receivable	<u>\$ 20,274</u>	<u>\$ 148,922</u>

At June 30, 2022, all contributions receivable are expected to be collected within one year.

### NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Short-term investments:				
Money market mutual funds	\$ 1,438,731			\$ 1,438,731
Long-term investments:				
Equity mutual funds:				
Large-cap	630,251			630,251
International	472,351			472,351
Small-cap	225,149			225,149
Fixed-income mutual funds:				
Government bond	577,751			577,751
Domestic bond	105,619			105,619
Exchange-traded domestic equity funds:				
Mid-cap	287,300			287,300
Large-cap	237,850			237,850
Alternative strategies mutual funds:				
Real estate	157,773			157,773
Tactical allocation	75,769			75,769
Managed futures	74,575			74,575
Exchange-traded domestic bond funds:				
Government bond	268,944			268,944
Money market mutual funds	<u>84,373</u>			<u>84,373</u>
Total assets measured at fair value	<u>\$ 4,636,436</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,636,436</u>

Assets measured at fair value at June 30, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Short-term investments:				
Money market mutual funds	\$ 1,286,599			\$ 1,286,599
Long-term investments:				
Equity mutual funds:				
Large-cap	414,890			414,890
International	439,477			439,477
Small-cap	272,803			272,803
Fixed-income mutual funds:				
Government bond	550,200			550,200
Domestic bond	188,688			188,688
Exchange-traded domestic equity funds:				
Mid-cap	294,661			294,661
Large-cap	729,635			729,635
Alternative strategies mutual funds:				
Real estate	60,869			60,869
Tactical allocation	61,228			61,228
Managed futures	56,381			56,381
Energy limited partnership	70,265			70,265
Commodities broad basket	33,456			33,456
Exchange-traded domestic bond funds:				
Government bond	239,310			239,310
Money market mutual funds	119,745			119,745
Exchange-traded international equity funds:				
International large blend	141,803			141,803
Total assets measured at fair value	<u>\$ 4,960,010</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,960,010</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual funds are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while HAS believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

## NOTE 5 – DEPRECIABLE PROPERTY

Depreciable property is comprised of the following:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 998,284	\$ 1,059,315
Land and building improvements	2,970,501	2,910,409
Furniture, fixtures and equipment	253,132	239,715
Construction in progress	<u>260,108</u>	<u>26,612</u>
Total depreciable property, at cost	4,482,025	4,236,051
Accumulated depreciation	<u>(993,024)</u>	<u>(832,383)</u>
Depreciable property, net	<u>\$ 3,489,001</u>	<u>\$ 3,403,668</u>

## NOTE 6 – NATURE SANCTUARIES SYSTEM

Nature sanctuaries as of June 30, 2022 are comprised of the following:

	APPROXIMATE <u>ACREAGE</u>	CARRYING <u>VALUE</u>
High Island sanctuaries (Louis Smith Boy Scout Woods, Smith Oaks, Eubanks Woods and S.E. Gast Red Bay)	856	\$ 1,714,775
Bolivar Flats Shorebird Sanctuary	1,215	970,023
Horseshoe Marsh Bird Sanctuary	667	653,195
Champions property	13	345,000
Winters Bayou Sanctuary	165	253,000
Edith L. Moore Nature Sanctuary	18	165,137
Carolyn Raizes Davis Bird Sanctuary	63	152,680
Damuth Sanctuary	628	126,901
Mundy Marsh Bird Sanctuary	368	100,000
Houston Audubon Raptor and Education Center	1	79,000
Dos Vacas Muertas Bird Sanctuary	6	60,000
McFarlane Marsh	66	10,000
North Deer Island Sanctuary	47	6,130
Garwood property	<u>2</u>	<u>0</u>
Total nature sanctuaries	<u>4,115</u>	<u>\$ 4,635,841</u>

## NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Invested in depreciable property	\$ 3,489,001	\$ 3,403,668
Undesignated	1,475,264	1,886,484
Land held as nature sanctuaries	1,230,718	1,216,835
Board-designated for land and facilities stewardship endowment	<u>1,318,923</u>	<u>990,720</u>
Total net assets without donor restrictions	<u>\$ 7,513,906</u>	<u>\$ 7,497,707</u>



**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
High Island Field Station development	\$ 636,653	\$ 631,560
Land acquisition and management	72,092	86,792
Smith Oaks habitat restoration and other High Island projects	39,856	
Bolivar Flats vehicular barrier	20,000	20,000
Houston Audubon Raptor and Education Center development	19,927	20,421
Bolivar Peninsula land pre-acquisition costs	14,300	25,000
Horseshoe Marsh nature trails	5,541	17,362
Coastal Natives Nursery		16,838
Other	<u>15,720</u>	<u>15,940</u>
Total subject to expenditure for specified purpose	<u>824,089</u>	<u>833,913</u>
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due		<u>50,000</u>
Endowments:		
Subject to spending policy and appropriation:		
Land and facilities stewardship endowment – general	457,423	530,940
Land and facilities stewardship endowment – Bolivar sanctuaries	323,987	376,058
Land purchase endowment	323,533	333,260
Callery Alexander and general endowment	<u>198,658</u>	<u>230,586</u>
Total endowments	<u>1,303,601</u>	<u>1,470,844</u>
Not subject to appropriation or expenditure:		
Land held as nature sanctuaries	<u>3,405,123</u>	<u>3,405,123</u>
Total net assets with donor restrictions	<u>\$ 5,532,813</u>	<u>\$ 5,759,880</u>

**NOTE 9 – ENDOWMENT FUNDS**

Endowment net asset composition as of June 30, 2022 is as follows:

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>		<u>TOTAL</u>
		<u>SUBJECT TO SPENDING POLICY AND APPROPRIATION</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	
Donor-restricted endowment funds:				
Land and facilities stewardship		\$ 758,410	\$ 23,000	\$ 781,410
Land purchase		200,169	123,364	323,533
General		73,093	125,565	198,658
Board-designated for land and facilities stewardship	<u>\$ 1,318,923</u>			<u>1,318,923</u>
Endowment net assets	<u>\$ 1,318,923</u>	<u>\$ 1,031,672</u>	<u>\$ 271,929</u>	<u>\$ 2,622,524</u>

Endowment net asset composition as of June 30, 2021 is as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS		TOTAL
		SUBJECT TO SPENDING POLICY AND APPROPRIATION	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Donor-restricted endowment funds:				
Land and facilities stewardship		\$ 883,998	\$ 23,000	\$ 906,998
Land purchase		209,896	123,364	333,260
General		105,021	125,565	230,586
Board-designated for land and facilities stewardship	\$ 990,720			990,720
Endowment net assets	\$ 990,720	\$ 1,198,915	\$ 271,929	\$ 2,461,564

Changes in endowment net assets are as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS		TOTAL
		SUBJECT TO SPENDING POLICY AND APPROPRIATION	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Endowment net assets, June 30, 2020	\$ 798,401	\$ 951,912	\$ 225,829	\$ 1,976,142
Contributions and transfers			46,100	46,100
Net investment return	192,319	247,003		439,322
Endowment net assets, June 30, 2021	990,720	1,198,915	271,929	2,461,564
Contributions and transfers	500,000			500,000
Net investment return	(171,797)	(167,243)		(339,040)
Endowment net assets, June 30, 2022	\$ 1,318,923	\$ 1,031,672	\$ 271,929	\$ 2,622,524

HAS has donor-restricted endowment funds, which are maintained in accordance with explicit donor stipulations, and board-designated endowment funds. The Board of Directors of HAS has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, HAS classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, HAS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of HAS and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of HAS
- The investment policies of HAS

## Spending Policies and Return Objectives

HAS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment in such a manner as to preserve and enhance the net asset value. The endowment funds consist of contributions that include donor-imposed restrictions, as well as board-designated funds. HAS expects its endowment funds, over time, to provide an average annual rate of return of 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, HAS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment's financial assets are invested for long-term appreciation and current income for the purpose of supporting the HAS's operations; therefore, current volatility in the markets is not expected to have a permanent impact to the financial assets in the long term.

The target spending amount for the land and facilities stewardship endowment shall be 5% of the average value in the fund as of the end of the previous twelve quarters. Distributions from the land purchase and general endowments are determined by the Board of Directors.

To date, management has elected not to make distributions under these spending policies.

## **NOTE 10 – CONTRIBUTED NONFINANCIAL ASSETS AND VOLUNTEER HOURS**

HAS receives various forms of gifts-in-kind (nonfinancial asset contributions), including contributions of nature sanctuaries, assets to be auctioned by HAS at its fundraising events, and professional services. Items resold at auction at HAS's events are reflected in the financial statements at the amount realized from sale at the auctions and included in special events revenue. Other gifts-in-kind are recognized at their estimated fair value at the date of receipt based on current rates for similar items or services in the market and are expensed as utilized or, in the case of nature sanctuaries, are capitalized when ownership is transferred.

HAS recognized the following as in-kind contributions, which were used in providing program services, and to support those services:

	<u>2022</u>	<u>2021</u>
Auction items	\$ 17,705	\$ 14,515
Nature sanctuaries	3,183	383,170
Legal and accounting services	625	5,192
Website and computer services	<u>1,458</u>	<u>2,130</u>
Total in-kind contributions	<u>\$ 22,971</u>	<u>\$ 405,007</u>

Many individuals volunteer their time to perform a variety of tasks that assist HAS in its mission of conservation, education and advocacy, such as spring migration canopy guides, helping with office work, and assistance with other projects. HAS received 9,068 volunteer hours from 393 volunteers with an estimated value of \$271,587 and 8,246 volunteer hours from 350 volunteers with an estimated value of \$235,341 during the years ended June 30, 2022 and 2021, respectively, which were not recognized in these financial statements because the services do not meet the criteria for recognition under generally accepted accounting principles. The estimated value of volunteer time per hour was obtained from Independent Sector, a leadership network for nonprofit organizations, foundations and corporate giving programs.

**NOTE 11 – RETIREMENT PLAN**

HAS sponsors a §401(k) plan covering employees age 21 and over who have completed one year and 1,000 hours of employment. Eligible employees may contribute from 1% to 92% of their salary to the plan, subject to the Internal Revenue Service limits. HAS matches employee contributions of 1% plus one-half of employee contributions of 2% to 6%, for a maximum employer match of 3.5% of each employee's salary. HAS contributed \$21,076 to this plan during 2022 and \$21,203 during 2021.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 26, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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