

madison MADISON AUDUBON SOCIETY, INC.
AUDUBON FINANCIAL STATEMENTS
 society December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Madison Audubon Society, Inc.
Madison, Wisconsin

Opinion

We have audited the financial statements of Madison Audubon Society, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and 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 Madison Audubon Society, Inc. as of December 31, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Madison 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.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Madison Audubon Society, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), and all subsequently issued clarifying ASUs as of January 1, 2022. Our opinion is not modified with respect to this matter.

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 Madison Audubon Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 Madison 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 Madison 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.



Wegner CPAs, LLP
Madison, Wisconsin
June 19, 2023

MADISON AUDUBON SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 749,600	\$ 844,475
Unconditional promises to give	158,180	91,091
Prepaid expenses	14,448	11,912
Total current assets	922,228	947,478
Property and equipment, net	6,921,783	6,634,282
OTHER ASSETS		
Investments	5,440,347	6,211,039
Operating lease right-of-use asset	181,398	-
Beneficial interest in assets held by Natural Resources Foundation	32,725	39,024
Total assets	\$ 13,498,481	\$ 13,831,823
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,327	\$ 3,547
Accrued expenses	8,643	1,366
Current portion of operating lease liability	31,635	-
Total current liabilities	48,605	4,913
NONCURRENT LIABILITIES		
Operating lease liability, net of current portion	150,296	-
Total liabilities	198,901	4,913
NET ASSETS		
Without donor restrictions	8,279,442	8,643,425
With donor restrictions	5,020,138	5,183,485
Total net assets	13,299,580	13,826,910
Total liabilities and net assets	\$ 13,498,481	\$ 13,831,823

See accompanying notes.

MADISON AUDUBON SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES						
Contributions						
General contributions	\$ 473,454	\$ 602,371	\$ 1,075,825	\$ 339,072	\$ 862,876	\$ 1,201,948
Grants	50,059	-	50,059	217,855	-	217,855
Membership dues	14,563	-	14,563	12,798	-	12,798
Community Shares of Wisconsin	9,676	-	9,676	8,729	-	8,729
Other revenues						
Special events	10,814	-	10,814	11,729	-	11,729
Sales	41,350	-	41,350	33,007	-	33,007
Rental income	15,871	-	15,871	12,771	-	12,771
Other	6,574	-	6,574	4,295	-	4,295
Net assets released from restrictions						
Satisfaction of purpose restrictions	<u>527,370</u>	<u>(527,370)</u>	<u>-</u>	<u>137,234</u>	<u>(137,234)</u>	<u>-</u>
Total operating revenues	<u>1,149,731</u>	<u>75,001</u>	<u>1,224,732</u>	<u>777,490</u>	<u>725,642</u>	<u>1,503,132</u>
OPERATING EXPENSES						
Program services						
Sanctuaries	465,660	-	465,660	479,259	-	479,259
Education	168,613	-	168,613	114,268	-	114,268
Advocacy	67,113	-	67,113	63,884	-	63,884
Supporting activities						
Management and general	133,863	-	133,863	116,130	-	116,130
Fundraising	<u>113,427</u>	<u>-</u>	<u>113,427</u>	<u>102,388</u>	<u>-</u>	<u>102,388</u>
Total operating expenses	<u>948,676</u>	<u>-</u>	<u>948,676</u>	<u>875,929</u>	<u>-</u>	<u>875,929</u>
Change in net assets from operations	201,055	75,001	276,056	(98,439)	725,642	627,203
OTHER CHANGES						
Contribution of nonfinancial assets	130,000	-	130,000	-	-	-
Investment return, net	(690,419)	(236,668)	(927,087)	685,516	185,370	870,886
Change in value of beneficial interest in assets held by Natural Resources Foundation	<u>(4,619)</u>	<u>(1,680)</u>	<u>(6,299)</u>	<u>2,626</u>	<u>698</u>	<u>3,324</u>
Change in net assets	<u>(363,983)</u>	<u>(163,347)</u>	<u>(527,330)</u>	<u>589,703</u>	<u>911,710</u>	<u>1,501,413</u>
Net assets at beginning of year	<u>8,643,425</u>	<u>5,183,485</u>	<u>13,826,910</u>	<u>8,053,722</u>	<u>4,271,775</u>	<u>12,325,497</u>
Net assets at end of year	<u><u>\$ 8,279,442</u></u>	<u><u>\$ 5,020,138</u></u>	<u><u>\$ 13,299,580</u></u>	<u><u>\$ 8,643,425</u></u>	<u><u>\$ 5,183,485</u></u>	<u><u>\$ 13,826,910</u></u>

See accompanying notes.

MADISON AUDUBON SOCIETY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

	2022					
	Sanctuaries	Education	Advocacy	Management and General	Fundraising	Total Expenses
Personnel	\$ 250,035	\$ 142,144	\$ 46,246	\$ 91,721	\$ 78,652	\$ 608,798
Occupancy	14,180	7,026	2,225	8,400	4,292	36,123
Office and supplies	16,433	14,656	8,978	16,015	20,862	76,944
Professional fees	840	-	-	14,493	9,000	24,333
Wildlife habitat restoration	45,963	2,904	2,468	254	43	51,632
Repairs and maintenance	21,864	-	-	-	-	21,864
Vehicle and equipment	33,002	-	-	-	-	33,002
Cost of supplies sold	-	-	5,810	-	-	5,810
Membership	6,600	-	300	1,300	-	8,200
Insurance	17,334	-	-	1,272	-	18,606
Depreciation	57,616	-	-	-	-	57,616
Other	1,793	1,883	1,086	408	578	5,748
Total expenses	\$ 465,660	\$ 168,613	\$ 67,113	\$ 133,863	\$ 113,427	\$ 948,676
	2021					
	Sanctuaries	Education	Advocacy	Management and General	Fundraising	Total Expenses
Personnel	\$ 209,397	\$ 94,603	\$ 43,430	\$ 81,972	\$ 80,793	\$ 510,195
Occupancy	16,548	5,374	2,574	4,851	5,702	35,049
Office and supplies	15,139	12,715	6,811	10,393	15,200	60,258
Professional fees	3,309	-	-	15,985	-	19,294
Wildlife habitat restoration	114,148	850	488	113	63	115,662
Repairs and maintenance	14,365	-	-	-	-	14,365
Vehicle and equipment	25,205	-	-	-	-	25,205
Cost of supplies sold	-	-	7,081	-	-	7,081
Membership	6,000	-	2,500	1,200	-	9,700
Insurance	16,508	-	-	1,272	-	17,780
Depreciation	57,616	-	-	-	-	57,616
Other	1,024	726	1,000	344	630	3,724
Total expenses	\$ 479,259	\$ 114,268	\$ 63,884	\$ 116,130	\$ 102,388	\$ 875,929

See accompanying notes.

MADISON AUDUBON SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (527,330)	\$ 1,501,413
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	57,616	57,616
Contribution of land	(130,000)	-
Contributions restricted for long-term purposes	(215,117)	-
Net realized and unrealized (gains) losses on investments	997,487	(859,883)
Amortization of operating lease right-of-use asset	6,933	-
Change in value of beneficial interest in assets held by Natural Resources Foundation	6,299	(3,324)
(Increase) decrease in assets		
Unconditional promises to give	(67,089)	(89,872)
Prepaid expenses	(2,536)	877
Increase (decrease) in liabilities		
Accounts payable	4,780	(13,767)
Accrued expenses	7,277	(73)
Operating lease liability	(6,400)	-
Net cash flows from operating activities	131,920	592,987
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(552,088)	(529,092)
Interest and dividends reinvested	(69,112)	(10,952)
Proceeds from sales of investments	394,405	391,355
Purchases of property and equipment	(215,117)	-
Net cash flows from investing activities	(441,912)	(148,689)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in land	215,117	-
Net change in cash	(94,875)	444,298
Cash at beginning of year	844,475	400,177
Cash at end of year	\$ 749,600	\$ 844,475
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions		
Contribution of land	\$ 130,000	\$ -

See accompanying notes.

MADISON AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Madison Audubon Society, Inc. (Madison Audubon) is a certified chapter of the National Audubon Society with approximately 3,500 members in the greater Madison, Wisconsin area. Its mission is to educate members and the public about the natural world and the threats that natural systems are facing, to engage in advocacy to preserve and protect these systems, and to develop and maintain sanctuaries to save and restore natural habitat. Madison Audubon's primary sources of revenues are contributions, grants, and membership dues. Madison Audubon owns and manages sanctuaries. Sanctuaries are refuges for breeding and migrating birds and other animals and plant life. A portion of the Goose Pond sanctuary is designated a State Natural Area.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Leases

Madison Audubon does not recognize short-term leases in the statements of financial position. For these leases, Madison Audubon recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. If the rate implicit in the lease is not readily determinable, Madison Audubon uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

Conservation Easements

Conservation easements accepted or purchased by Madison Audubon are not recognized as assets or revenue in the accompanying financial statements because Madison Audubon does not hold fee title to these properties and there are no expected future economic benefits associated with the easements. In addition, conservation easements carry significant obligations to monitor and defend their terms. If purchased, the costs of conservation easements are expensed when the easements are acquired.

Investments

Madison Audubon reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

MADISON AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Beneficial Interest in Assets Held by Natural Resources Foundation

Madison Audubon's beneficial interest in assets held by Natural Resources Foundation (Foundation) represents an agreement between Madison Audubon and the Foundation in which Madison Audubon transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to Madison Audubon by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service.

Donated Services

No amounts have been reflected in the financial statements for donated services. Madison Audubon generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Madison Audubon with its program services and supporting activities. Madison Audubon estimates it received approximately 6,000 and 3,600 volunteer hours each year during the years ended December 31, 2022 and 2021, respectively.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy, office and supplies, and other expenses, which are allocated on the basis of estimates of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

Sanctuaries—Madison Audubon manages 1,700 acres of land held in fee or conservation easement at its wildlife sanctuaries in Columbia and Jefferson counties. Activities include prairie planting, invasive species control, leading tours, and conducting bird and wildlife surveys.

MADISON AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Education—Madison Audubon staff partner with local schools and civic organizations to educate children about birds, other wildlife, and conservation. They organize a program series and field trips which are free to members and the general public.

Advocacy—As part of its mission, Madison Audubon is active in advocacy on a variety of conservation issues that benefit wildlife, ecosystems, and the general public. Advocacy expenses include staff time, mailings, and supporting materials for advocacy efforts.

Management and general—Activities that relate to the overall direction of Madison Audubon and include the functions necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities of Madison Audubon, and perform other administrative functions including membership support and development costs.

Fundraising—Activities related to soliciting contributions from individuals, foundations, governments, and others, and other activities that involve inducing potential donors to contribute assets, services, or time to Madison Audubon.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Adoption of New Accounting Guidance

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and creates FASB ASC Topic 842, *Leases*. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statements of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

Madison Audubon adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows Madison Audubon to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Madison Audubon's reporting for the year ended December 31, 2021, is in accordance with the previous guidance in Topic 840.

Madison Audubon elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed Madison Audubon to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

MADISON AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of Topic 842 did not have a material effect on Madison Audubon's change in net assets and cash flows.

On September 17, 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. The Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. Madison Audubon adopted the requirements of this Update effective January 1, 2022. The changes required by this Update have been applied retrospectively to all periods presented.

Income Tax Status

Madison Audubon is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Date of Management's Review

Management has evaluated subsequent events through June 19, 2023, the date which the financial statements were available to be issued.

NOTE 2—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2022	2021
Land	\$ 6,445,963	\$ 6,100,846
Buildings and improvements	1,023,032	1,023,032
Furniture and equipment	110,264	110,264
Vehicles	62,771	62,771
Work in progress	7,086	7,086
Property and equipment	7,649,116	7,303,999
Less accumulated depreciation	(727,333)	(669,717)
Property and equipment, net	\$ 6,921,783	\$ 6,634,282

Land, land improvements, and land easements are used as wildlife sanctuaries. Certain properties are leased to others for various purposes. Madison Audubon also donates land to various state and local governmental units to be held for conservation purposes.

MADISON AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	2022	2021
Cash and money market fund	\$ 252,215	\$ 90,921
Exchange traded funds	5,188,132	6,120,118
	\$ 5,440,347	\$ 6,211,039

Fair values of exchange traded funds are based on quoted net asset values of the shares as reported by the fund. The exchange traded funds held by Madison Audubon are open-end exchange traded funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The exchange traded funds held by Madison Audubon are considered to be actively traded.

NOTE 4—LIQUIDITY AND AVAILABILITY

The following table reflects Madison Audubon's financial assets as of the dates of the statements of financial position reduced by amounts not available for general expenditures within one year of the dates of the statements of financial position because of contractual or donor-imposed restrictions or internal board designations:

	2022	2021
Cash	\$ 749,600	\$ 844,475
Unconditional promises to give	158,180	91,091
Investments	5,440,347	6,211,039
Beneficial interest in assets held by Natural Resources Foundation	32,725	39,024
Financial assets at end of year	6,380,852	7,185,629
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(5,020,138)	(5,183,485)
Board designations:		
Mary Muckenhirn Stewardship Endowment Fund	(166,391)	(206,016)
Lapinski Prairie Fund	(77,440)	(218,527)
Sanctuary Endowment Fund	(23,999)	(28,618)
Amounts set aside for operating and capital asset replacement reserves	(280,000)	(225,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 812,884	\$ 1,323,983

As part of Madison Audubon's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

MADISON AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 5—LEASE

Madison Audubon has an operating lease for office space that expires on October 31, 2027. Through October 31, 2022, Madison Audubon leased different office space under a short-term lease that was not renewed.

The components of lease expense for the year ended December 31, 2022 were as follows:

Operating lease expense	\$ 6,933
Short-term lease expense	18,183
	<hr/>
Lease expense	<u>\$ 25,116</u>

Rent expense for the year ended December 31, 2021, was \$21,075.

Other information related to operating leases is as follows:

Cash payments classified as part of operating cash flows for amounts included in the measurement of lease liabilities	\$ 6,400
Right-of-use assets obtained in exchange for new lease liabilities	183,832
Weighted-average remaining lease term	4.83 years
Weighted-average discount rate	4.27%

The maturities of operating lease liabilities as of December 31, 2022, are as follows:

2023	\$ 38,656
2024	40,202
2025	41,810
2026	43,488
2027	37,440
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Total minimum lease payments	201,596
Less imputed interest	(19,665)
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Total lease liabilities	<u>\$ 181,931</u>

NOTE 6—LINE OF CREDIT

Madison Audubon had a \$150,000 line of credit, which was unused at December 31, 2022 and 2021. Bank advances on the credit line carry an interest rate of 4.25%. The credit line was secured by substantially all assets of Madison Audubon. The credit line matured on February 20, 2023 and it was not renewed.

NOTE 7—CONTINGENCIES

Madison Audubon is subject to certain loss contingencies, such as litigation, arising in the normal conduct of its land management activities. Management believes the liability, if any, for such contingencies would not have a material effect on Madison Audubon's financial position.

Madison Audubon holds various conservation easements that may require expenditures to monitor and defend the provisions of the easements.

MADISON AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8—PAYCHECK PROTECTION PROGRAM LOAN

Madison Audubon must retain PPP documentation in its files for six years after the date the loan was forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review Madison Audubon’s good-faith certification concerning the necessity of its loan request, whether Madison Audubon calculated the loan amount correctly, whether Madison Audubon used loan proceeds for the allowable uses specified in the CARES Act, and whether Madison Audubon is entitled to loan forgiveness in the amount claimed on its application. If SBA determines Madison Audubon was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 9—NET ASSETS

Madison Audubon’s board of directors has designated net assets without donor restrictions for the following purposes:

	2022	2021
Net investment in property and equipment	\$ 6,921,783	\$ 6,634,282
Mary Muckenhirn Stewardship Endowment Fund	166,391	206,016
Lapinski Prairie Fund	77,440	218,527
Sanctuaries Fund	23,999	28,618
Operating reserve	210,000	180,000
Capital asset replacement reserve	70,000	45,000
Undesignated	809,829	1,330,982
Net assets without donor restrictions	\$ 8,279,442	\$ 8,643,425

Net assets without donor restrictions includes land with a total cost of \$6,445,963 and \$6,100,846 at December 31, 2022 and 2021, respectively, owned by Madison Audubon that Madison Audubon intends to hold and manage in perpetuity. Most of the land held in fee title was purchased using state or federal funding which prohibits commercial development of the properties.

Net assets with donor restrictions are restricted for the following purposes:

	2022	2021
Land acquisition and management	\$ 4,729,628	\$ 4,805,384
Jill Martin Endowment Fund for land management	66,199	81,964
Sanctuaries Endowment Fund for land management	8,726	10,406
Education programs	80,000	160,000
Sanctuary capital projects	135,585	125,731
Net assets with donor restrictions	\$ 5,020,138	\$ 5,183,485

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NOTE 10—THE KENNETH W. WOOD TRUST

Kenneth Wood (donor) established The Kenneth W. Wood Trust for the benefit of Madison Audubon. The donor granted the trustee variance power that allows the trustee to modify the donor's stipulations under certain circumstances as it monitors the operations of the beneficiary. Therefore, the trust is not included in Madison Audubon's financial statements. Madison Audubon received distributions totaling \$61,722 and \$58,270 from the trust during the years ended December 31, 2022 and 2021, respectively. The fair value of the trust was \$962,894 and \$1,234,577 at December 31, 2022 and 2021, respectively.

NOTE 11—CONCENTRATIONS OF CREDIT RISK

Madison Audubon maintains its cash balances in one financial institution located in Madison. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022 and 2021, Madison Audubon's uninsured cash balances total \$305,370 and \$436,275, respectively.

NOTE 12—CONTRIBUTED NONFINANCIAL ASSETS

Land donated in 2022 increased land included in balance of Property and Equipment, net on the statement of financial position at December 31, 2022. The contributed nonfinancial asset is without donor restrictions. The fair value of the contributed land was determined with an appraisal performed concurrent with the receipt of the donation.

NOTE 13—ENDOWMENTS

Madison Audubon's endowments consist of three funds. The Mary Muckenhirn Stewardship Endowment was established by the board of directors to support sanctuary maintenance. The Sanctuaries Fund was established by the board of directors to provide for compensation increases and to support land management. The Jill Marten Endowment Fund is a donor-restricted endowment fund established to support land management. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Mary Muckenhirn Stewardship Endowment Fund and the Sanctuaries Fund may be increased by contributions from donors, amounts designated by the board of directors, and investment return.

Madison Audubon is subject to Wisconsin's Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Those net assets also are subject to purpose restrictions that must be met before reclassifying them to net assets without donor restrictions. The board of directors of Madison Audubon has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment fund, Madison Audubon considers the fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be

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NOTE 13—ENDOWMENTS (continued)

maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Madison Audubon has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, Madison Audubon considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of Madison Audubon and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Madison Audubon, and (7) Madison Audubon's investment policies.

Madison Audubon established a fund at the Natural Resources Foundation of Wisconsin to invest its endowment assets. The agreement between Madison Audubon and the Foundation states that the transfer of assets is irrevocable and that the transferred assets will not be returned to Madison Audubon. However, the Foundation will make annual distributions of the income earned on the fund subject to the Foundation's spending policy. The agreement also grants variance power to the Foundation, which permits the Foundation to substitute another beneficiary in place of Madison Audubon if Madison Audubon ceases to exist or if the Foundation's board of governors votes that support of Madison Audubon either is no longer necessary or is inconsistent with the needs of the community.

The Foundation's primary investment goal is to deliver long-term investment returns sufficient to cover both spending and inflation to preserve the purchasing power of the investment portfolio. The Foundation seeks to achieve this goal through implementation at an appropriate level of risk, diversification of asset classes and strategies to provide consistent returns, capital preservation in down market cycles to provide stability in spending support, and long-term capital appreciation.

Madison Audubon has adopted investment and spending policies for endowment assets held by Madison Audubon that attempt to provide a predictable stream of funding land management while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of Madison Audubon's work while assuming a moderate level of investment risk.

Endowment net asset composition by type of fund as of December 31, 2022, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 190,390	\$ -	\$ 190,390
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	60,478	60,478
Accumulated investment gains	-	14,447	14,447
Total funds	<u>\$ 190,390</u>	<u>\$ 74,925</u>	<u>\$ 265,315</u>

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NOTE 13—ENDOWMENT (continued)

Endowment net asset composition by type of fund as of December 31, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 234,634	\$ -	\$ 234,634
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	60,478	60,478
Accumulated investment gains	-	31,892	31,892
Total funds	\$ 234,634	\$ 92,370	\$ 327,004

Changes in endowment net assets for the years ended December 31, 2022 and 2021, are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 234,634	\$ 92,370	\$ 327,004
Investment return, net	(30,894)	(12,291)	(43,185)
Change in value of beneficial interest	(4,619)	(1,680)	(6,299)
Amounts appropriated for expenditure	(8,731)	(3,474)	(12,205)
Endowment net assets at end of year	\$ 190,390	\$ 74,925	\$ 265,315
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 206,838	\$ 81,658	\$ 288,496
Investment return, net	32,684	13,003	45,687
Change in value of beneficial interest	2,626	698	3,324
Amounts appropriated for expenditure	(7,514)	(2,989)	(10,503)
Endowment net assets at end of year	\$ 234,634	\$ 92,370	\$ 327,004