

POTOMAC VALLEY AUDUBON SOCIETY, INC.

FINANCIAL STATEMENTS

For the Years Ended August 31, 2025 and 2024

POTOMAC VALLEY AUDUBON SOCIETY, INC.

As of August 31, 2025

Sandy Brown - President
Theresa Trainor - Vice President
Dana Fogle - Treasurer
Patti Mulkeen-Corley - Secretary
Mike Sullivan - Past President
Janet Ady
Peggy Bowers
Jim Cummins
Than Hitt
Pete Mulford
Mary Lynn Robinson
Michael Rock
Carolyn Thomas
Keith Unger
Jean Neely (Board Member Emeritus)

POTOMAC VALLEY AUDUBON SOCIETY, INC.
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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors of
Potomac Valley Audubon Society, Inc.
Charles Town, West Virginia

Opinion

We have audited the accompanying financial statements of Potomac Valley Audubon Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2025 and 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of Potomac Valley Audubon Society, Inc. as of August 31, 2025 and 2024, and the changes in its net assets and its cash flows for the then years ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Potomac Valley Audubon Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Potomac Valley Audubon Society, Inc. as of August 31, 2024, were audited by other auditors whose report dated November 7, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Potomac Valley 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 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 Potomac Valley 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 Potomac Valley 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.

Decker & Company PLLC

Martinsburg, West Virginia
October 31, 2025

POTOMAC VALLEY AUDUBON SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2025 and 2024

| | 2025 | 2024 |
|---------------------------------------------|--------------|--------------|
| Assets | | |
| Cash and cash equivalents | \$ 472,092 | \$ 313,696 |
| Investments | 106,964 | - |
| Pledge receivable, net | 47,460 | 72,460 |
| Prepaid expenses | 17,582 | 17,457 |
| Total current assets | 644,098 | 403,613 |
| Property and Equipment | | |
| Construction in progress | 21,963 | 48,882 |
| Land, buildings and improvements | 725,293 | 663,474 |
| Furniture and equipment | 260,297 | 247,912 |
| Less accumulated depreciation | (262,902) | (236,761) |
| Property and equipment, net | 744,651 | 723,507 |
| Other Assets | | |
| Real estate held for sale | - | 802,643 |
| Beneficial interest in assets held by EWVCF | 11,819 | 9,922 |
| Total other assets | 11,819 | 812,565 |
| Total assets | \$ 1,400,568 | \$ 1,939,685 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 1,387 | \$ 5,206 |
| Accrued expenses | 13,094 | 30,506 |
| Security deposit held | 400 | - |
| Deferred revenue | 15,000 | - |
| Notes payable | 2,830 | 505,660 |
| Total liabilities | 32,711 | 541,372 |
| Net Assets | | |
| Without donor restrictions | 647,813 | 644,668 |
| With donor restrictions | 720,044 | 753,645 |
| Total net assets | 1,367,857 | 1,398,313 |
| Total liabilities and net assets | \$ 1,400,568 | \$ 1,939,685 |

The accompanying notes are an integral part of these financial statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2025

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--------------------------------------------|-------------------------------------------|------------------------------------|---------------------|
| Support and Revenue | | | |
| Contributions: | | | |
| Contributions | \$ 251,705 | \$ 910 | \$ 252,615 |
| Federal, state and local grants | 82,601 | 12,574 | 95,175 |
| Contributed nonfinancial assets | 35,856 | | 35,856 |
| Program fees | 156,883 | - | 156,883 |
| Special events, net of expenses of \$3,591 | 24,243 | - | 24,243 |
| Other revenue | 20,606 | - | 20,606 |
| Investment income | 19,012 | - | 19,012 |
| Membership dues | 15,845 | - | 15,845 |
| Rental income | 8,509 | - | 8,509 |
| Loss on disposal of equipment | (495) | | (495) |
| Loss on sale of real estate | (1,684) | - | (1,684) |
| Net assets released from restrictions | 47,085 | (47,085) | - |
| | <u>660,166</u> | <u>(33,601)</u> | <u>626,565</u> |
| Total revenue | | | |
| Expenses | | | |
| Program services | 471,138 | - | 471,138 |
| Management and general | 141,155 | - | 141,155 |
| Fundraising | 44,728 | - | 44,728 |
| | <u>657,021</u> | <u>-</u> | <u>657,021</u> |
| Total expenses | | | |
| Change in net assets | 3,145 | (33,601) | (30,456) |
| Net Assets | | | |
| Beginning of Year | <u>644,668</u> | <u>753,645</u> | <u>1,398,313</u> |
| End of Year | <u>\$ 647,813</u> | <u>\$ 720,044</u> | <u>\$ 1,367,857</u> |

The accompanying notes are an integral part of these financial statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------------------|----------------------------------|----------------------------|---------------------|
| Support and Revenue | | | |
| Contributions: | | | |
| Contributed nonfinancial assets, as restated | \$ 249,377 | \$ 115,000 | \$ 364,377 |
| Contributions | 202,182 | 7,220 | 209,402 |
| Federal, state and local grants | 76,445 | 3,940 | 80,385 |
| Program fees | 154,493 | - | 154,493 |
| Special events, net of expenses of \$9,669 | 35,194 | - | 35,194 |
| Membership dues | 14,254 | - | 14,254 |
| Other revenue | 14,203 | - | 14,203 |
| Investment income | 9,520 | - | 9,520 |
| Rental income | 8,213 | - | 8,213 |
| Net assets released from restrictions | 32,915 | (32,915) | - |
| | <u>796,796</u> | <u>93,245</u> | <u>890,041</u> |
| Total revenue, as restated | | | |
| Expenses | | | |
| Program services | 401,555 | - | 401,555 |
| Management and general | 150,817 | - | 150,817 |
| Fundraising | 32,136 | - | 32,136 |
| | <u>584,508</u> | <u>-</u> | <u>584,508</u> |
| Total expenses | | | |
| Change in net assets, as restated | 212,288 | 93,245 | 305,533 |
| Net Assets | | | |
| Beginning of Year | <u>432,380</u> | <u>660,400</u> | <u>1,092,780</u> |
| End of Year, as restated | <u>\$ 644,668</u> | <u>\$ 753,645</u> | <u>\$ 1,398,313</u> |

The accompanying notes are an integral part of these financial statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2025

| <u>Expense</u> | <u>Nature Preservation</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-----------------------------------|--------------------------------|-----------------------------------|--------------------|-------------------|
| Salaries, wages and payroll taxes | \$ 266,653 | \$ 49,997 | \$ 16,666 | \$ 333,316 |
| AmeriCorps administrative fees | 64,875 | - | - | 64,875 |
| In-kind goods and services | 21,006 | - | 14,850 | 35,856 |
| Employee benefits | 27,982 | 5,247 | 1,749 | 34,978 |
| Depreciation | - | 26,570 | - | 26,570 |
| Contract labor | 17,494 | 7,600 | - | 25,094 |
| Insurance | - | 20,835 | - | 20,835 |
| Accounting fees | - | 17,505 | - | 17,505 |
| Transportation and travel | 14,536 | 587 | 186 | 15,309 |
| Supplies | 13,989 | 294 | 108 | 14,391 |
| Printing and publication | 4,448 | 279 | 6,715 | 11,442 |
| Interest | 9,219 | - | - | 9,219 |
| Utilities | 9,039 | 37 | - | 9,076 |
| Licenses and fees | 5,577 | 1,843 | 1,517 | 8,937 |
| Website | 2,099 | 6,120 | 595 | 8,814 |
| Other expenses | 5,117 | 856 | 1,607 | 7,580 |
| Land and facility management | 5,060 | 40 | - | 5,100 |
| Conferences and training | 3,807 | 797 | 108 | 4,712 |
| Postage and shipping | 198 | 2,548 | 627 | 3,373 |
| Advertising | 39 | - | - | 39 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Expenses | <u>\$ 471,138</u> | <u>\$ 141,155</u> | <u>\$ 44,728</u> | <u>\$ 657,021</u> |

The accompanying notes are an integral part of these financial statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2024

| Expense | Nature Preservation | Management and General | Fundraising | Total |
|-----------------------------------|------------------------|---------------------------|------------------|-------------------|
| Salaries, wages and payroll taxes | \$ 249,288 | \$ 46,741 | \$ 15,580 | \$ 311,609 |
| In-kind goods and services | 20,904 | - | 14,473 | 35,377 |
| AmeriCorps administrative fees | 28,000 | - | - | 28,000 |
| Employee benefits | - | 32,175 | - | 32,175 |
| Depreciation | - | 25,805 | - | 25,805 |
| Contract labor | 23,094 | - | 1,269 | 24,363 |
| Other expenses | 17,888 | 89 | - | 17,977 |
| Insurance | - | 17,214 | - | 17,214 |
| Accounting Fees | - | 16,269 | - | 16,269 |
| Supplies | 13,080 | 1,218 | - | 14,298 |
| Land and facility management | 13,051 | 81 | - | 13,132 |
| Transportation and travel | 10,696 | 516 | 814 | 12,026 |
| Utilities | 8,486 | 385 | - | 8,871 |
| Website | 1,263 | 6,484 | - | 7,747 |
| Licenses and fees | 6,107 | 803 | - | 6,910 |
| Printing and publication | 3,857 | 257 | - | 4,114 |
| Conferences and training | 2,862 | 1,111 | - | 3,973 |
| Interest | 1,962 | 18 | - | 1,980 |
| Postage and shipping | 268 | 1,651 | - | 1,919 |
| Advertising | 749 | - | - | 749 |
| Total Expenses | \$ 401,555 | \$ 150,817 | \$ 32,136 | \$ 584,508 |

The accompanying notes are an integral part of these financial statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--------------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Changes in net assets | \$ (30,456) | \$ 305,533 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Contributed nonfinancial asset - real estate | - | (329,000) |
| Depreciation | 26,570 | 25,805 |
| Unrealized (gain) on beneficial interest in asset held by EWVCF | (789) | (1,194) |
| Unrealized (gain) on investments | (6,964) | - |
| Loss on disposal of real estate | 1,684 | - |
| Loss on disposal of equipment | 495 | - |
| Changes in assets and liabilities | | |
| (Increase) decrease in pledge receivable | 25,000 | (1,487) |
| (Increase) in prepaid expenses | (125) | (2,730) |
| Decrease in other assets | - | 786 |
| Increase (decrease) in accounts payable and accrued expenses | (21,231) | 23,475 |
| Increase (decrease) in security deposit held | 400 | (500) |
| Increase in deferred revenue | 15,000 | - |
| | 9,584 | 20,688 |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (101,108) | - |
| Purchase of property and equipment | (48,209) | (113,556) |
| Proceeds from sale of real estate, net | 800,959 | - |
| Purchase of real estate held for investment | - | (16,686) |
| | 651,642 | (130,242) |
| Net cash provided (used) by investing activities | | |
| Cash Flows from Financing Activities | | |
| Payments on note payables | (502,830) | - |
| | (502,830) | - |
| Net cash provided (used) by financing activities | | |
| | 158,396 | (109,554) |
| Net change in cash | | |
| Cash and Cash Equivalents | | |
| Beginning of year | 313,696 | 423,250 |
| End of year | \$ 472,092 | \$ 313,696 |
| Supplemental Disclosures of Cash Flow Information | | |
| Purchase of real estate with issuance of notes payable | \$ - | \$ 500,000 |

The accompanying notes are an integral part of these financial statements.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended August 31, 2025 and 2024

NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Potomac Valley Audubon Society, Inc. (“Organization”) is a not-for-profit corporation incorporated under the laws of West Virginia on August 2, 1982. The Organization is a chapter of the National Audubon Society.

The Potomac Valley Audubon Society serves a largely rural, though rapidly growing area that includes Jefferson, Berkeley and Morgan counties in West Virginia and Washington County, Maryland. The Organization is dedicated to preserving, restoring and enjoying the natural world through education and action. It owns two nature preserves, and also co-manages two additional nature preserves with The Nature Conservancy. The Organization offers educational programming for children and adults. Its programming for adults includes a West Virginia Master Naturalist Program training, workshops, lectures, and field trips that are open to everyone in the community. No other local organization is providing the same range of services on the same scale.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the net assets, revenues, and expenses of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Contributions are generally available for use unless specifically restricted by the donor. Unconditional promises to give are recognized when the donor makes a promise to give to the Organization.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received, if subject to reasonable estimation.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2025 and 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

The Organization recognizes revenue in accordance with ASC Topic 606. This standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Nature of Products and Services

Program fees, special events, rental income, and other revenue are considered exchange transactions and are recognized at the point in time the goods and services are provided.

Membership dues received by the Organization are considered contributions as benefits are considered insubstantial. Membership revenue is recognized by the Organization when received.

Transaction Price

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the customer.

Contract Balance

Funds received by the Organization relating to revenue generating activities of future reporting periods would be recorded as a contract liability (deferred revenue) on the statements of financial position. The Organization does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as of August 31, 2025 and 2024.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the report period. Accordingly, actual results could differ from those estimates.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2025 and 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly-liquid investments which are readily convertible into cash within ninety (90) days of purchase. For financial reporting purposes, management considers all certificates of deposit regardless of maturity, to be cash equivalents. The Organization's cash account are maintained in two commercial banks, which, at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

Property and Equipment

Purchases of property and equipment having a unit cost of \$500 or more and an estimated useful life of more than one year are capitalized at cost. Donated assets are capitalized at the estimated fair market value at the time of receipt. Certain donated services are capitalized as improvements when those services enhance the value of the assets. In the absence of donor imposed restrictions on the use of the assets, gifts of long-lived assets are reported as net assets without donor restrictions.

Depreciation and amortization are calculated using the straight-line method based upon the estimated useful lives of the assets as follows:

| | |
|--------------------------------|----------|
| Buildings and improvements | 25 Years |
| Land improvements | 15 Years |
| Furniture and office equipment | 5 Years |
| All other equipment | 3 Years |

Real Estate Held for Sale

In April 2024, the Organization purchased 18 acres of land with a residential dwelling with an appraised value of \$879,000 for a contract price of \$550,000. The difference between the appraised value and contract price of \$329,000 was recorded as contributed nonfinancial assets in the statement of activities and included in the cost of real estate held for sale and land, buildings and improvements in the statement of financial position. The Organization planned to retain 11 acres and sell 7 acres which included a residential dwelling. Management had the entire property appraised and the 7 acres to be sold appraised. The cost of the real estate was allocated proportionally based on the total appraised value and the appraised value of the 7- acre parcel. The 7-acre parcel was sold in November 2024 for \$807,500, resulting in a loss of \$1,684.

Leases

The Organization follows FASB ASC Topic 842 for determining when to recognize right-of-use (ROU) assets and lease liabilities in the statement of financial position. As of August 31, 2025 and 2024, the Organization has no lease arrangements that require recognition of ROU assets and liabilities.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2025 and 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets

During the years ended August 31, 2025 and 2024, the value of contributed goods, services, and real estate meeting the requirements for recognition in the financial statements was \$35,856 and \$364,377, respectively. In 2024, the Organization purchased 17 acres at a reduced price. The value of the discounted real estate accounts for the significant increase in non-financial contributions that year. Other contributed nonfinancial assets include auction items and other miscellaneous items for fundraising events and programs. The assets are recorded at the respective fair values of the goods or services received. The Organization also receives rent-free space at various locations, which it uses for meetings.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization received approximately 3,642 and 8,188 volunteer hours during the years ended August 31, 2025 and 2024, respectively.

Effective November 3, 2008, the Organization received, by way of gift, from The Nature Conservancy, two tracts of land totaling approximately 8.5 acres. The land, which was valued at \$16,940, is located in Morgan County, West Virginia. As a condition of the gift, the land must forever be held for scientific, educational and aesthetic purposes and must be kept entirely in its natural state except for a set of specified improvements to facilitate educational programming.

The Organization on August 30, 2011 received, by way of gift, land totaling 45.726 acres located in Berkeley County, West Virginia. The land, known as Stauffer's Marsh, is valued at \$86,879. The property is currently under a conservation easement with the USDA and requires the Organization to maintain the property including the dam, inlet, waste weir, and spillway along with maintaining the native species of plants on the property.

On September 30, 2016, the Organization received a large donation of land and buildings located in Charles Town, West Virginia, known as Cool Spring Preserve, which encompasses 12 acres of fields and woodland. The Organization has designated the land as a nature preserve and has donated a permanent conservation easement over much of the property to the West Virginia Land Trust.

On February 19, 2020, the Organization received a donation of land adjacent to the Cool Spring Preserve which encompasses approximately 50 acres. The property was valued at \$150,000 at the time of donation and is restricted for agricultural activities and passive recreation uses through an easement with the WV Land Trust.

Expenses by Nature and Function

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included personnel costs, which are allocated on the basis of time and effort studies, as well as other expenses which are allocated on a specific identification of purpose and use when possible.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2025 and 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from income tax under Section 501c(3) of the U.S. Internal Revenue Code (Code) and comparable State law, and contributions to it are tax deductible within the limitations as prescribed by the Code. The Organization has been classified as publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Internal Revenue Service has not examined (audited) any income tax return of the Organization thus the previous three (3) years are subject to examination. The Organization has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501c(3) status.

Allowance for Credit Losses

The Organization follows FASB Topic ASC 326, *Financial Instruments - Credit Losses* for determining the measurement of expected credit losses under the current expected credit loss (CECL) methodology. Management has determined that CECL allowance is not considered necessary for the years ended August 31, 2025 and 2024.

Reclassifications

Certain items in the prior year financial statements were reclassified to conform to the current year presentation. Reclassification had no effect on prior year change in net assets and net position.

PRIOR PERIOD ADJUSTMENT - RESTATEMENT OF RESTRICTION

Revenues recorded for the fiscal year ended August 31, 2024, have been restated to correct an error from this period with regards to restricted nonfinancial contributions of \$115,000 that were originally recorded as unrestricted. Unrestricted contributed nonfinancial assets, unrestricted change in net assets, and end of year unrestricted net assets decreased by \$115,000, and restricted contributed nonfinancial assets, restricted change in net assets, and end of year restricted net assets increased by \$115,000. The error had no effect on total change in net assets, total assets, or total net assets for the years ended August 31, 2024 or 2025.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2025 and 2024

MANAGEMENT AGREEMENTS

Yankauer Preserve

On January 17, 2017, the Organization entered into a five-year agreement with The Nature Conservancy (“TNC”) to co-manage the property known as the Yankauer Preserve located in Berkeley County, West Virginia. The agreement requires the Organization to maintain public liability insurance in the amount of \$1,000,000 per occurrence for claims of injury to individuals and \$500,000 per occurrence for all claims for damages to or loss of property occurring on the Preserve. The Organization is responsible for the day-to-day maintenance of the Preserve to fulfill the combined mission of the Organization and TNC. On January 31, 2023, the agreement was renewed through January 31, 2028.

MANAGEMENT AGREEMENTS (CONTINUED)

Eidolon Preserve

On October 16, 2006, the Organization entered into a five-year agreement with The Nature Conservancy (“TNC”) to co-manage the property known as the Eidolon Preserve located in Morgan County, West Virginia. The agreement requires the Organization to maintain public liability insurance in the amount of \$1,000,000 per occurrence for claims of injury to individuals and \$500,000 per occurrence for all claims for damages to or loss of property occurring on the Preserve. The Organization is responsible for the day-to-day maintenance of the Preserve to fulfill the combined mission of the Organization and TNC. The agreement has been continually renewed and currently expires on June 30, 2029.

The Organization entered into a contract with The Nature Conservancy (“TNC”) whereby TNC would use Eidolon Nature Preserve endowment proceeds to reimburse the Organization for actual costs of materials, supplies and other out-of-pocket expenses incurred in connection with the management of the Eidolon Preserve. Reimbursements for these purposes would be governed by annual, full-year contracts that ran from July 1 through June 30 each year, with the amounts available for reimbursement each year depending upon endowment returns, and with any unused funds carrying over and remaining available to the Organization.

AVAILABILITY OF FINANCIAL ASSETS

At August 31, 2025, the Organization had \$626,516 of financial assets available within one year of the statement of position date to meet cash needs for general expenditures. The financial assets consisted of \$472,092 of cash, \$106,964 of investments, and \$47,460 of receivables, of which \$91,225 were subject to donor restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. As part of the liquidity, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. Should an unforeseen liquidity need arise, the Organization would seek funding from grants and the general public.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2025 and 2024

BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization is the beneficiary of the Potomac Valley Audubon Society endowment fund held by the Eastern West Virginia Community Foundation. The agency portion of this endowment fund was valued at \$11,819 and \$9,922 as August 31, 2025 and 2024, respectively. The funds are intended as perpetual endowments for charitable purposes and are dedicated to the payment of grants from time to time as calculated under the Foundation's spending policy. The funds are subject to the terms and provisions of the articles of incorporation and bylaws of the Foundation including the ability of the Board of Directors of the Foundation to modify any restriction or condition on the distribution of funds for any specified charitable purpose or purposes or to a specified charitable organization or organizations if in the sole judgement of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. In the event the Organization has an emergency need, the Foundation upon written request of the Organization's Board of Directors may, in its discretion, make an excess distribution from the fund provided that only one such excess distribution may be made annually and at least \$5,000 must remain in the fund after such excess distribution.

PLEDGE RECEIVABLE

The Organization had an outstanding pledge receivable of \$47,460 and \$72,460 as of August 31, 2025 and 2024, respectively. The pledge is expected to be received in annual payments of \$25,000 through the year ending August 31, 2027. The present value discount was \$2,540 and \$2,540 at August 31, 2025 and 2024, respectively. The discount rate was 3.4%.

NOTES PAYABLE

During the year ended August 31, 2021, the Organization entered into a note payable agreement for the purchase of equipment. The terms of the agreement require five annual payments of \$2,830 with 0% interest until September 2025. The outstanding balance was \$2,830 at August 31, 2025 and 2024.

On April 15, 2024, the Organization entered into two notes payable agreements for \$250,000 each for the purchase of real estate. The terms of each note require one payment of principal and interest of 8.0% at maturity on April 15, 2025. These notes were paid off with the sale of real estate in November 2024.

The aggregate future principal maturities on notes payable are as follows:

Year Ending August 31:

| | |
|-------|------------------------|
| 2026 | \$ <u>2,830</u> |
| Total | \$ <u><u>2,830</u></u> |

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2025 and 2024

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of August 31, 2025 and 2024, respectively:

| | 2025 | 2024 |
|-----------------------------------------------------------------------------------------------------------|-------------------|-------------|
| Subject to expenditure for specified purpose: | | |
| Conservation | \$ 5,231 | \$ 15,231 |
| Eidolon Preserve | 7,839 | 7,839 |
| Liz Neely Education Fund | 4,002 | 6,002 |
| Outdoor Classroom/Patio Roof | - | 4,445 |
| Audubon in Action Grant (Easement) | 7,494 | - |
| Other | 19,199 | 18,849 |
| | 43,765 | 52,366 |
| Subject to the passage of time: | | |
| Promises to give that are not restricted by donor, but which are unavailable for expenditure until due | 47,460 | 72,460 |
| Perpetual in nature (land, buildings, and improvements): | | |
| The Nature Conservancy | 16,940 | 16,940 |
| Stauffer's Marsh | 86,879 | 86,879 |
| Cool Spring | 150,000 | 150,000 |
| CraftWorks at Cool Spring | 260,000 | 260,000 |
| Lloyd Road | 115,000 | 115,000 |
| | 628,819 | 628,819 |
| Net Assets With Donor Restrictions | \$ 720,044 | \$ 753,645 |

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

| | 2025 | 2024 |
|---------------------------------------|------------------|-------------|
| Expiration of time restrictions | \$ 25,000 | \$ 2,540 |
| Satisfaction of purpose restrictions: | | |
| Conservation | 10,000 | 10,000 |
| Liz Neely Education Fund | 2,000 | 2,000 |
| Outdoor Classroom/Patio Roof | 4,445 | 10,555 |
| Other | 5,640 | 7,820 |
| | 22,085 | 30,375 |
| Net Assets Released from Restrictions | \$ 47,085 | \$ 32,915 |

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2025 and 2024

BOARD DESIGNATED NET ASSETS

The Organization has board designated net assets as of August 31:

| | 2025 | 2024 |
|------------------------|-------------------|-------------------|
| Reserve Fund | \$ 150,000 | \$ 140,000 |
| Opportunity Fund | 125,000 | 68,006 |
| Master Naturalist Fund | 11,677 | 9,616 |
| Monarch Alliance Fund | 22,195 | 21,406 |
| | \$ 308,872 | \$ 239,028 |

The Reserve Fund has been set aside to stabilize the Organization’s finances by providing funds for unexpected events, losses of income, and large unanticipated expenses. The Opportunity Fund is a reserve intended to allow the Organization to provide seed funding for a new idea or special opportunity. The intent of the Board is that drawdowns these funds would be replenished within a reasonable period of time. The Master Naturalist Fund and Monarch Alliance Fund are specifically designated for specific programs that operate semi-independently from the Organization staff but rely on the Organization as a fiscal agent.

FAIR VALUES OF FINANCIAL INSTRUMENTS

In determining fair value, the Organization uses the valuation approaches within FASB codification 820, Fair Value Measurements. As defined in Fair Value Measurements, 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 (exit price). Management utilizes market data or assumptions that market participants would use in pricing the asset and liability, including assumptions about risks inherent in the inputs to the valuation technique.

Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), quoted prices for similar assets or liabilities in active or inactive markets either observable or corroborated by observable market data (level 2), and the lowest priority to unobservable inputs (level 3 measurements).

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2025.

| | Total | Level 1 | Level 2 | Level 3 |
|---------------------------------------------------------------|--------------|----------------|----------------|----------------|
| Beneficial interest in assets held by EWVCF (Mutual Funds) | \$ 11,819 | \$ 11,819 | \$ - | \$ - |
| Investments (Mutual Funds) | \$ 106,964 | \$ 106,964 | \$ - | \$ - |

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2025 and 2024

FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2024.

| | Total | Level 1 | Level 2 | Level 3 |
|---------------------------------------------------------------|-----------------|-----------------|-------------|-------------|
| Beneficial interest in assets held by EWVCF (Mutual Funds) | \$ <u>9,922</u> | \$ <u>9,922</u> | \$ <u>-</u> | \$ <u>-</u> |

CONTRIBUTED NONFINANCIAL ASSETS

For the years ended August 31, 2025 and 2024, contributed nonfinancial assets recognized within the statements of activities included the following:

| | 2025 | 2024 |
|--------------------------|------------------|------------|
| Advertising | \$ 500 | \$ 4,200 |
| Donated use of space | 17,028 | 17,037 |
| Equipment use and repair | 2,550 | 429 |
| Food and snacks | 600 | 1,065 |
| Other goods | 1,658 | 3,038 |
| Other services | 1,750 | 100 |
| Printing services | 250 | 250 |
| Real estate | - | 329,000 |
| | 24,336 | 355,119 |
| Donated auction items | 11,520 | 9,258 |
| | \$ 35,856 | \$ 364,377 |

Advertising is valued based on rates for similar services.

Equipment use and repair, food and snacks, other goods, and other services are valued using estimated prices of identical or similar products using the "like-kind" methodology considering the condition and utility for use at the time of the contribution.

Real estate value is calculated by subtracting the contract purchase price from the appraised value to determine the contributed amount.

Donated auction items were valued at the sale price received during the auction on the day of the event.

Donated use of space is used for meetings and is recognized at fair value based on current rental rates for similar space.

POTOMAC VALLEY AUDUBON SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2025 and 2024

CONTRIBUTED NONFINANCIAL ASSETS (Contributed)

When contributed nonfinancial assets are monetized, a gain or loss is recognized for the difference in the sales price and recorded cost except for donated auction items.

Unrestricted gifts in-kind received during the years ended August 31, 2025 and 2024, excluding real estate, were used by the Organization as follows:

| | <u>2025</u> | <u>2024</u> |
|------------------------|------------------|------------------|
| Program services | \$ 21,006 | \$ 20,904 |
| Management and General | - | - |
| Fundraising | <u>14,850</u> | <u>14,473</u> |
| | <u>\$ 35,856</u> | <u>\$ 35,377</u> |

RETIREMENT PLAN

The Organization offers a SIMPLE IRA plan which covers part-time and full-time employees (more than 15 hours per week) who elect to participate in the plan. The Organization contributes a match of up to 3% of annual compensation. The Organization contributed \$7,792 and \$6,775 to the plan for the years ended August 31, 2025 and 2024, respectively.

SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 31, 2025, the date the financial statements were available to be issued. The Organization has determined there are no subsequent events that require recognition in the financial statements.