

Hawk Mountain Sanctuary Association

Financial Statements

March 31, 2023 and 2022

Hawk Mountain Sanctuary Association

Table of Contents

March 31, 2023 and 2022

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Independent Auditors' Report

To the Board of Directors of
Hawk Mountain Sanctuary Association

Opinion

We have audited the financial statements of Hawk Mountain Sanctuary Association, a not-for-profit organization, which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, changes in net assets 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 Hawk Mountain Sanctuary Association as of March 31, 2023 and 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hawk Mountain Sanctuary Association 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 Hawk Mountain Sanctuary Association's ability to continue as a going concern within 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 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 Hawk Mountain Sanctuary Association'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 Hawk Mountain Sanctuary Association'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.

Baker Tilly US, LLP

Lancaster, Pennsylvania
June 28, 2023

Hawk Mountain Sanctuary Association

Statements of Financial Position

March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,489,273	\$ 2,048,919
Inventories	118,976	91,689
Other current assets	<u>124,264</u>	<u>70,811</u>
Total current assets	<u>1,732,513</u>	<u>2,211,419</u>
Noncurrent Assets		
Investments	15,940,232	16,816,984
Land, buildings and equipment, net	6,564,842	6,822,624
Cash restricted and designated for Capital Campaign	76,448	129,472
Cash restricted and designated for land acquisition	<u>267,849</u>	<u>269,645</u>
Total noncurrent assets	<u>22,849,371</u>	<u>24,038,725</u>
Total assets	<u>\$ 24,581,884</u>	<u>\$ 26,250,144</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 26,854	\$ 3,247
Deferred revenue, grants	102,131	32,207
Deferred revenue, membership	272,000	339,000
Other current liabilities	<u>38,184</u>	<u>74,761</u>
Total liabilities	<u>439,169</u>	<u>449,215</u>
Net Assets		
Without donor restrictions:		
Operating	6,816,486	7,364,904
Designated by Board of Directors	<u>5,731,814</u>	<u>5,340,446</u>
Total net assets without donor restrictions	12,548,300	12,705,350
With donor restrictions	<u>11,594,415</u>	<u>13,095,579</u>
Total net assets	<u>24,142,715</u>	<u>25,800,929</u>
Total liabilities and net assets	<u>\$ 24,581,884</u>	<u>\$ 26,250,144</u>

See notes to financial statements

Hawk Mountain Sanctuary Association

Statements of Activities

Years Ended March 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Gains						
Membership dues	\$ 504,112	\$ -	\$ 504,112	\$ 390,651	\$ -	\$ 390,651
Admission charges	313,389	-	313,389	325,623	-	325,623
Bookstore sales, less cost of sales 2023 \$132,861; 2022 \$136,089	110,959	-	110,959	110,106	-	110,106
Fees and other income	363,348	-	363,348	288,813	-	288,813
Other grants	78,568	-	78,568	56,826	-	56,826
Contributions	1,109,171	351,664	1,460,835	1,288,338	492,610	1,780,948
Investment return designated for current operations	128,650	481,794	610,444	95,148	445,097	540,245
Investment return, greater than (less than) amounts designated for current operations, less fees of 2023 \$36,564; 2022 \$40,577	(390,345)	(1,319,564)	(1,709,909)	(17,694)	(156,501)	(174,195)
Total revenue and gains	2,217,852	(486,106)	1,731,746	2,537,811	781,206	3,319,017
Net Assets Released From Restrictions						
Program services	993,819	(993,819)	-	887,130	(887,130)	-
Fundraising expenses	12,629	(12,629)	-	10,281	(10,281)	-
Capital projects	8,610	(8,610)	-	25,264	(25,264)	-
Total net assets released from restrictions	1,015,058	(1,015,058)	-	922,675	(922,675)	-
Total revenue and gains, net of net assets released from restrictions	3,232,910	(1,501,164)	1,731,746	3,460,486	(141,469)	3,319,017
Expenses						
Program services:						
Education	560,123	-	560,123	502,366	-	502,366
Conservation science	1,157,873	-	1,157,873	961,389	-	961,389
Communications	187,738	-	187,738	184,446	-	184,446
Operations	653,696	-	653,696	587,166	-	587,166
Bookstore	206,044	-	206,044	168,935	-	168,935
Supporting services:						
Administration	180,431	-	180,431	204,905	-	204,905
Fundraising	266,433	-	266,433	246,024	-	246,024
Membership	177,622	-	177,622	164,016	-	164,016
Total expenses	3,389,960	-	3,389,960	3,019,247	-	3,019,247
Increase (decrease) in net assets	\$ (157,050)	\$ (1,501,164)	\$ (1,658,214)	\$ 441,239	\$ (141,469)	\$ 299,770

See notes to financial statements

Hawk Mountain Sanctuary Association

Statements of Changes in Net Assets
Years Ended March 31, 2023 and 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Net Assets, April 1, 2021	\$ 12,264,111	\$ 13,237,048	\$ 25,501,159
Increase (decrease) in net assets	<u>441,239</u>	<u>(141,469)</u>	<u>299,770</u>
Net Assets, March 31, 2022	12,705,350	13,095,579	25,800,929
Decrease in net assets	<u>(157,050)</u>	<u>(1,501,164)</u>	<u>(1,658,214)</u>
Net Assets, March 31, 2023	<u><u>\$ 12,548,300</u></u>	<u><u>\$ 11,594,415</u></u>	<u><u>\$ 24,142,715</u></u>

See notes to financial statements

Hawk Mountain Sanctuary Association

Statements of Cash Flows

Years Ended March 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
(Decrease) increase in net assets	\$ (1,658,214)	\$ 299,770
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	268,299	283,635
Net realized gains on investments	(124,107)	(576,580)
Net unrealized losses on investments	1,628,568	840,345
Contributions restricted for endowment	(9,500)	(35,750)
Contributions restricted for Capital Campaign	(38,122)	(35,000)
Contributions restricted for land acquisition	-	(24,048)
(Increase) decrease in operating assets:		
Inventories	(27,287)	(5,680)
Other current assets	(53,453)	3,488
Increase (decrease) in operating liabilities:		
Accounts payable	23,607	(4,611)
Deferred revenue, grants	69,924	17,007
Deferred revenue, membership	(67,000)	49,000
Other current liabilities	(36,577)	22,525
Net cash (used in) provided by operating activities	(23,862)	834,101
Cash Flows From Investing Activities		
Purchase and construction of buildings and equipment	(10,517)	(165,941)
Proceeds from sale of investments	931,430	6,374,098
Purchase of investments	(1,559,139)	(7,077,025)
Net cash used in investing activities	(638,226)	(868,868)
Cash Flows From Financing Activities		
Proceeds from contributions restricted for land acquisition	-	24,048
Proceeds from contributions restricted for endowment	9,500	35,750
Proceeds from Capital Campaign pledges	38,122	35,000
Net cash provided by financing activities	47,622	94,798
Net (decrease) increase in cash, cash equivalents and restricted cash and cash equivalents	(614,466)	60,031
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	2,448,036	2,388,005
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	\$ 1,833,570	\$ 2,448,036

See notes to financial statements

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

1. Nature of Activities

Hawk Mountain Sanctuary Association (the Association) was created by Rosalie Edge in 1934 and incorporated in Pennsylvania on May 2, 1938 as a nonprofit. The Association is the world's first sanctuary for birds of prey. Its primary activities are to establish and maintain preserves for the conservation and protection of wildlife, and to provide a means of educating the public in matters concerning wildlife. The Association is a nonprofit entity as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 509(a) of the IRC. The Association is supported primarily through membership dues, grants, admission charges and contributions.

2. Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the requirements of Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. This accounting standard requires the Association to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions. The Board of Directors (the Board) may choose to designate certain net assets without 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. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a 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.

Cash and Cash Equivalents

For the purpose of reporting the statements of cash flows, the Association considers highly liquid money market funds available for operations to be cash equivalents. The Association places its cash in high credit quality institutions. The following table provides a reconciliation of cash, cash equivalents and restricted cash and cash equivalents reported within the statements of financial position that sum to the total of the same such amounts showing in the statements of cash flows.

	2023	2022
Cash and cash equivalents	\$ 1,489,273	\$ 2,048,919
Cash restricted and designated for Capital Campaign	76,448	129,472
Cash restricted and designated for land acquisition	267,849	269,645
Total cash, cash equivalents, and restricted cash and cash equivalents	<u>\$ 1,833,570</u>	<u>\$ 2,448,036</u>

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

Inventories

Inventories of materials held for sale are stated at the lower of cost (first-in, first-out method) or net realizable value.

Investments and Investment Risk

The Association carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Investment gains and losses are reported in the statements of activities as increases and decreases in net assets without donor restrictions unless restricted in accordance with donor stipulations.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

Property and Equipment

It is the Association's policy to capitalize land, buildings and equipment additions costing over \$1,000. Lesser amounts are expensed. Purchased land, buildings and equipment is capitalized at cost. Donations of land, buildings and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire land, buildings and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation and amortization is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5-50
Land improvements	20
Equipment	5-10
Vehicles	5
Software	5

Maintenance and repairs of land, buildings and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of land, buildings and equipment, the cost and accumulated depreciation and amortization are eliminated from the accounts and gain or loss is included in income.

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

Impairment of Long-Lived Assets

Management reviews the carrying value of long-lived assets on an ongoing basis. When factors indicate that a long-lived asset may be impaired, management uses an estimate of the undiscounted future cash flows over the remaining life of the asset in measuring whether the long-lived asset is recoverable. If such an analysis indicates that impairment has in fact occurred, the book value of the long-lived asset is written down to its fair value, which it estimates using discounted cash flows. There was no impairment recorded in 2023 or 2022.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to the Association's programs. In accordance with ASC Topic 958-605-50-1B, *Not-for-Profit Entities*, the Association has not recorded the value of the contributed time in the accompanying financial statements.

Contributed Support and Contributions Receivable

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Contributions receivable, if any, are recorded at fair value as revenue on the date the promise to give is irrevocable. Depending on the existence and nature of any donor restrictions, donations are reflected as increases in net assets with or without donor restrictions. There were no contributions receivable recorded at March 31, 2023 and 2022.

The Association estimates the fair value of donations that are expected to be collected after one year using present value techniques and market interest rates in effect on the date of the donation and a related discount is recorded. Discount amortization is included in contribution revenue as the associated pledges reach maturity. Allowances for uncollectible contributions receivable are established based on historical collection rates and specific identification of uncollectible accounts. The fair value of donations that are expected to be collected within one year is estimated at net realizable value.

Revenue Recognition

Membership Dues

The Association recognizes revenue ratably over the membership period. Any portion of the membership fee for future benefits is classified as a contract liability, deferred revenue, membership on the statements of financial position. Prices for membership vary based on the level of membership and the benefits associated with each level. Due to the timeframe of which membership dues are earned, all contract liabilities are earned in the subsequent year.

Admission Charges

The Association recognizes revenue from admissions charges when a customer purchases a trail pass. The price for a trail pass varies based on time of year and age of the customer.

Bookstore Sales

The Association recognizes revenue from bookstore sales at the time of sale. The bookstore includes items for purchase such as clothing, books, toys and snacks. The price varies based on the item purchased.

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

Fees and Other Income

Fees and other income mainly include revenues from programs hosted by the Association and income from the sale of carbon credits. Programs are held throughout the year and can vary from a wide audience with corporate sponsorships to small training events with minimal charges for participation. Revenue from these programs is recognized at the time of the corresponding program is concluded. Any payments received in advance for future programs are classified as deferred revenue on the statements of financial position. There was no deferred fees or other income as of March 31, 2023 and 2022.

The Association owns 2,400 acres of forest that is under a conservation easement which is sequestering carbon. These carbon credits are sold on a private market in which buyers are mostly corporations seeking to improve their public stature by offsetting their business's production of carbon. Credits are marketed and sold to the highest bidder. Price per credit can vary. Revenue from the sale of carbon credits is recognized when the sale occurs.

Grants

Grants are deemed to be nonexchange (nonreciprocal) transactions and fall under the contribution accounting guidance. Under this guidance, revenue related to conditional grants and contracts is recorded when the conditions are met. Most grants are on a cost reimbursement basis and require the Association to incur eligible expenses prior to the release of funds. The Association reports these grants as changes in net assets without donor restrictions when restrictions are met in the same period. Unexpended amounts received but not yet earned are reported as deferred revenue, grants.

The Association applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligation that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with completion of the year ending March 31, 2023.

The Association has disaggregated its various revenue streams on the statements of activities.

Income Taxes

The Association is exempt from taxes on income pursuant to Section 501(c)(3) of IRC. Consequently, the statements of the Association do not reflect any provision for taxes on income.

The Association accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management has determined that there were no tax uncertainties that met the recognition threshold as of March 31, 2023 and 2022.

Advertising and Promotion

The Association expenses advertising and promotion cost as incurred. Total advertising and promotion cost for the years ended March 31, 2023 and 2022 was \$37,284 and \$13,405, respectively.

Concentrations of Credit and Other Risks

Financial instruments which potentially expose the Association to concentrations of credit risk consist primarily of cash and investments. The investments are not insured. Also, at various times during the years, the Association had cash balances in a deposit account with financial institutions in excess of the federally-insured limit. The Association had \$1,608,815 and \$2,373,500 of deposits in excess of federally insured limits as of March 31, 2023 and 2022, respectively.

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

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 the 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 expenses during the reporting period. The most significant estimates affecting the financial statements are the fair value of investments and the useful lives of building and equipment. Actual results could differ from those estimates.

Subsequent Events

The Association has evaluated events and transactions occurring subsequent to the statement of financial position date of March 31, 2023 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 28, 2023, the date these financial statements were available to be issued. All necessary matters identified through this evaluation are properly reflected in these financial statements.

Accounting Standards Adopted in the Current Year

Effective April 1, 2022, the Association adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. This ASU had no impact on the Association's financial statements.

3. Investments

Long-term investments consist of the following at March 31:

	2023		
	Cost	Fair Value	Net Unrealized Appreciation (Depreciation)
Mutual funds:			
Equity funds	\$ 7,451,794	\$ 10,464,924	\$ 3,013,130
Bond funds	6,176,305	5,475,308	(700,997)
	<u>\$ 13,628,099</u>	<u>\$ 15,940,232</u>	<u>\$ 2,312,133</u>
	2022		
	Cost	Fair Value	Net Unrealized Appreciation (Depreciation)
Mutual funds:			
Equity funds	\$ 6,803,849	\$ 11,066,069	\$ 4,262,220
Bond funds	5,955,916	5,634,397	(321,519)
Money market	116,518	116,518	-
	<u>\$ 12,876,283</u>	<u>\$ 16,816,984</u>	<u>\$ 3,940,701</u>

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

The following schedule summarizes the investment return, net and its classifications in the statements of activities for the years ended March 31:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income, less fees	\$ 122,008	\$ 282,988	\$ 404,996
Net realized gains	7,360	116,747	124,107
Net unrealized losses	(391,063)	(1,237,505)	(1,628,568)
Total investment return, net	\$ (261,695)	\$ (837,770)	\$ (1,099,465)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income, less fees	\$ 172,680	\$ 457,135	\$ 629,815
Net realized gains	62,244	514,336	576,580
Net unrealized losses	(157,470)	(682,875)	(840,345)
Total investment return, net	\$ 77,454	\$ 288,596	\$ 366,050

The Board designates only a portion of the Association's cumulative investment return of the funds Designated for Endowment and Endowment Funds for support of current operations. Under the Association's spending policy, 5% of its five-year moving average value of investments with certain exceptions is available to support current operations. The calculation of investment return less than amounts designated for current operations is as follows:

	2023	2022
Investment return, net	\$ (1,099,465)	\$ 366,050
Amounts designated for current operations	(610,444)	(540,245)
Investment return, greater than (less than) amounts designated for current operations	\$ (1,709,909)	\$ (174,195)

4. Liquidity and Availability

The following table reflects the Association's financial assets available for general expenditure within one year at March 31, 2023 and 2022. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,489,273	\$ 2,048,919
Donor restricted amounts designated for current operations	667,886	610,444
Total financial assets	\$ 2,157,159	\$ 2,659,363

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

The Association has certain donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The Association has other assets limited to use by donor restriction of board designation for certain endowments. The board designated assets limited to use, which are more fully described in Note 9 are not available for general expenditure within the next year without prior board approval and are not reflected in the amounts above. However, the board designated amounts could be made available, if necessary. Any of the donor restricted endowments are not available for current operations and are not included in the table above.

As part of the Association'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. The Association invests cash in excess of daily requirements in short-term investments. To assist management satisfy any unanticipated liquidity needs, the Association has a \$100,000 line of credit with a bank that can be drawn upon (Note 6). The amount remaining which is available for the Association to draw upon was \$100,000 at March 31, 2023.

5. Property and Equipment

A summary of property and equipment at March 31 is as follows:

	2023	2022
Land	\$ 2,622,399	\$ 2,622,399
Buildings and improvements	7,032,148	7,032,148
Equipment	1,317,317	1,312,837
Vehicles	301,727	288,652
Software	176,679	176,679
Land improvements	999,781	999,781
Construction in progress	27,573	34,612
	12,477,624	12,467,108
Accumulated depreciation and amortization	(5,912,782)	(5,644,484)
	<u>\$ 6,564,842</u>	<u>\$ 6,822,624</u>

Depreciation and amortization expense amounted to \$268,299 and \$283,635 during the years ended March 31, 2023 and 2022, respectively.

6. Line of Credit

The Association has a \$100,000 line of credit available with M&T Bank (Bank). This line of credit is unsecured and incurs interest at the Bank's prime rate plus 1.0% (8.75% at March 31, 2023). There were no borrowings on this line of credit at March 31, 2023 and 2022. This line of credit is renewable annually by the Bank upon receipt of the Association's financial statements. Management expects this line of credit to remain in effect without any interruption to the Association's operations.

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

7. Employee Benefits

Retirement Plans

The Association has a defined contribution retirement plan and a tax deferred annuity plan covering employees who have completed one year of service. Contributions to these plans totaled \$22,252 and \$18,763 for the years ended March 31, 2023 and 2022, respectively.

8. Net Assets

The Board has designated net assets without donor restrictions at March 31 as follows:

	2023	2022
Designated for endowment:		
General	\$ 4,936,665	\$ 4,964,923
Graduate Assistant Program	155,897	175,523
Trainee Program	200,000	200,000
Education Endowment	439,252	-
Net assets without donor restrictions, designated by the Board	<u>\$ 5,731,814</u>	<u>\$ 5,340,446</u>

Net assets with donor restrictions consist of the following at March 31:

	2023	2022
Available for current operations	\$ 581,112	\$ 799,949
Available for property and equipment	343,717	315,982
Endowment	10,669,586	11,979,648
Net assets with donor restrictions	<u>\$ 11,594,415</u>	<u>\$ 13,095,579</u>

Net assets during the years ended March 31, 2023 and 2022 were released from donor restrictions by satisfying the restricted purpose specified by the donors for the following programs:

	2023	2022
Education	\$ 404,082	\$ 195,932
Operations	94,102	73,282
Research	495,635	617,916
Fundraising	12,629	10,281
Capital projects	8,610	25,264
	<u>\$ 1,015,058</u>	<u>\$ 922,675</u>

9. Endowment

The Association's endowments consist of several funds established for a variety of purposes. Its endowments include both a donor-restricted endowment funds and funds designated by the Board to function as an endowment. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

Interpretation of Relevant Law

The Board of the Association has interpreted the relevant state law 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, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified with or without restrictions, depending upon the donor designation or until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by the relevant state law. Unless specifically defined by a donor-restricted endowment fund required by donor stipulation, the Association considers the following factors in making a determination to accumulate or appropriate endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Association 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 appreciation of investments
6. Other resources of the Association
7. The investment policies of the Association

The following schedule represents the endowment net asset composition by type of endowment fund as of March 31:

	2023		
	Without Donor Restrictions Designated for Endowment	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 10,669,586	\$ 10,669,586
Board-designated endowment funds	5,731,814	-	5,731,814
	<u>\$ 5,731,814</u>	<u>\$ 10,669,586</u>	<u>\$ 16,401,400</u>
	2022		
	Without Donor Restrictions Designated for Endowment	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 11,979,648	\$ 11,979,648
Board-designated endowment funds	5,340,446	-	5,340,446
	<u>\$ 5,340,446</u>	<u>\$ 11,979,648</u>	<u>\$ 17,320,094</u>

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

The following schedule represents the changes in endowment net assets for the years ended March 31:

	2023		
	Without Donor Restrictions Designated for Endowment	With Donor Restrictions	Total
Endowment net asset, beginning of the year	\$ 5,340,446	\$ 11,979,648	\$ 17,320,094
Contributions	434,251	9,500	443,751
Board approved transfers	217,935	-	217,935
Other income	129,527	2	129,529
Investment income, net of fees	122,008	282,988	404,996
Net depreciation (realized and unrealized)	(383,703)	(1,120,758)	(1,504,461)
Allowable spending	(128,650)	(481,794)	(610,444)
	<u>\$ 5,731,814</u>	<u>\$ 10,669,586</u>	<u>\$ 16,401,400</u>
	2022		
	Without Donor Restrictions Designated for Endowment	With Donor Restrictions	Total
Endowment net asset, beginning of the year	\$ 4,701,014	\$ 12,100,399	\$ 16,801,413
Contributions	498,428	35,750	534,178
Other income	158,698	-	158,698
Investment income, net of fees	172,680	457,135	629,815
Net depreciation (realized and unrealized)	(95,226)	(168,539)	(263,765)
Allowable spending	(95,148)	(445,097)	(540,245)
	<u>\$ 5,340,446</u>	<u>\$ 11,979,648</u>	<u>\$ 17,320,094</u>

Funds With Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Association to retain as a fund of perpetual duration. In accordance with GAAP, these deficiencies are reported as a reduction to net assets with donor restrictions. There were no deficiencies at March 31, 2023 and 2022.

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that allow the Association to fund the appropriate programs while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

The Association 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 Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Association has a total return policy of appropriating for distribution each year a percent of its endowment fund's prior year balance. The Board approves annual disbursements from the funds. Generally this is done under the Association's spending policy which is 5% of its five-year moving average value of investments with certain exceptions. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. Related-Party Transactions

During the years ended March 31, 2023 and 2022, the Association received gifts and membership dues from various members of its Board, before discounts, of \$113,716 and \$153,633, respectively.

11. Fair Value Measurements

Management uses its best judgment in estimating the fair value of the Association's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Association could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

Determination of Fair Value

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of the FASB ASC, the fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

Fair Value Hierarchy

In accordance with this guidance, the Association groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2023 and 2022.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held are deemed to be actively traded.

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at March 31 are as follows:

2023				
	Level 1	Level 2	Level 3	Total
Long-term investments:				
Equity mutual funds:				
Small growth	\$ 412,802	\$ -	\$ -	\$ 412,802
Mid-cap blend	406,398	-	-	406,398
Foreign large blend	3,063,604	-	-	3,063,604
Large blend	4,667,965	-	-	4,667,965
Large growth	901,586	-	-	901,586
Large value	1,012,569	-	-	1,012,569
	10,464,924	-	-	10,464,924
Bond mutual funds:				
Corporate bond	772,272	-	-	772,272
Short-term bond	1,122,841	-	-	1,122,841
Intermediate-term bond	2,972,272	-	-	2,972,272
Long-term bond	607,923	-	-	607,923
	5,475,308	-	-	5,475,308
	\$ 15,940,232	\$ -	\$ -	\$ 15,940,232
2022				
	Level 1	Level 2	Level 3	Total
Long-term investments:				
Equity mutual funds:				
Small growth	\$ 437,882	\$ -	\$ -	\$ 437,882
Mid-cap blend	454,449	-	-	454,449
Foreign large blend	3,078,127	-	-	3,078,127
Large blend	4,907,650	-	-	4,907,650
Large growth	981,547	-	-	981,547
Large value	1,206,414	-	-	1,206,414
	11,066,069	-	-	11,066,069
Bond mutual funds:				
Corporate bond	806,528	-	-	806,528
Short-term bond	1,191,313	-	-	1,191,313
Intermediate-term bond	2,976,664	-	-	2,976,664
Long-term bond	659,892	-	-	659,892
	5,634,397	-	-	5,634,397
	\$ 16,700,466	\$ -	\$ -	\$ 16,700,466

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

12. Expenses by Nature and Function

The Association's expenses for program services, general and administrative, and membership and fundraising are as follows for the years ending March 31, 2023 and 2022:

	2023			
	Program Services	General and Administrative	Membership and Fundraising	Total
Advertising and promotion	\$ 25,042	\$ 6,000	\$ 6,242	\$ 37,284
Awards and donations	56,419	2,969	-	59,388
Computer	71,207	1,822	22,524	95,553
Dues and subscriptions	4,543	300	4,424	9,267
Equipment and resources	56,567	8,450	118	65,135
Gasoline	6,118	-	-	6,118
Hospitality	17,302	1,797	5,320	24,419
Insurance	104,965	-	-	104,965
Library	2,538	-	-	2,538
Office supplies	425	1,730	2,468	4,623
Operating supplies	113,582	3,773	10,247	127,602
Outside services	295,324	(2,038)	56,536	349,822
Permits and licenses	500	183	-	683
Postage	18,029	431	25,891	44,351
Printing	37,536	441	32,243	70,220
Professional fees	-	49,986	-	49,986
Repairs and maintenance	47,110	-	-	47,110
Salaries and benefits	1,338,874	61,300	242,775	1,642,949
Signage and exhibits	344	-	-	344
Taxes:				
Payment in lieu of amusement tax	15,629	-	-	15,629
Payment in lieu of real estate tax	8,050	-	-	8,050
Payroll	81,853	16,488	14,453	112,794
Telephone	14,468	2,267	2,410	19,145
Travel	1,489	-	20	1,509
Training	109,005	5,316	1,868	116,189
Utilities	98,128	3,618	4,242	105,988
	2,525,047	164,833	431,781	3,121,661
Depreciation and amortization	240,427	15,598	12,274	268,299
Total	\$ 2,765,474	\$ 180,431	\$ 444,055	\$ 3,389,960
Percentage of expenses	82%	5%	13%	100%

Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2023 and 2022

	2022			
	Program Services	General and Administrative	Membership and Fundraising	Total
Advertising and promotion	\$ 9,712	\$ 1,462	\$ 2,231	\$ 13,405
Awards and donations	62,365	-	-	62,365
Computer	43,334	33,618	21,046	97,998
Dues and subscriptions	3,104	490	3,690	7,284
Equipment and resources	70,251	5,742	504	76,497
Gasoline	7,080	-	-	7,080
Hospitality	11,290	5,470	6,760	23,520
Insurance	106,718	-	-	106,718
Library	3,206	-	-	3,206
Office supplies	2,140	2,491	1,835	6,466
Operating supplies	89,016	2,078	12,938	104,032
Outside services	144,846	2,038	29,442	176,326
Permits and licenses	1,349	90	-	1,439
Postage	25,329	437	27,652	53,418
Printing	28,886	-	32,580	61,466
Professional fees	-	50,852	-	50,852
Repairs and maintenance	56,587	-	-	56,587
Salaries and benefits	1,208,257	58,131	233,346	1,499,734
Signage and exhibits	943	-	-	943
Taxes:				
Payment in lieu of amusement tax	26,606	-	-	26,606
Payment in lieu of real estate tax	7,259	-	-	7,259
Payroll	75,275	15,606	13,812	104,693
Telephone	14,605	2,449	2,449	19,503
Travel	87,588	743	1,870	90,201
Utilities	65,532	5,905	6,577	78,014
	2,151,278	187,602	396,732	2,735,612
Depreciation and amortization	253,024	17,303	13,308	283,635
Total	<u>\$ 2,404,302</u>	<u>\$ 204,905</u>	<u>\$ 410,040</u>	<u>\$ 3,019,247</u>
Percentage of expenses	<u>79%</u>	<u>7%</u>	<u>14%</u>	<u>100%</u>

The financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, are allocated to a function based on a square footage basis. Development expenses have been allocated to fund-raising and membership support based on an estimate of time devoted to each activity.