

**AUDUBON SOCIETY
OF PORTLAND, OREGON**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2012**



MCDONALD JACOBS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Audubon Society of Portland, Oregon
Portland, Oregon

We have audited the accompanying statement of financial position of Audubon Society of Portland, Oregon (a nonprofit corporation) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated October 13, 2011, we, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of the internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Audubon Society of Portland, Oregon as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McDonald Jacobs, P.C.

October 26, 2012

Strength in Numbers

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AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF FINANCIAL POSITION
June 30, 2012
(With comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 882,245	\$ 734,609
Accounts receivable	181,908	93,686
Inventory	155,516	152,257
Prepaid expenses	47,932	38,045
Investments	1,827,597	1,229,264
Property and equipment, net	1,361,864	1,390,407
Conservation property	<u>2,003,110</u>	<u>2,003,110</u>
TOTAL ASSETS	<u>\$ 6,460,172</u>	<u>\$ 5,641,378</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 91,819	\$ 97,095
Accrued expenses	104,404	85,672
Deferred revenue	368,080	312,647
Note payable	<u>45,046</u>	<u>47,946</u>
Total liabilities	<u>609,349</u>	<u>543,360</u>
Net assets:		
Unrestricted:		
Available for operations	450,588	393,777
Board designated	967,709	396,452
Conservation property and net property and equipment	<u>1,799,771</u>	<u>1,825,414</u>
Total unrestricted	3,218,068	2,615,643
Temporarily restricted	1,803,244	1,653,250
Permanently restricted	<u>829,511</u>	<u>829,125</u>
Total net assets	<u>5,850,823</u>	<u>5,098,018</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,460,172</u>	<u>\$ 5,641,378</u>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF ACTIVITIES
For the year ended June 30, 2012
(With comparative totals for 2011)

	2012				2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and revenue:					
Contributions and grants	\$ 1,502,596	\$ 279,226	\$ 18,535	\$ 1,800,357	\$ 905,449
Donated assets, materials and services	367,320	-	-	367,320	122,789
Memberships	201,649	-	-	201,649	177,361
Program service revenue	722,343	-	-	722,343	784,352
Special events revenue, net of direct costs of \$7,230 for 2012 and \$28,421 for 2011	158,319	-	-	158,319	122,388
Sales, net of cost of goods sold of \$463,083 for 2012 and \$444,374 for 2011	197,233	-	-	197,233	215,951
Investment income	14,725	20,862	-	35,587	41,304
Net realized/unrealized investment gain (loss)	(15,457)	(103)	-	(15,560)	62,540
Change in perpetual trust	-	-	(18,149)	(18,149)	74,737
Rental income	19,325	-	-	19,325	15,998
Other income	2,848	-	-	2,848	189
Net assets released from restrictions:					
Satisfaction of purpose restrictions	124,991	(124,991)	-	-	-
Satisfaction of time restrictions	25,000	(25,000)	-	-	-
Total support and revenue	3,320,892	149,994	386	3,471,272	2,523,058
Expenses:					
Program services:					
Conservation	919,038	-	-	919,038	602,562
Education	813,906	-	-	813,906	877,680
Nature Store	160,906	-	-	160,906	161,860
Membership and publications	177,284	-	-	177,284	173,942
Sanctuary	170,439	-	-	170,439	157,951
Total program services	2,241,573	-	-	2,241,573	1,973,995
Management and general	300,931	-	-	300,931	236,996
Fundraising	175,963	-	-	175,963	170,384
Total expenses	2,718,467	-	-	2,718,467	2,381,375
 Change in net assets	 602,425	 149,994	 386	 752,805	 141,683
Net assets:					
Beginning of year	2,615,643	1,653,250	829,125	5,098,018	4,956,335
 End of year	 \$ 3,218,068	 \$ 1,803,244	 \$ 829,511	 \$ 5,850,823	 \$ 5,098,018

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2012
(With comparative totals for 2011)

	Program Services									
	Conservation	Education	Nature Store	Membership and Publications	Sanctuary	Total Program	Management and General	Fundraising	2012 Total	2011 Total
Salaries	\$ 287,244	\$ 281,567	\$ 78,153	\$ 61,827	\$ 91,282	\$ 800,073	\$ 154,420	\$ 49,431	\$ 1,003,924	\$ 930,821
Payroll taxes	27,705	25,802	7,067	6,119	7,772	74,465	13,077	4,570	92,112	77,830
Employee benefits	49,972	38,605	15,366	11,350	20,728	136,021	17,168	(145)	153,044	120,678
Contract services	52,904	18,087	-	9,300	10,140	90,431	73,371	40,526	204,328	206,013
Telephone	1,004	2,488	64	24	1,057	4,637	3,974	29	8,640	7,608
Postage	1,208	729	622	20,038	49	22,646	422	7,723	30,791	31,664
Printing	1,557	690	201	14,884	67	17,399	253	14,004	31,656	33,275
Utilities	-	-	-	-	27,689	27,689	-	-	27,689	25,068
Building maintenance	-	-	-	-	22,522	22,522	90	-	22,612	22,491
Facility rental	-	205,671	-	-	-	205,671	4,400	11,631	221,702	306,056
Equipment maintenance	1,678	-	1,395	6,837	1,867	11,777	7,216	198	19,191	23,420
Vehicle expenses	1,282	68,285	-	-	-	69,567	116	2,140	71,823	70,602
Travel	8,361	5,330	489	-	612	14,792	2,695	4,067	21,554	25,892
Conferences, meetings and training	810	1,486	85	-	-	2,381	620	35	3,036	5,781
Supplies	31,054	90,716	5,651	1,212	5,264	133,897	23,606	13,552	171,055	175,908
Program expenses	59,343	1,119	335	375	6,405	67,577	23,183	9,245	100,005	38,077
Advertising	5,438	15,820	6,927	-	-	28,185	375	6,112	34,672	24,973
Insurance	-	3,330	-	-	-	3,330	26,379	-	29,709	28,607
Professional fees	313,890	-	-	-	13,230	327,120	15,699	4,950	347,769	114,926
Bank fees	-	1,098	25,012	1,652	-	27,762	6,303	24	34,089	36,840
Depreciation	-	-	-	-	-	-	68,030	-	68,030	60,383
Interest expense	-	-	-	-	2,350	2,350	-	47	2,397	2,488
Miscellaneous	200	171	686	4,145	1,413	6,615	6,464	80	13,159	6,696
Website and internet	296	-	70	-	-	366	5,114	-	5,480	5,278
Administration allocation	75,092	52,912	18,783	39,521	(42,008)	144,300	(152,044)	7,744	-	-
Total expenses	\$ 919,038	\$ 813,906	\$ 160,906	\$ 177,284	\$ 170,439	\$ 2,241,573	\$ 300,931	\$ 175,963	\$ 2,718,467	\$ 2,381,375

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF CASH FLOWS
For the year ended June 30, 2012
(With comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 752,805	\$ 141,683
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	68,030	60,383
Net realized/unrealized (gain) loss on investments	15,560	(62,540)
Change in perpetual trust	18,149	(74,737)
Contributions restricted for endowment	(18,535)	(47,908)
Donated vehicle	(27,655)	-
Forgiveness of note payable principal	-	(20,000)
(Increase) decrease in:		
Accounts receivable	(88,222)	(38,359)
Inventory	(3,259)	(18,599)
Prepaid expenses	(9,887)	17,168
Increase (decrease) in:		
Accounts payable and accrued expenses	13,456	7,381
Deferred revenue	55,433	(51,125)
Net cash provided by (used in) operating activities	<u>775,875</u>	<u>(86,653)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(11,832)	(152,296)
Purchase of investments	(903,908)	(395,666)
Proceeds from investments	271,866	217,795
Net cash used in investing activities	<u>(643,874)</u>	<u>(330,167)</u>
Cash flows from financing activities:		
Contributions restricted for endowment	18,535	47,908
Principal payments on note payable	(2,900)	(2,900)
Net cash provided by financing activities	<u>15,635</u>	<u>45,008</u>
Net increase (decrease) in cash and cash equivalents	147,636	(371,812)
Cash and cash equivalents - beginning of year	<u>734,609</u>	<u>1,106,421</u>
Cash and cash equivalents - end of year	<u>\$ 882,245</u>	<u>\$ 734,609</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 2,397	\$ 2,488
Noncash financing activity:		
Forgiveness of note principal	-	(20,000)

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1. THE ORGANIZATION

Audubon Society of Portland, Oregon (ASoP or the Organization) is a nonprofit organization founded in 1902. ASoP promotes the enjoyment, understanding and protection of native birds, other wildlife and their habitats with a focus on the local area and the Pacific Northwest. ASoP is affiliated with the National Audubon Society but is financially and structurally independent. ASoP's support is provided by a combination of contributions and memberships, program revenues and Nature Store sales. Support for 2012 included a bequest representing 20% of total support and revenue.

ASoP's headquarters is located on Cornell Road in Portland, Oregon. Facilities include the Nature Store, administrative offices, the Wildlife Care Center, and the Sanctuary. ASoP also owns the Marmot Cabin and Sanctuary located near Sandy, Oregon and Ten Mile Creek Sanctuary on the Oregon coast.

ASoP's programs are as follows:

Conservation: Promotes the conservation of wildlife and their habitats in Oregon and the Pacific Northwest, as well as conservation of healthy urban watersheds for wildlife and people in the Metropolitan-Portland region. Maintains and operates the Wildlife Care Center (WCC) to provide medical care and rehabilitation of injured or orphaned native birds and other native wildlife. WCC also houses federally-permitted non-releasable birds for educational purposes.

Education: Provides guided tours in the Sanctuary, as well as hands-on natural history programs, local, regional, national and international field trips and tours, nature center exhibits, and programs to local school and community groups.

Nature Store: Sells items that help promote the enjoyment, understanding and protection of the natural world.

Membership and Publications: Distributes a newsletter, "Warbler", and offers programs and classes to members and the general public.

Sanctuary: A 150-acre, free-to-the-public Nature Sanctuary is a showcase for native flora and fauna. It has over four miles of forested hiking trails available to the general public.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, *Continued*
June 30, 2012

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

ASoP reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of ASoP or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of ASoP.

Cash and Cash Equivalents

For purposes of the statement of cash flows, ASoP considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Inventory

Inventory consists primarily of merchandise held for sale by ASoP's Nature Store and is carried at the lower of cost or market value. Cost is determined using an average cost method.

Investments

Investments are carried at fair value.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Depreciation

Depreciation of buildings, equipment and furniture is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years.

Program Service Revenue and Deferred Revenue

Program service revenue is recognized in the period the program is conducted. Funds received in advance are recorded as deferred revenue.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Memberships are recorded as revenue when received.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

ASoP recognizes 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. During the years ended June 30, 2012 and 2011, donated assets, materials and services consisted of the following:

	2012	2011
Vehicle	\$ 27,655	\$ -
Program services:		
Materials and supplies	34,567	36,953
Veterinary services	39,380	40,180
Legal services - conservation	265,718	45,656
Total donated assets, materials and services	\$ 367,320	\$ 122,789

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets and Services, Continued

In addition, many individuals volunteer a substantial amount of time and perform a variety of tasks that assist the Organization with programs, development and administrative duties. These volunteer services represent approximately 38,600 hours of donated time for 2012 and 36,800 hours for 2011 and are not recognized as contributions in the financial statements since the recognition criteria were not met.

Contributions of Long-Lived Assets

Contributions of equipment and other long-lived assets without donor-imposed stipulations concerning the use of such assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire equipment or other long-lived assets with such donor stipulations are reported as temporarily restricted revenue. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

ASoP uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. During the years ended June 30, 2012 and 2011, advertising expenses approximated \$35,000 and \$25,000, respectively.

Income Tax Status

Audubon Society of Portland, Oregon is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements because ASoP has no activities subject to unrelated business income tax. The Organization's information returns for years ended June 30, 2008 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions. ASoP is not a private foundation.

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. Actual results could differ from those estimates.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

The Organization has evaluated all subsequent events through October 26, 2012, the date the financial statements were available to be issued.

Summarized Financial Information for 2011

The financial information as of June 30, 2011 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications and Restatement to Prior Year

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. In addition, the prior year financial statements were restated to include additional donated services of \$45,656. The restatement did not impact the change in net assets.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of grants, bequests, pledges and other receivables and are unsecured. Management believes all accounts receivable are fully collectible; therefore, no allowance for uncollectible accounts has been recorded. Accounts receivable are as follows at June 30, 2012 and 2011:

	2012	2011
Grants and pledges receivable:		
Receivable within one year	\$ 119,000	\$ 33,500
Receivable in two years	-	15,000
Other accounts receivable	2,724	2,491
Contracts receivable	60,184	42,695
Total accounts receivable	\$ 181,908	\$ 93,686

Conditional Grant

Conditional grants are recognized as revenue when the conditions on which they depend are substantially met and the grant become unconditional.

The Organization received a conditional grant of \$475,000, for funding specific to select programs and projects, contingent upon the Organization receiving matching donations. The Organization will record the grant as revenue as the conditions are met.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

4. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2012 and 2011 :

	2012	2011
Securities held in perpetual trust:		
Cash and cash equivalents	\$ 24,849	\$ 20,885
Fixed income fund	73,627	120,245
Mutual funds	21,082	-
Equity securities	373,031	369,608
	492,589	510,738
Beneficial interest in assets held by OCF	387,856	423,605
Cash and cash equivalents	153,815	78,189
Certificates of deposit	-	52,058
Fixed income securities	460,596	-
Mutual funds	332,741	164,674
Total investments	\$ 1,827,597	\$ 1,229,264

Beneficial interest in assets held by OCF

The Organization established a fund that is held by the Oregon Community Foundation (OCF), an Oregon charitable organization. The Organization's funds are pooled with other assets managed by OCF and The Organization's fund is pooled with other assets managed by OCF which are invested in a mixture of equities, fixed-income instruments, alternative investment classes, and cash, which are reflected at fair value. Under the terms of the agreement, variance power has been granted to OCF, however, the Organization is the beneficiary of the fund and the transfer is reciprocal in nature. Accordingly, OCF recognizes the fund as a liability on its statement of financial position. Also, under the terms of the agreement, OCF shall distribute not less than annually, a percentage of the fair value of the funds as determined by the board of directors of OCF. However, in no event will the percentage be less than a reasonable rate of return. OCF may make additional distributions from the funds to the Organization upon a majority vote of all of the directors of the Organization, if, in the sole judgment of the board of OCF, the requested distribution is consistent with the objectives and purposes of the Organization.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2012 and 2011:

	2012	2011
Land	\$ 366,673	\$ 366,673
Buildings	1,772,383	1,772,383
Furniture and equipment	189,700	178,378
Library collection	14,500	14,500
	2,343,256	2,331,934
Less accumulated depreciation	981,392	941,527
Property and equipment, net	\$ 1,361,864	\$ 1,390,407

6. CONSERVATION PROPERTY

In August 2008, ASoP entered into an agreement with the National Audubon Society (NAS) to receive, conserve, and manage land on the Oregon coast, valued at \$1,520,157, as a wildlife sanctuary, known as Ten Mile Creek Sanctuary. The property is subject to a conservation easement between NAS, as grantor, and McKenzie River Trust, as grantee. Other conservation property includes the Hilltop property acquired in July 2007 for \$482,953.

7. NOTE PAYABLE

Note payable represents a loan from an unrelated individual for the remodeling and rehabilitation of the caretaker's house. Interest is payable quarterly on outstanding advances at 5% per annum from May 1, 2010 through May 1, 2013 and 8% per annum thereafter, until paid. The outstanding balance is payable in quarterly installments of \$725 plus interest, until paid in full. During the year ended June 30, 2011, the note holder forgave \$20,000 of principal on the note as a contribution to the Organization. The note is unsecured and due and payable on May 1, 2028. Future maturities are as follows:

Year ending June 30, 2013	\$	2,900
2014		2,900
2015		2,900
2016		2,900
2017		2,900
Thereafter		30,546
	\$	45,046

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

8. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of unrestricted net assets designated by the Board as a reserve fund for the long-term benefit of ASoP. The reserve fund is intended to be permanent; however, the reserve fund may be utilized in the event of an emergency, opportunity, or unanticipated income shortfall. See Note 11 for further discussion.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of time and purpose-restricted net assets as follows:

	2012	2011
Earnings on endowment (Note 11)	\$ 759	\$ -
Time restricted	195,000	40,000
Various programs	87,328	93,093
Land held for conservation	1,520,157	1,520,157
Total temporarily restricted net assets	\$ 1,803,244	\$ 1,653,250

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include a permanently restricted bequest (perpetual trust) received in 2003. The assets are held in trust and administered by a bank. The donor restrictions stipulated that the annual income earned on the trust, determined by the greater of the actual earnings or 5% of the asset value, be released for the care of wild birds and for public education regarding birds. In the event the 5% distribution exceeds actual earnings, the corpus will be reduced accordingly.

In August 2009, ASoP entered into an agreement with the National Audubon Society (NAS) to receive, conserve, and manage land on the Oregon coast, valued at \$1,520,157, as a wildlife sanctuary, known as Ten Mile Creek Sanctuary. NAS also contributed \$190,000 to be held in an endowment for management and maintenance of the property (easement funding). In the event that ASoP conveys the property to a third party, the balance of the easement funding will also be transferred to such third party. An additional contribution of \$10,000 was received for the endowment but is not part of the easement funding. See Note 11 for further discussion of the endowment.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

10. PERMANENTLY RESTRICTED NET ASSETS, Continued

During the year ended June 30, 2010, the Organization established the sanctuary stewardship endowment fund. Contributions will be held in perpetuity, with the earnings to support stewardship of the sanctuary after the fund reaches \$250,000.

Permanently restricted net assets are summarized as follows at June 30, 2012 and 2011:

	2012	2011
Perpetual trust	\$ 492,589	\$ 510,738
Ten Mile Creek Sanctuary endowment (Note 11)	200,000	200,000
Sanctuary stewardship endowment (Note 11)	136,922	118,387
Total permanently restricted net assets	\$ 829,511	\$ 829,125

11. ENDOWMENT FUNDS

Audubon Society of Portland, Oregon's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. 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 or board designations.

Interpretation of Relevant Law

The Board of Directors of Audubon Society of Portland, Oregon has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) 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 Organization classifies as permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

11. ENDOWMENT FUNDS, Continued

Interpretation of Relevant Law, Continued

In accordance with UPMIFA, the Organization 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 the Organization 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 the Organization
- (7) The investment policies of the Organization

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to fund cash flow needs.

Spending Policy:

The Organization has not yet established a policy for spending for the sanctuary stewardship endowment as the funds have not reached the level required to begin funding. Spending for the Ten Mile Creek Sanctuary endowment is in accordance with the endowment agreement.

Composition of endowment net assets at June 30, 2012 and 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2012				
Donor-restricted	\$ -	\$ 759	\$ 336,922	\$ 337,681
Board-designated	967,709	-	-	967,709
	<u>\$ 967,709</u>	<u>\$ 759</u>	<u>\$ 336,922</u>	<u>\$ 1,305,390</u>
June 30, 2011				
Donor-restricted	\$ -	\$ -	\$ 318,387	\$ 318,387
Board-designated	396,452	-	-	396,452
	<u>\$ 396,452</u>	<u>\$ -</u>	<u>\$ 318,387</u>	<u>\$ 714,839</u>

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

11. ENDOWMENT FUNDS, Continued

Changes in endowment net assets for the years ended June 30, 2012 and 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance – June 30, 2010	\$ 357,613	\$ -	\$ 262,441	\$ 620,054
Contributions	-	-	47,908	47,908
Investment income	4,161	7,773	-	11,934
Realized/unrealized gain on investments	38,839	-	8,038	46,877
Appropriated for expenditure	<u>(4,161)</u>	<u>(7,773)</u>	<u>-</u>	<u>(11,934)</u>
Balance – June 30, 2011	396,452	-	318,387	714,839
Contributions	598,513	-	18,535	617,048
Investment income	8,897	862	-	9,759
Realized/unrealized gain (loss) on investments	(17,957)	(103)	-	(18,060)
Appropriated for expenditure	<u>(18,196)</u>	<u>-</u>	<u>-</u>	<u>(18,196)</u>
Balance – June 30, 2012	<u>\$ 967,709</u>	<u>\$ 759</u>	<u>\$ 336,922</u>	<u>\$1,305,390</u>

12. RETIREMENT PLAN

ASoP has a 401(k) salary deferral retirement plan available to eligible employees. Participants may make contributions through a salary reduction agreement. ASoP's contribution to the plan is discretionary and based on the approval of the Board of Directions. ASoP contributed \$27,083 and \$27,064 to the plan for the years ended June 30, 2012 and 2011.

13. CONCENTRATIONS OF CREDIT RISK

ASoP maintains its cash balances in several financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2012 and 2011, uninsured cash balances approximate \$85,000 and \$326,000, respectively.

Credit risk for contributions receivable is concentrated as well because at June 30, 2012, 73% of the balance is from three organizations, and at June 30, 2011, 81% of the balance is from three organizations.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

13. CONCENTRATIONS OF CREDIT RISK, Continued

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

14. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. 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 the determination of fair values requires significant management judgment or estimation.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

14. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2012 and 2011 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
2012			
Mutual funds:			
Fixed income	\$ 460,596	\$ 460,596	\$ -
Balanced	332,743	332,743	-
Investments held in perpetual trust:			
Fixed income mutual fund	73,627	73,627	-
Equity mutual funds	21,082	21,082	-
Equity securities	373,031	373,031	-
Beneficial interest in assets held by OCF	387,856	-	387,856
	<u>\$ 1,648,935</u>	<u>\$ 1,261,079</u>	<u>\$ 387,856</u>
2011			
Mutual funds:			
Fixed income	\$ 63,247	\$ 63,247	\$ -
Balanced	101,427	101,427	-
Investments held in perpetual trust:			
Fixed income securities	120,245	120,245	-
Equity securities	369,608	369,608	-
Beneficial interest in assets held by OCF	423,605	-	423,605
	<u>\$ 1,078,132</u>	<u>\$ 654,527</u>	<u>\$ 423,605</u>

Fair values for fixed income, equity securities and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments held at OCF in pooled funds are valued at the net asset value per unit as provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using quoted market prices when available determined using a market approach. Quoted market prices are not available for certain alternative investment classes, such as limited partnership investments. The valuations for limited partnership investments are based on the net asset value of OCF's ownership interest in the partners' capital which includes assumptions and methods that were prepared by the general partners of the limited partnerships and were reviewed by OCF.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

14. FAIR VALUE MEASUREMENTS, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

Beneficial interest in assets held by OCF:

	<u>2012</u>	<u>2011</u>
Beginning of year	\$ 423,605	\$ -
Contributions	-	390,000
Investment income, net of fees	3,461	1,193
Change in value (included in unrestricted net assets)	(21,014)	50,207
Disbursements	<u>(18,196)</u>	<u>(17,795)</u>
End of year	<u>\$ 387,856</u>	<u>\$ 423,605</u>