

AUDUBON SOCIETY OF PORTLAND, OREGON

Audited Financial Statements

For the Year Ended June 30, 2016



McDONALD JACOBS

Shareholders

Mark A. Clift, CPA

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Gerard DeBlois Jr., CPA

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Jake Jacobs, CPA

Susan J. Marks, CPA

Tyee Carr, CPA

Victor Epstein, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Audubon Society of Portland, Oregon

We have audited the accompanying financial statements of Audubon Society of Portland, Oregon (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, and 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.

Report on Summarized Comparative Information

We have previously audited Audubon Society of Portland, Oregon's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
October 5, 2016

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 333,010	\$ 452,995
Grants and accounts receivable	163,794	70,393
Inventory	195,538	218,647
Prepaid expenses	89,915	71,852
Investments	4,556,057	4,737,875
Property and equipment, net	1,426,670	1,297,696
Conservation property	2,003,110	2,003,110
 TOTAL ASSETS	 \$ 8,768,094	 \$ 8,852,568
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 113,308	\$ 143,714
Accrued expenses	145,876	165,609
Deferred revenue	415,000	350,666
Note payable	-	36,346
 Total liabilities	 674,184	 696,335
Net assets:		
Unrestricted:		
Available for operations	543,312	790,424
Board designated	492,919	516,388
Conservation property and net property and equipment	1,909,623	1,744,303
Total unrestricted	2,945,854	3,051,115
Temporarily restricted	4,176,660	4,103,016
Permanently restricted	971,396	1,002,102
 Total net assets	 8,093,910	 8,156,233
 TOTAL LIABILITIES AND NET ASSETS	 \$ 8,768,094	 \$ 8,852,568

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and grants	\$ 1,009,576	\$ 478,902	\$ 1,915	\$ 1,490,393	\$ 1,155,211
Donated assets, materials and services	163,141	-	-	163,141	126,653
Memberships	263,223	-	-	263,223	243,074
Program service revenue	922,732	-	-	922,732	751,400
Special events revenue, net of direct costs of \$69,903 for 2016 and \$64,77 for 2015	168,259	-	-	168,259	182,863
Sales, net of cost of goods sold of \$433,586 for 2016 and \$479,879 for 2015	235,200	-	-	235,200	270,689
Investment income	24,060	58,493	-	82,553	76,800
Net realized/unrealized investment gain (loss)	6,789	-	-	6,789	(11,748)
Change in perpetual trust	-	-	(32,621)	(32,621)	(27,461)
Other income	7,887	-	-	7,887	4,819
Net assets released from restrictions:					
Satisfaction of purpose and time restrictions	463,751	(463,751)	-	-	-
Total support and revenue	<u>3,264,618</u>	<u>73,644</u>	<u>(30,706)</u>	<u>3,307,556</u>	<u>2,772,300</u>
Expenses:					
Program services:					
Conservation	911,165	-	-	911,165	807,692
Education	1,192,264	-	-	1,192,264	1,013,653
Nature Store	208,025	-	-	208,025	184,660
Membership and publications	205,060	-	-	205,060	217,653
Sanctuary	290,440	-	-	290,440	218,699
Total program services	<u>2,806,954</u>	<u>-</u>	<u>-</u>	<u>2,806,954</u>	<u>2,442,357</u>
Management and general	253,625	-	-	253,625	400,928
Fundraising	309,300	-	-	309,300	208,214
Total expenses	<u>3,369,879</u>	<u>-</u>	<u>-</u>	<u>3,369,879</u>	<u>3,051,499</u>
 Increase (decrease) in net assets	 (105,261)	 73,644	 (30,706)	 (62,323)	 (279,199)
Net assets:					
Beginning of year	<u>3,051,115</u>	<u>4,103,016</u>	<u>1,002,102</u>	<u>8,156,233</u>	<u>8,435,432</u>
 End of year	 <u>\$ 2,945,854</u>	 <u>\$ 4,176,660</u>	 <u>\$ 971,396</u>	 <u>\$ 8,093,910</u>	 <u>\$ 8,156,233</u>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016
(With comparative totals for 2015)

	Program Services					Management and General		2016 Total	2015 Total
	Conservation	Education	Nature Store	Publications	Sanctuary	Total Program	Fundraising		
Salaries and related expenses	\$ 518,044	\$ 586,972	\$ 126,166	\$ 84,000	\$ 162,860	\$ 1,478,042	\$ 163,871	\$ 1,952,027	\$ 1,806,767
Professional and contract services	152,053	37,525	-	11,740	15,400	216,718	39,657	267,844	244,583
Operating expenses	38,017	18,205	17,712	11,620	2,551	88,105	1,961	160,047	149,386
Facilities	7,186	4,870	1,018	9,626	54,041	76,741	5,271	136,746	101,049
Communications	3,246	25,132	14,038	48,757	145	91,318	14,476	127,843	127,482
Materials and supplies	36,274	91,562	3,272	1,210	9,763	142,081	65,531	238,745	244,355
Transportation and travel	19,872	356,649	1,517	-	2,225	380,263	18,103	400,504	284,622
Volunteer and membership	1,587	-	488	3,671	-	5,746	105	17,467	20,367
Depreciation	-	-	-	-	-	-	68,656	68,656	72,888
Administration and facilities allocation	134,886	71,349	43,814	34,436	43,455	327,940	27,150	-	-
Total expenses	\$ 911,165	\$ 1,192,264	\$ 208,025	\$ 205,060	\$ 290,440	\$ 2,806,954	\$ 309,300	\$ 3,369,879	\$ 3,051,499

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016	2015
Cash flows from operating activities:		
Cash receipts:		
Contributions, grants and events	\$ 1,633,239	\$ 1,362,188
Sales	715,079	750,568
Program services, memberships, and other income	1,258,176	1,018,190
Investment income	82,553	76,800
Total receipts	3,689,047	3,207,746
Cash disbursements:		
Payroll and related expenses	(1,826,500)	(1,779,592)
Other operating expenses	(1,906,457)	(1,610,201)
Total cash disbursements	(3,732,957)	(3,389,793)
Net cash used in operating activities	(43,910)	(182,047)
Cash flows from investing activities:		
Purchase of property and equipment	(197,630)	(63,170)
Purchase of investments	(291,320)	(66,938)
Proceeds from investments	447,306	40,196
Net cash used in investing activities	(41,644)	(89,912)
Cash flows from financing activities:		
Cash restricted for endowment	1,915	6,290
Principal payments on note payable	(36,346)	(2,900)
Net cash provided by (used in) financing activities	(34,431)	3,390
Net decrease in cash and cash equivalents	(119,985)	(268,569)
Cash and cash equivalents - beginning of year	452,995	721,564
Cash and cash equivalents - end of year	\$ 333,010	\$ 452,995
Supplemental cash flow information:		
Cash paid for interest	\$ 422	\$ 1,908

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

I. 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, grants, program revenues and Nature Store sales.

Contribution revenue can fluctuate significantly from year to year depending on bequests received. To mitigate the impact on operations for this unpredictability, management has chosen to apply a portion of prior bequest revenue to subsequent operating budgets. This approach results in manageable deficits during years with reduced revenue from bequests, while allowing management to plan more consistent year-to-year expenditures and optimal use of resources. The Organization maintains substantial operating reserves to ensure funding for those deficit years.

ASoP's 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 native birds, 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 for 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.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

1. THE ORGANIZATION, Continued

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

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 based on the existence or absence of donor-imposed restrictions as follows:

- 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.

Grants and Accounts Receivable

Grants and 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 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.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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, Materials 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.

AUDUBON SOCIETY OF PORTLAND, OREGON
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets, Materials and Services, Continued

During the years ended June 30, 2016 and 2015, donated assets, materials and services consisted of the following:

	2016	2015
Materials and supplies	\$ 86,132	\$ 79,823
Veterinary services - conservation	77,009	46,830
Total donated assets, materials and services	\$ 163,141	\$ 126,653

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 47,500 hours of donated time for 2016 and 46,000 hours for 2015 and are not recognized as contributions in the financial statements since the recognition criteria were not met. Using an average value of volunteer time adopted by The Independent Sector, for Oregon, management estimates the fair value of those services for 2016 to be approximately \$761,000* for programs, \$77,800* for management and \$151,900* for development (*unaudited).

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, 2016 and 2015, advertising expenses approximated \$42,000 and \$40,000, respectively.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 follows the provisions of FASB ASC Topic, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Organization's information returns for years ended June 30, 2012 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.

Subsequent Events

The Organization has evaluated all subsequent events through October 5, 2016, the date the financial statements were available to be issued.

Summarized Financial Information for 2015

The financial information as of June 30, 2015 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

3. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable are unsecured and consist of grants, bequests, pledges and other receivables. 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, 2016 and 2015:

	2016	2015
Grants and pledges receivable within one year	\$ 151,145	\$ 62,427
Contracts and accounts receivable	12,649	7,966
Total grants and accounts receivable	\$ 163,794	\$ 70,393

4. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2016 and 2015:

	2016	2015
Securities held in perpetual trust:		
Cash and cash equivalents	\$ 14,617	\$ 9,586
Fixed income fund	72,799	55,982
Equity mutual funds	100,798	108,143
Equity securities	326,296	373,420
	514,510	547,131
Beneficial interest in assets held by Oregon		
Community Foundation (OCF)	435,818	456,388
Cash and cash equivalents	182,073	1,325,364
Certificates of deposit	511,827	1,302,711
Fixed income securities	32,957	95,397
Mutual funds	2,878,872	1,010,884
Total investments	\$ 4,556,057	\$ 4,737,875

AUDUBON SOCIETY OF PORTLAND, OREGON
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2016

4. INVESTMENTS, Continued-

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.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2016 and 2015:

	2016	2015
Land	\$ 366,673	\$ 366,673
Buildings	2,024,213	1,856,131
Furniture and equipment	217,529	250,283
Library collection	14,500	14,500
	2,622,915	2,487,587
Less accumulated depreciation	1,196,245	1,189,891
Property and equipment, net	\$ 1,426,670	\$ 1,297,696

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

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, 2016 and 8% per annum thereafter, until paid. The outstanding balance is payable in quarterly installments of \$725 plus interest, until paid in full. The note is unsecured and due and payable on May 1, 2028. The note was paid in full during 2016.

8. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of unrestricted net assets designated by the Board as a reserve fund for special purposes and/or the long-term benefit of ASoP as follows:

	2016	2015
Board designated reserve (Note 11)	\$ 435,818	\$ 456,388
Condor program	57,101	60,000
Total board designated net assets	\$ 492,919	\$ 516,388

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.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

9. TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Earnings on endowment (Note 11)	\$ 25,037	\$ 13,508
Various programs	2,631,466	2,569,351
Land held for conservation	1,520,157	1,520,157
Total temporarily restricted net assets	\$ 4,176,660	\$ 4,103,016

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include a 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 as a wildlife sanctuary, known as Ten Mile Creek Sanctuary (Note 9). 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. Additional contributions totaling \$13,095 were received for the endowment but are 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, 2016

10. PERMANENTLY RESTRICTED NET ASSETS, Continued

In 2010, the Organization established the sanctuary stewardship endowment fund. Contributions are held in perpetuity, with investment earnings added to the permanent endowment until the fund reaches \$250,000 (which occurred in 2015), after which time, earnings will support stewardship of the sanctuary.

Permanently restricted net assets are summarized as follows at June 30, 2016 and 2015:

	2016	2015
Perpetual trust	\$ 514,510	\$ 547,131
Ten Mile Creek Sanctuary endowment (Note 11)	203,095	201,250
Sanctuary stewardship endowment (Note 11)	253,791	253,721
Total permanently restricted net assets	\$ 971,396	\$ 1,002,102

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, 2016

II. 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. Spending for the Ten Mile Creek Sanctuary endowment is in accordance with the endowment agreement.

Composition of endowment net assets at June 30, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2016				
Donor-restricted	\$ -	\$ 25,037	\$ 456,886	\$ 481,923
Board-designated	435,818	-	-	435,818
	<u>\$ 435,818</u>	<u>\$ 25,037</u>	<u>\$ 456,886</u>	<u>\$ 917,741</u>
June 30, 2015				
Donor-restricted	\$ -	\$ 13,508	\$ 454,971	\$ 468,479
Board-designated	456,388	-	-	456,388
	<u>\$ 456,388</u>	<u>\$ 13,508</u>	<u>\$ 454,971</u>	<u>\$ 924,867</u>

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

11. ENDOWMENT FUNDS, Continued

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	Temporarily Permanently			Total
	Unrestricted	Restricted	Restricted	
Balance – June 30, 2014	\$ 464,643	\$ 5,619	\$ 448,681	\$ 918,943
Contributions	-	-	6,290	6,290
Investment income	1,172	11,641	-	12,813
Realized/unrealized gain (loss) on investments	9,286	(3,752)	-	5,534
Appropriated for expenditure	(18,713)	-	-	(18,713)
Transfer	-	-	-	-
Balance – June 30, 2015	456,388	13,508	454,971	924,867
Contributions	-	-	1,915	1,915
Investment income	953	11,074	-	12,027
Realized/unrealized gain (loss) on investments	(2,052)	455	-	(1,597)
Appropriated for expenditure	(19,471)	-	-	(19,471)
Balance – June 30, 2016	<u>\$ 435,818</u>	<u>\$ 25,037</u>	<u>\$ 456,886</u>	<u>\$ 917,741</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 approximately \$26,900 and \$26,400 to the plan for the years ended June 30, 2016 and 2015, respectively.

13. COMMITMENT

In August 2014, ASoP entered into a three-year contract for maintenance services for telecommunications equipment. Minimum payments under the contract are approximately \$2,900 per month. As of June 30, 2016, the remaining commitment is approximately \$38,000.

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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

14. 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, 2016 and 2015, uninsured cash balances approximate \$76,700 and \$161,600, respectively.

Grants and accounts receivable are concentrated with approximately 40% of the balance due from two donors (32% from one donor for 2015).

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.

15. 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.

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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

15. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2016				
Fixed income securities	\$ 32,957	\$ -	\$ 32,957	\$ -
Mutual funds - balanced	2,878,872	2,878,872	-	-
Investments held in perpetual trust:				
Fixed income mutual fund	72,799	72,799	-	-
Equity mutual funds	100,798	100,798	-	-
Equity securities	326,296	326,296	-	-
Beneficial interest in assets held by OCF	435,818	-	-	435,818
	<u>\$ 3,847,540</u>	<u>\$ 3,378,765</u>	<u>\$ 32,957</u>	<u>\$ 435,818</u>
2015				
Fixed income securities	\$ 95,397	\$ -	\$ 95,397	\$ -
Mutual funds - balanced	1,010,884	1,010,884	-	-
Investments held in perpetual trust:				
Fixed income mutual fund	55,982	55,982	-	-
Equity mutual funds	108,143	108,143	-	-
Equity securities	373,420	373,420	-	-
Beneficial interest in assets held by OCF	456,388	-	-	456,388
	<u>\$ 2,100,214</u>	<u>\$ 1,548,429</u>	<u>\$ 95,397</u>	<u>\$ 456,388</u>

Fair values for equity securities and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for investments in fixed income securities are provided by custodians and are based on pricing models that incorporate available trade, bid and other market information.

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, 2016

15. 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>2016</u>	<u>2015</u>
Beginning of year	\$456,388	\$ 464,643
Investment income, net of fees	953	1,172
Change in value (included in unrestricted net assets)	(2,052)	9,286
Disbursements	<u>(19,471)</u>	<u>(18,713)</u>
End of year	<u>\$ 435,818</u>	<u>\$ 456,388</u>

16. SUPPLEMENTAL CASH FLOW INFORMATION

The following represents a reconciliation of the change in net assets (as reported on the statement of activities) to net cash used in operating activities (as reported on the statement of cash flows):

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (62,323)	\$ (279,199)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	68,656	72,888
Net realized/unrealized (gain) loss on investments	(6,789)	11,748
Change in perpetual trust	32,621	27,461
Contributions restricted for endowment	(1,915)	(6,290)
(Increase) decrease in:		
Grants and accounts receivable	(93,401)	(34,373)
Inventory	23,109	(20,042)
Prepaid expenses	(18,063)	(17,863)
Increase (decrease) in:		
Accounts payable and accrued expenses	(50,139)	44,726
Deferred revenue	<u>64,334</u>	<u>18,897</u>
Net cash used in operating activities	<u>\$ (43,910)</u>	<u>\$ (182,047)</u>