



**AUDUBON SOCIETY  
OF PORTLAND, OREGON**

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**Audited Financial  
Statements**

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**For the Year Ended  
June 30, 2014**



**MCDONALD JACOBS**  
ACCOUNTANTS & CONSULTANTS



## INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA  
Shareholder

To the Board of Directors  
Audubon Society of Portland, Oregon

Susan J. Marks, CPA  
Shareholder

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, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Mark A. Clift, CPA  
Shareholder

Karin S. Wandtke, CPA  
Shareholder

### *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.

Sang Ahn, CPA  
Shareholder

Gerard DeBlois Jr., CPA  
Shareholder

Mary Strasdin, CPA  
Shareholder

### *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.

Jill Oswald  
Shareholder

Anthony Almer, CPA  
Principal

Tyee Carr, CPA  
Principal

Dennis C. Johnson, CPA  
of counsel

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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobson, P.C.*

Portland, Oregon  
October 14, 2014

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2014**  
**(With comparative totals for 2013)**

	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 721,564	\$ 650,016
Accounts receivable	87,965	110,477
Inventory	198,605	165,059
Prepaid expenses	53,989	61,455
Investments	4,750,342	2,194,625
Property and equipment, net	1,307,414	1,311,348
Conservation property	2,003,110	2,003,110
 TOTAL ASSETS	 \$ 9,122,989	 \$ 6,496,090
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 126,163	\$ 112,142
Accrued expenses	138,434	76,973
Deferred revenue	383,714	388,689
Note payable	39,246	42,146
 Total liabilities	 687,557	 619,950
Net assets:		
Unrestricted:		
Available for operations	1,104,170	650,650
Board designated	464,643	465,029
Conservation property and net property and equipment	1,751,121	1,752,155
Total unrestricted	3,319,934	2,867,834
Temporarily restricted	4,092,225	2,084,592
Permanently restricted	1,023,273	923,714
 Total net assets	 8,435,432	 5,876,140
 TOTAL LIABILITIES AND NET ASSETS	 \$ 9,122,989	 \$ 6,496,090

See notes to financial statements.

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2014**  
**(With comparative totals for 2013)**

	2014			Total	2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and revenue:</b>					
Contributions and grants	\$ 1,275,494	\$ 2,508,627	\$ 24,913	\$ 3,809,034	\$ 1,034,932
Donated assets, materials and services	117,816	-	-	117,816	348,397
Memberships	238,519	-	-	238,519	217,822
Program service revenue	836,814	-	-	836,814	856,241
Special events revenue, net of direct costs of \$51,999 for 2014 and \$54,451 for 2013	156,778	-	-	156,778	149,266
Sales, net of cost of goods sold of \$531,152 for 2014 and \$485,995 for 2013	291,300	-	-	291,300	256,118
Investment income	48,782	3,695	5,035	57,512	70,093
Net realized/unrealized investment gain	102,127	2,003	16,282	120,412	51,275
Change in perpetual trust	-	-	53,329	53,329	28,674
Other income	9,325	-	-	9,325	14,541
Net assets released from restrictions:					
Satisfaction of purpose and time restrictions	506,692	(506,692)	-	-	-
<b>Total support and revenue</b>	<u>3,583,647</u>	<u>2,007,633</u>	<u>99,559</u>	<u>5,690,839</u>	<u>3,027,359</u>
<b>Expenses:</b>					
Program services:					
Conservation	886,293	-	-	886,293	901,922
Education	1,061,273	-	-	1,061,273	966,285
Nature Store	187,842	-	-	187,842	157,455
Membership and publications	208,075	-	-	208,075	195,881
Sanctuary	203,852	-	-	203,852	202,367
<b>Total program services</b>	<u>2,547,335</u>	<u>-</u>	<u>-</u>	<u>2,547,335</u>	<u>2,423,910</u>
Management and general	390,450	-	-	390,450	366,048
Fundraising	193,762	-	-	193,762	212,084
<b>Total expenses</b>	<u>3,131,547</u>	<u>-</u>	<u>-</u>	<u>3,131,547</u>	<u>3,002,042</u>
 Change in net assets	 452,100	 2,007,633	 99,559	 2,559,292	 25,317
<b>Net assets:</b>					
Beginning of year	<u>2,867,834</u>	<u>2,084,592</u>	<u>923,714</u>	<u>5,876,140</u>	<u>5,850,823</u>
 End of year	 <u>\$ 3,319,934</u>	 <u>\$ 4,092,225</u>	 <u>\$ 1,023,273</u>	 <u>\$ 8,435,432</u>	 <u>\$ 5,876,140</u>

See notes to financial statements.

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2014**  
**(With comparative totals for 2013)**

	Program Services									2014 Total	2013 Total
			Membership and								
	Conservation	Education	Nature Store	Publications	Sanctuary	Total Program	General	Fundraising			
Salaries and related expenses	\$ 452,879	\$ 503,107	\$ 124,927	\$ 90,040	\$ 151,656	\$ 1,322,609	\$ 318,060	\$ 62,399	\$ 1,703,068	\$ 1,465,425	
Professional and contract services	226,200	20,361	-	12,800	24,745	284,106	42,163	48,422	374,691	571,975	
Operating expenses	33,842	13,415	21,919	9,123	3,910	82,209	42,243	1,217	125,669	93,824	
Facilities	3,392	2,675	2,269	8,012	59,260	75,608	18,850	187	94,645	116,853	
Communications	2,237	8,192	12,300	50,345	78	73,152	31,333	32,797	137,282	110,026	
Materials and supplies	34,432	146,771	3,223	1,038	10,480	195,944	45,448	19,554	260,946	234,854	
Transportation and travel	17,523	294,815	3,440	8	917	316,703	4,736	20,908	342,347	330,857	
Volunteer and membership	420	473	433	2,750	-	4,076	21,371	100	25,547	9,970	
Depreciation	-	-	-	-	-	-	67,352	-	67,352	68,258	
Administration allocation	115,368	71,464	19,331	33,959	(47,194)	192,928	(201,106)	8,178	-	-	
<b>Total expenses</b>	<u>\$ 886,293</u>	<u>\$ 1,061,273</u>	<u>\$ 187,842</u>	<u>\$ 208,075</u>	<u>\$ 203,852</u>	<u>\$ 2,547,335</u>	<u>\$ 390,450</u>	<u>\$ 193,762</u>	<u>\$ 3,131,547</u>	<u>\$ 3,002,042</u>	

See notes to financial statements.

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2014**  
**(With comparative totals for 2013)**

	2014	2013
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,559,292	\$ 25,317
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	67,352	68,258
Net realized/unrealized gain on investments	(120,412)	(51,275)
Change in perpetual trust	(53,329)	(28,674)
Contributions restricted for endowment	(24,913)	(58,095)
(Increase) decrease in:		
Accounts receivable	22,512	71,431
Inventory	(33,546)	(9,543)
Prepaid expenses	7,466	(13,523)
Increase (decrease) in:		
Accounts payable and accrued expenses	75,482	(7,108)
Deferred revenue	(4,975)	20,609
Net cash provided by operating activities	2,494,929	17,397
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(63,418)	(17,742)
Purchase of investments	(2,714,699)	(305,305)
Proceeds from investments	332,723	18,226
Net cash used in investing activities	(2,445,394)	(304,821)
<b>Cash flows from financing activities:</b>		
Contributions restricted for endowment	24,913	58,095
Principal payments on note payable	(2,900)	(2,900)
Net cash provided by financing activities	22,013	55,195
Net increase (decrease) in cash and cash equivalents	71,548	(232,229)
Cash and cash equivalents - beginning of year	650,016	882,245
Cash and cash equivalents - end of year	\$ 721,564	\$ 650,016
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 2,053	\$ 2,198

See notes to financial statements.

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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 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 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, 2014

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.

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**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 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, 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Donated Assets and Services, Continued

During the years ended June 30, 2014 and 2013, donated assets, materials and services consisted of the following:

	2014	2013
Program services:		
Materials and supplies	\$ 75,933	\$ 46,045
Veterinary services - conservation	41,883	40,200
Legal services - conservation	-	262,152
Total donated facilities, materials and services	\$ 117,816	\$ 348,397

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 43,100 hours of donated time for 2014 and 41,500 hours for 2013 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, 2014 and 2013, advertising expenses approximated \$34,000 and \$27,000, respectively.

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**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, 2010 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 14, 2014, the date the financial statements were available to be issued.

Summarized Financial Information for 2013

The financial information as of June 30, 2013 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

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.

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Grants and pledges receivable within one year	\$ 29,765	\$ 31,111
Contracts and accounts receivable	<u>58,200</u>	<u>79,366</u>
Total accounts receivable	<u>\$ 87,965</u>	<u>\$ 110,477</u>

**4. INVESTMENTS**

Investments are carried at fair value and consist of the following at June 30, 2014 and 2013 :

	<u>2014</u>	<u>2013</u>
Securities held in perpetual trust:		
Cash and cash equivalents	\$ 7,286	\$ 17,243
Fixed income fund	50,929	71,227
Equity mutual funds	140,965	19,571
Equity securities	<u>375,412</u>	<u>413,222</u>
	574,592	521,263
Beneficial interest in assets held by OCF	464,643	419,778
Cash and cash equivalents	1,330,875	381,976
Certificates of deposit	1,193,572	-
Fixed income securities	820,604	494,667
Mutual funds	<u>366,056</u>	<u>376,941</u>
Total investments	<u>\$ 4,750,342</u>	<u>\$ 2,194,625</u>

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 366,673	\$ 366,673
Buildings	1,794,288	1,772,383
Furniture and equipment	248,955	207,443
Library collection	<u>14,500</u>	<u>14,500</u>
	2,424,416	2,360,999
Less accumulated depreciation	<u>1,117,002</u>	<u>1,049,651</u>
Property and equipment, net	<u>\$ 1,307,414</u>	<u>\$ 1,311,348</u>

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**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. Future maturities are as follows:

Years ending June 30, 2015	\$	2,900
2016		2,900
2017		2,900
2018		2,900
2019		2,900
Thereafter		<u>24,746</u>
	\$	<u><u>39,246</u></u>

**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.

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**9. TEMPORARILY RESTRICTED NET ASSETS**

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

	2014	2013
Earnings on endowment (Note 11)	\$ 5,619	\$ -
Time restricted	-	46,012
Various programs	2,566,449	518,423
Land held for conservation	1,520,157	1,520,157
Total temporarily restricted net assets	\$ 4,092,225	\$ 2,084,592

**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, 2014**

**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, 2014 and 2013:

	2014	2013
Perpetual trust	\$ 574,592	\$ 521,263
Ten Mile Creek Sanctuary endowment (Note 11)	201,250	200,000
Sanctuary stewardship endowment (Note 11)	247,431	202,451
Total permanently restricted net assets	\$ 1,023,273	\$ 923,714

**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, 2014**

**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, 2014 and 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>June 30, 2014</b>				
Donor-restricted	\$ -	\$ 5,619	\$ 448,681	\$ 454,300
Board-designated	464,643	-	-	464,643
	<u>\$ 464,643</u>	<u>\$ 5,619</u>	<u>\$ 448,681</u>	<u>\$ 918,943</u>
<b>June 30, 2013</b>				
Donor-restricted	\$ (79)	\$ -	\$ 402,451	\$ 402,372
Board-designated	465,029	-	-	465,029
	<u>\$ 464,950</u>	<u>\$ -</u>	<u>\$ 402,451</u>	<u>\$ 867,401</u>

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**11. ENDOWMENT FUNDS, Continued**

Changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance – June 30, 2012	\$ 432,535	\$ 759	\$ 336,922	\$ 770,216
Contributions	-	-	58,095	58,095
Investment income	2,600	4,646	7,434	14,680
Realized/unrealized gain (loss)				
on investments	48,117	(5,484)	-	42,633
Appropriated for expenditure	(18,223)	-	-	(18,223)
Transfer	(79)	79	-	-
Balance – June 30, 2013	<u>464,950</u>	<u>-</u>	<u>402,451</u>	<u>867,401</u>
Contributions	-	-	24,913	24,913
Investment income	1,033	3,695	5,035	9,763
Realized/unrealized gain				
on investments	62,754	2,003	16,282	81,039
Appropriated for expenditure	(64,173)	-	-	(64,173)
Transfer	79	(79)	-	-
Balance – June 30, 2014	<u>\$ 464,643</u>	<u>\$ 5,619</u>	<u>\$ 448,681</u>	<u>\$ 918,943</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 \$46,710 and \$37,508 to the plan for the years ended June 30, 2014 and 2013, respectively.

**13. LEASE COMMITMENT**

In June 2014, ASoP entered into an equipment and service contract for telecommunications to begin upon installation of the equipment, which is scheduled to take place in the year ending June 30, 2015. The contract will continue for three years from the date of installation. Minimum payments under the contract are approximately \$2,900 per month.

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**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, 2014 and 2013, uninsured cash balances approximate \$454,600 and \$157,500, respectively.

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.

**AUDUBON SOCIETY OF PORTLAND, OREGON**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**15. FAIR VALUE MEASUREMENTS, Continued**

Fair values of assets measured on a recurring basis at June 30, 2014 and 2013 are as follows:

<b>2014</b>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Mutual funds:			
Fixed income	\$ 820,604	\$ 820,604	\$ -
Balanced	366,056	366,056	-
Investments held in perpetual trust:			
Fixed income mutual fund	50,929	50,929	-
Equity mutual funds	375,412	375,412	-
Equity securities	140,965	140,965	-
Beneficial interest in assets held by OCF	464,643	-	464,643
	<u>\$ 2,218,609</u>	<u>\$ 1,753,966</u>	<u>\$ 464,643</u>
<b>2013</b>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Mutual funds:			
Fixed income	\$ 494,667	\$ 494,667	\$ -
Balanced	376,941	376,941	-
Investments held in perpetual trust:			
Fixed income mutual fund	71,227	71,227	-
Equity mutual funds	19,571	19,571	-
Equity securities	413,222	413,222	-
Beneficial interest in assets held by OCF	419,778	-	419,778
	<u>\$ 1,795,406</u>	<u>\$ 1,375,628</u>	<u>\$ 419,778</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, 2014**

**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>2014</u>	<u>2013</u>
Beginning of year	\$ 419,778	\$ 387,855
Investment income, net of fees	867	2,064
Change in value (included in unrestricted net assets)	62,254	48,082
Disbursements	<u>(18,256)</u>	<u>(18,223)</u>
End of year	<u>\$ 464,643</u>	<u>\$ 419,778</u>