



**AUDUBON SOCIETY
OF PORTLAND, OREGON**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2015**



MCDONALD JACOBS
ACCOUNTANTS & CONSULTANTS



INDEPENDENT AUDITOR'S REPORT

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Mary Strasdin, CPA
Shareholder

Jill Oswald
Shareholder

Anthony Almer, CPA
Principal

Tyee Carr, CPA
Principal

Jake Jacobs, CPA
of counsel

Susan J. Marks, CPA
of counsel

Dennis C. Johnson, CPA
of counsel

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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
October 7, 2015

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF FINANCIAL POSITION
June 30, 2015
(With comparative totals for 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 452,995	\$ 721,564
Grants and accounts receivable	70,393	36,020
Inventory	218,647	198,605
Prepaid expenses	71,852	53,989
Investments	4,737,875	4,750,342
Property and equipment, net	1,297,696	1,307,414
Conservation property	2,003,110	2,003,110
 TOTAL ASSETS	 \$ 8,852,568	 \$ 9,071,044
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 143,714	\$ 126,163
Accrued expenses	165,609	138,434
Deferred revenue	350,666	331,769
Note payable	36,346	39,246
 Total liabilities	 696,335	 635,612
Net assets:		
Unrestricted:		
Available for operations	790,424	1,104,170
Board designated	516,388	524,643
Conservation property and net property and equipment	1,744,303	1,751,121
Total unrestricted	3,051,115	3,379,934
Temporarily restricted	4,103,016	4,032,225
Permanently restricted	1,002,102	1,023,273
 Total net assets	 8,156,233	 8,435,432
 TOTAL LIABILITIES AND NET ASSETS	 \$ 8,852,568	 \$ 9,071,044

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015
(With comparative totals for 2014)

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and grants	\$ 847,326	\$ 301,595	\$ 6,290	\$ 1,155,211	\$ 3,809,034
Donated assets, materials and services	126,653	-	-	126,653	117,816
Memberships	243,074	-	-	243,074	238,519
Program service revenue	751,400	-	-	751,400	836,814
Special events revenue, net of direct costs of \$64,777 for 2015 and \$51,999 for 2014	182,863	-	-	182,863	156,778
Sales, net of cost of goods sold of \$479,879 for 2015 and \$531,152 for 2014	270,689	-	-	270,689	291,300
Investment income	50,613	26,187	-	76,800	57,512
Net realized/unrealized investment gain (loss)	199	(11,947)	-	(11,748)	120,412
Change in perpetual trust	-	-	(27,461)	(27,461)	53,329
Other income	4,819	-	-	4,819	9,325
Net assets released from restrictions:					
Satisfaction of purpose and time restrictions	245,044	(245,044)	-	-	-
Total support and revenue	<u>2,722,680</u>	<u>70,791</u>	<u>(21,171)</u>	<u>2,772,300</u>	<u>5,690,839</u>
Expenses:					
Program services:					
Conservation	807,692	-	-	807,692	886,293
Education	1,013,653	-	-	1,013,653	1,061,273
Nature Store	184,660	-	-	184,660	187,842
Membership and publications	217,653	-	-	217,653	208,075
Sanctuary	218,699	-	-	218,699	203,852
Total program services	<u>2,442,357</u>	<u>-</u>	<u>-</u>	<u>2,442,357</u>	<u>2,547,335</u>
Management and general	400,928	-	-	400,928	390,450
Fundraising	208,214	-	-	208,214	193,762
Total expenses	<u>3,051,499</u>	<u>-</u>	<u>-</u>	<u>3,051,499</u>	<u>3,131,547</u>
 Change in net assets	 (328,819)	 70,791	 (21,171)	 (279,199)	 2,559,292
Net assets:					
Beginning of year	<u>3,379,934</u>	<u>4,032,225</u>	<u>1,023,273</u>	<u>8,435,432</u>	<u>5,876,140</u>
End 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>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015
(With comparative totals for 2014)

	Program Services						Total Program	Management and Fundraising		2015 Total	2014 Total
	Conservation	Education	Nature Store	Membership and Publications	Sanctuary			General			
Salaries and related expenses	\$ 486,223	\$ 543,262	\$ 127,419	\$ 93,061	\$ 157,773	\$ 1,407,738	\$ 324,816	\$ 74,213	\$ 1,806,767	\$ 1,703,068	
Professional and contract services	126,939	27,774	100	15,620	18,838	189,271	13,539	41,773	244,583	374,691	
Operating expenses	6,007	13,810	20,078	10,807	4,637	55,339	91,311	2,736	149,386	125,669	
Facilities	3,099	5,782	566	9,043	55,387	73,877	18,404	8,768	101,049	94,645	
Communications	2,676	21,355	11,740	51,300	66	87,137	13,035	27,310	127,482	137,282	
Materials and supplies	61,327	96,240	2,848	1,653	11,533	173,601	44,902	25,852	244,355	260,946	
Transportation and travel	14,893	241,079	2,792	38	1,105	259,907	5,491	19,224	284,622	342,347	
Volunteer and membership	934		328	4,342		5,604	14,365	398	20,367	25,547	
Depreciation	-	-	-	-	-	-	72,888	-	72,888	67,352	
Administration and facilities allocation	<u>105,594</u>	<u>64,351</u>	<u>18,789</u>	<u>31,789</u>	<u>(30,640)</u>	<u>189,883</u>	<u>(197,823)</u>	<u>7,940</u>	<u>-</u>	<u>-</u>	
Total expenses	<u>\$ 807,692</u>	<u>\$ 1,013,653</u>	<u>\$ 184,660</u>	<u>\$ 217,653</u>	<u>\$ 218,699</u>	<u>\$ 2,442,357</u>	<u>\$ 400,928</u>	<u>\$ 208,214</u>	<u>\$ 3,051,499</u>	<u>\$ 3,131,547</u>	

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015
(With comparative totals for 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (279,199)	\$ 2,559,292
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	72,888	67,352
Net realized/unrealized (gain) loss on investments	11,748	(120,412)
Change in perpetual trust	27,461	(53,329)
Contributions restricted for endowment	(6,290)	(24,913)
(Increase) decrease in:		
Grants and accounts receivable	(34,373)	22,512
Inventory	(20,042)	(33,546)
Prepaid expenses	(17,863)	7,466
Increase (decrease) in:		
Accounts payable and accrued expenses	44,726	75,482
Deferred revenue	18,897	(4,975)
Net cash provided by (used in) operating activities	(182,047)	2,494,929
Cash flows from investing activities:		
Purchase of property and equipment	(63,170)	(63,418)
Purchase of investments	(66,938)	(2,714,699)
Proceeds from investments	40,196	332,723
Net cash used in investing activities	(89,912)	(2,445,394)
Cash flows from financing activities:		
Contributions restricted for endowment	6,290	24,913
Principal payments on note payable	(2,900)	(2,900)
Net cash provided by financing activities	3,390	22,013
Net increase (decrease) in cash and cash equivalents	(268,569)	71,548
Cash and cash equivalents - beginning of year	721,564	650,016
Cash and cash equivalents - end of year	\$ 452,995	\$ 721,564
Supplemental cash flow information:		
Cash paid for interest	\$ 1,908	\$ 2,053

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

Contribution revenue can fluctuate significantly from year to year depending on bequests received. Bequests may range from 2% of revenue (\$73,000, FY 2015) to nearly 50% of revenue (\$2.9 million, FY 2014). To mitigate the impact on operations for this unpredictability, management has chosen to apply a portion of prior bequest revenue to subsequent operating budgets over a multi-year horizon. 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 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.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, *Continued*
June 30, 2015

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

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 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, 2015

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, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets, Materials and Services, Continued

During the years ended June 30, 2015 and 2014, donated assets, materials and services consisted of the following:

	2015	2014
Materials and supplies	\$ 79,823	\$ 75,933
Veterinary services - conservation	46,830	41,883
Total donated assets, materials and services	\$ 126,653	\$ 117,816

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 46,000 hours of donated time for 2015 and 43,100 hours for 2014 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 2015 to be approximately \$744,000* for programs, \$175,000* for management and \$82,000* 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, 2015 and 2014, advertising expenses approximated \$40,000 and \$34,000, respectively.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, *Continued*
June 30, 2015

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, 2011 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 7, 2015, the date the financial statements were available to be issued.

Summarized Financial Information for 2014

The financial information as of June 30, 2014 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, 2015

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Grants and pledges receivable		
within one year	\$ 62,427	\$ 29,765
Contracts and accounts receivable	<u>7,966</u>	<u>6,255</u>
 Total grants and accounts receivable	 <u>\$ 70,393</u>	 <u>\$ 36,020</u>

4. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Securities held in perpetual trust:		
Cash and cash equivalents	\$ 9,586	\$ 7,286
Fixed income fund	55,982	50,929
Equity mutual funds	108,143	140,965
Equity securities	<u>373,420</u>	<u>375,412</u>
	547,131	574,592
 Beneficial interest in assets held by Oregon		
Community Foundation (OCF)	456,388	464,643
Cash and cash equivalents	1,325,383	1,330,875
Certificates of deposit	1,033,793	1,193,572
Fixed income securities	268,952	820,604
Mutual funds	<u>1,106,228</u>	<u>366,056</u>
 Total investments	 <u>\$ 4,737,875</u>	 <u>\$ 4,750,342</u>

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2015

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 366,673	\$ 366,673
Buildings	1,856,131	1,794,288
Furniture and equipment	250,283	248,955
Library collection	<u>14,500</u>	<u>14,500</u>
	2,487,587	2,424,416
Less accumulated depreciation	<u>1,189,891</u>	<u>1,117,002</u>
Property and equipment, net	<u>\$ 1,297,696</u>	<u>\$ 1,307,414</u>

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2015

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, 2016	\$	2,900
2017		2,900
2018		2,900
2019		2,900
2020		2,900
Thereafter		21,846
	\$	<u>36,346</u>

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:

	<u>2015</u>	<u>2014</u>
Board designated reserve (Note 11)	\$ 456,388	\$ 464,643
Condor program	<u>60,000</u>	<u>60,000</u>
Total board designated net assets	<u>\$ 516,388</u>	<u>\$ 524,643</u>

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, 2015

9. TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
Earnings on endowment (Note 11)	\$ 13,508	\$ 5,619
Various programs	2,569,351	2,506,449
Land held for conservation	1,520,157	1,520,157
Total temporarily restricted net assets	\$ 4,103,016	\$ 4,032,225

In 2015, management determined that amounts originally classified as restricted for the Condor program were actually unrestricted funds designated by the board for the program. Accordingly, temporarily restricted net assets of \$60,000 were reclassified as board designated as of June 30, 2013. There was no impact on total net assets as a result of the reclassification.

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 \$11,250 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, 2015

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, 2015 and 2014:

	2015	2014
Perpetual trust	\$ 547,131	\$ 574,592
Ten Mile Creek Sanctuary endowment (Note 11)	201,250	201,250
Sanctuary stewardship endowment (Note 11)	253,721	247,431
Total permanently restricted net assets	\$ 1,002,102	\$ 1,023,273

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, 2015

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, 2015 and 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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>
June 30, 2014				
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>

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2015

11. ENDOWMENT FUNDS, Continued

Changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - June 30, 2013	\$ 464,950	\$ -	\$ 402,451	\$ 867,401
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	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)
Balance - June 30, 2015	<u>\$ 456,388</u>	<u>\$ 13,508</u>	<u>\$ 454,971</u>	<u>\$ 924,867</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 \$26,400 and \$46,700 to the plan for the years ended June 30, 2015 and 2014, 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.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2015

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, 2015 and 2014, uninsured cash balances approximate \$161,600 and \$454,600, 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, 2015

15. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2015 and 2014 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2015				
Fixed income securities	\$ 268,952	\$ -	\$ 268,952	\$ -
Mutual funds - balanced	1,106,228	1,106,228	-	-
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>\$ 2,369,113</u>	<u>\$ 1,643,773</u>	<u>\$ 268,952</u>	<u>\$ 456,388</u>
2014				
Fixed income securities	\$ 820,604	\$ -	\$ 820,604	\$ -
Mutual funds - 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>\$ 933,362</u>	<u>\$ 820,604</u>	<u>\$ 464,643</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, 2015

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>2015</u>	<u>2014</u>
Beginning of year	\$ 464,643	\$ 419,778
Investment income, net of fees	1,172	867
Change in value (included in unrestricted net assets)	9,286	62,254
Disbursements	<u>(18,713)</u>	<u>(18,256)</u>
End of year	<u>\$ 456,388</u>	<u>\$ 464,643</u>