

AUDUBON SOCIETY OF PORTLAND, OREGON
DBA PORTLAND AUDUBON

Audited Financial Statements

For the Year Ended June 30, 2019



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Audubon Society of Portland, Oregon DBA Portland Audubon

We have audited the accompanying financial statements of Audubon Society of Portland, Oregon DBA Portland Audubon (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, 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 DBA Portland Audubon as of June 30, 2019, and changes in its net assets and its cash flows for the year then ended in accordance 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 DBA Portland Audubon's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
November 26, 2019

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 136,320	\$ 341,219
Grants and accounts receivable	104,713	103,248
Inventory	300,763	216,711
Prepaid expenses	92,417	64,352
Investments	4,325,648	4,514,308
Property and equipment, net	2,856,532	2,368,009
Conservation property	2,503,110	2,003,110
TOTAL ASSETS	\$ 10,319,503	\$ 9,610,957
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 172,251	\$ 232,699
Accrued expenses	106,345	79,509
Deferred revenue	471,016	352,289
Total liabilities	749,612	664,497
 Net assets:		
Without donor restrictions:		
Available for operations	541,859	279,271
Board designated	794,772	1,014,891
Conservation property and net property and equipment	3,839,485	2,850,962
Total without donor restrictions	5,176,116	4,145,124
With donor restrictions:		
Net assets with expiring restrictions	3,367,144	3,774,890
Net assets with perpetual restrictions	1,026,631	1,026,446
Total with donor restrictions	4,393,775	4,801,336
Total net assets	9,569,891	8,946,460
TOTAL LIABILITIES AND NET ASSETS	\$ 10,319,503	\$ 9,610,957

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019				2018 Total
	<u>With Donor Restrictions</u>			Total	
	<u>Without Donor Restrictions</u>	<u>With Expiring Restrictions</u>	<u>With Perpetual Restrictions</u>		
Support and revenue:					
Contributions and grants	\$ 2,480,867	\$ 438,059	\$ -	\$ 2,918,926	\$ 2,801,641
Donated materials and services	87,293	-	-	87,293	141,082
Memberships	330,703	-	-	330,703	345,404
Program service revenue	1,015,308	-	-	1,015,308	1,079,919
Special events revenue, net of direct costs of \$87,779 for 2019 and \$92,030 for 2018	157,727	-	-	157,727	213,465
Sales, net of cost of goods sold of \$425,773 for 2019 and \$468,070 for 2018	260,732	-	-	260,732	243,182
Investment income, net	89,120	26,274	-	115,394	207,976
Change in perpetual trust	-	-	185	185	18,190
Gain on sale	334,686	-	-	334,686	-
Other income (loss)	10,713	-	-	10,713	(7,448)
Net assets released from restrictions:					
Satisfaction of purpose restrictions	872,079	(872,079)	-	-	-
Total support and revenue	<u>5,639,228</u>	<u>(407,746)</u>	<u>185</u>	<u>5,231,667</u>	<u>5,043,411</u>
Expenses:					
Program services:					
Conservation	1,149,113	-	-	1,149,113	1,120,632
Education	1,645,057	-	-	1,645,057	1,548,854
Nature Store	181,985	-	-	181,985	205,661
Membership and publications	250,071	-	-	250,071	243,875
Sanctuary	435,259	-	-	435,259	314,969
Total program services	<u>3,661,485</u>	<u>-</u>	<u>-</u>	<u>3,661,485</u>	<u>3,433,991</u>
Management and general	461,107	-	-	461,107	479,212
Fundraising	485,644	-	-	485,644	417,501
Total expenses	<u>4,608,236</u>	<u>-</u>	<u>-</u>	<u>4,608,236</u>	<u>4,330,704</u>
Change in net assets	1,030,992	(407,746)	185	623,431	712,707
Net assets:					
Beginning of year	<u>4,145,124</u>	<u>3,774,890</u>	<u>1,026,446</u>	<u>8,946,460</u>	<u>8,233,753</u>
End of year	<u>\$ 5,176,116</u>	<u>\$ 3,367,144</u>	<u>\$ 1,026,631</u>	<u>\$ 9,569,891</u>	<u>\$ 8,946,460</u>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program Services					Total Program Services	Management and Fundraising		Total
	Conservation	Education	Nature Store	Membership and Publications	Sanctuary		General	Fundraising	
Salaries and related expenses	\$ 732,795	\$ 813,744	\$ 105,522	\$ 115,886	\$ 119,320	\$ 1,887,267	\$ 539,281	\$ 233,028	\$ 2,659,576
Professional and contract services	89,465	83,991	-	9,650	51,708	234,814	157,020	57,325	449,159
Operating expenses	29,604	61,462	19,256	6,267	3,954	120,543	115,512	13,759	249,814
Facilities	7,893	4,197	751	14,049	84,924	111,814	54,745	14,674	181,233
Communications	3,842	17,722	3,997	66,409	11,389	103,359	17,417	39,788	160,564
Materials and supplies	53,187	31,823	1,793	-	12,762	99,565	70,071	26,795	196,431
Direct benefit costs of special events	-	-	-	-	-	-	-	87,779	87,779
Cost of goods sold	-	-	425,773	-	-	425,773	-	-	425,773
Transportation and travel	23,892	509,568	834	416	3,610	538,320	5,989	14,771	559,080
Volunteer and membership	1,720	491	32	675	408	3,326	25,277	823	29,426
Depreciation	39,345	22,132	8,607	4,303	30,738	105,125	13,525	4,303	122,953
Administration and facilities allocation	167,370	99,927	41,193	32,416	116,446	457,352	(537,730)	80,378	-
	<u>1,149,113</u>	<u>1,645,057</u>	<u>607,758</u>	<u>250,071</u>	<u>435,259</u>	<u>4,087,258</u>	<u>461,107</u>	<u>573,423</u>	<u>5,121,788</u>
Less expenses netted with revenues:									
Direct benefit costs of special events	-	-	-	-	-	-	-	(87,779)	(87,779)
Cost of goods sold	-	-	(425,773)	-	-	(425,773)	-	-	(425,773)
Total expenses	<u>\$ 1,149,113</u>	<u>\$ 1,645,057</u>	<u>\$ 181,985</u>	<u>\$ 250,071</u>	<u>\$ 435,259</u>	<u>\$ 3,661,485</u>	<u>\$ 461,107</u>	<u>\$ 485,644</u>	<u>\$ 4,608,236</u>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018

	Program Services					Total Program Services	Management and Fundraising		Total
	Conservation	Education	Nature Store	Membership and Publications	Sanctuary		General	Fundraising	
Salaries and related expenses	\$ 669,420	\$ 673,471	\$ 126,773	\$ 108,544	\$ 127,750	\$ 1,705,958	\$ 481,070	\$ 164,866	\$ 2,351,894
Professional and contract services	202,425	94,867	3,830	13,180	32,248	346,550	182,250	79,492	608,292
Operating expenses	12,035	57,575	18,491	15,744	2,434	106,279	121,028	16,234	243,541
Facilities	9,471	3,003	1,014	13,727	39,417	66,632	58,337	15,719	140,688
Communications	12,449	19,975	7,930	57,521	56	97,931	17,454	33,403	148,788
Materials and supplies	36,849	29,382	6,625	1,031	10,845	84,732	14,438	11,983	111,153
Direct benefit costs of special events	-	-	-	-	-	-	-	92,030	92,030
Cost of goods sold	-	-	468,070	-	-	468,070	-	-	468,070
Transportation and travel	22,538	572,020	2,234	-	1,664	598,456	6,705	19,868	625,029
Volunteer and membership	1,229	691	19	3,288	-	5,227	19,984	697	25,908
Depreciation	-	-	-	-	-	-	75,411	-	75,411
Administration and facilities allocation	154,216	97,870	38,745	30,840	100,555	422,226	(497,465)	75,239	-
	<u>1,120,632</u>	<u>1,548,854</u>	<u>673,731</u>	<u>243,875</u>	<u>314,969</u>	<u>3,902,061</u>	<u>479,212</u>	<u>509,531</u>	<u>4,890,804</u>
Less expenses netted with revenues:									
Direct benefit costs of special events	-	-	-	-	-	-	-	(92,030)	(92,030)
Cost of goods sold	-	-	(468,070)	-	-	(468,070)	-	-	(468,070)
Total expenses	<u>\$ 1,120,632</u>	<u>\$ 1,548,854</u>	<u>\$ 205,661</u>	<u>\$ 243,875</u>	<u>\$ 314,969</u>	<u>\$ 3,433,991</u>	<u>\$ 479,212</u>	<u>\$ 417,501</u>	<u>\$ 4,330,704</u>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Cash receipts:		
Contributions, grants and events	\$ 3,162,967	\$ 3,106,602
Sales	686,505	711,252
Program services, memberships, and other income	1,475,451	1,336,279
Investment income	62,718	98,978
Total receipts	5,387,641	5,253,111
Cash disbursements:		
Payroll and related expenses	(2,325,058)	(2,022,315)
Other operating expenses	(2,747,411)	(2,561,641)
Total cash disbursements	(5,072,469)	(4,583,956)
Net cash flows from operating activities	315,172	669,155
Cash flows from investing activities:		
Purchase of property and equipment	(611,476)	(844,611)
Purchase of conservation property	(500,000)	-
Proceeds from sale of easement	334,686	-
Purchase of investments	(1,442,299)	(1,146,657)
Proceeds from investments	1,699,018	1,386,834
Net cash flows from investing activities	(520,071)	(604,434)
Cash flows from financing activities:		
Cash restricted for endowment	-	4,919
Net cash from financing activities	-	4,919
Net change in cash and cash equivalents	(204,899)	69,640
Cash and cash equivalents - beginning of year	341,219	271,579
Cash and cash equivalents - end of year	\$ 136,320	\$ 341,219

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1. THE ORGANIZATION

Audubon Society of Portland, Oregon DBA Portland Audubon (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.

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.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. Donor-restricted investment income earned on net assets with perpetual donor restrictions is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the investment income is recognized. All other donor-restricted investment income is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

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.

Revenue Recognition

Membership dues are recognized as revenue in the applicable membership period. Revenues from events and other activities are recognized in the period in which the programs and other activities occur. Deferred revenue represents advance payments for membership and programs that relate to the following year.

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

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 support without donor restrictions 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 DBA PORTLAND AUDUBON
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets, Materials and Services, Continued

During the years ended June 30, 2019 and 2018, donated materials and services consisted of the following:

	2019	2018
Materials and supplies	\$ 79,753	\$ 32,662
Legal services-management	-	20,459
Veterinary services - conservation	7,540	87,961
Total donated materials and services	\$ 87,293	\$ 141,082

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 41,700 hours of donated time for 2019 and 39,400 hours for 2018 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 revenues without donor restrictions. Contributions of cash or other assets to be used to acquire equipment or other long-lived assets with such donor stipulations are reported as revenue with donor restrictions. 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. The expenses that are allocated include occupancy, operating expenses, and depreciation, which are allocated on a square footage basis, as well as salaries and related expenses, professional and contract services, communications, materials and supplies, and transportation and travel which are allocated on the basis of full time equivalency ratios.

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, 2019 and 2018, advertising expenses approximated \$22,000 and \$36,000, respectively.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unemployment Insurance

The Organization is self-insured for unemployment and makes periodic payments to a trust company in an amount equal to estimated future claims. Deposits to the trust are recorded as an asset and claims filed but not yet paid are recorded as a liability.

Income Tax Status

Audubon Society of Portland, Oregon DBA Portland Audubon 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. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740, *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.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The principle has been applied retrospectively to all periods presented except for the available resources and liquidity disclosure (see Note 3).

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 November 26, 2019, the date the financial statements were available to be issued.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Summarized Financial Information for 2018

The financial information as of June 30, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Organization consist of the following at June 30, 2019:

	Total Financial Assets	Board Designated	With Donor Restrictions	Available for General Expenditure
Cash and cash equivalents	\$ 136,320	\$ -	\$ -	\$ 136,320
Grants and accounts receivable	104,713	-	15,000	89,713
Investments	4,325,648	794,772	2,858,618	672,258
Total financial assets	<u>\$ 4,566,681</u>	<u>\$ 794,772</u>	<u>\$ 2,873,618</u>	<u>\$ 898,291</u>

The board designated operating reserve is for special purposes and/or the long-term benefit of ASoP. See Note 8 regarding board designated net assets.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

4. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable are unsecured and consist of grants, bequests, pledges and other receivables. Grants and accounts receivable are as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Grants and pledges receivable within one year	\$ 37,681	\$ 102,248
Contracts and accounts receivable	<u>67,032</u>	<u>1,000</u>
Total grants and accounts receivable	<u>\$ 104,713</u>	<u>\$ 103,248</u>

5. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Securities held in perpetual trust:		
Cash and cash equivalents	\$ 17,005	\$ 10,028
Fixed income fund	116,301	45,090
Equity mutual funds	-	107,645
Equity securities	<u>431,520</u>	<u>401,879</u>
	564,826	564,642
Beneficial interest in assets held by Oregon		
Community Foundation (OCF)	515,832	500,818
Cash and cash equivalents	10,677	132,745
Certificates of deposit	99,888	382,120
Mutual funds	<u>3,134,425</u>	<u>2,933,983</u>
Total investments	<u>\$ 4,325,648</u>	<u>\$ 4,514,308</u>

Investments are held for the following purposes:

	<u>2019</u>	<u>2018</u>
Investments with and without expiring restrictions	\$ 2,671,584	\$ 2,922,221
Investments held in perpetual trust	564,826	564,642
Investments held in endowment	<u>1,089,238</u>	<u>1,027,445</u>
	<u>\$ 4,325,648</u>	<u>\$ 4,514,308</u>

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2019

5. 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.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019 and 2018:

	2019	2018
Land	\$ 366,673	\$ 366,673
Buildings	3,518,221	1,994,041
Furniture and equipment	319,326	263,516
Library Collection	14,500	14,500
Website	24,142	-
Construction in progress	47,198	1,039,854
	<u>4,290,060</u>	<u>3,678,584</u>
Accumulated depreciation	<u>(1,433,528)</u>	<u>(1,310,575)</u>
Property and equipment, net	<u>\$ 2,856,532</u>	<u>\$ 2,368,009</u>

7. 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.

In November 2018, ASoP purchased additional land for \$500,000 (Burnside property) and subsequently sold easement rights to the City of Portland. (Proceeds from sale are included in other income in the statement of activities.) ASoP's long term plans are to conserve and manage the property.

Other conservation property includes the Hilltop property acquired in July 2007 for \$482,953.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

8. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of net assets without donor restrictions designated by the Board as a reserve fund for special purposes and/or the long-term benefit of ASoP as follows:

	2019	2018
Board designated reserve (Note 11)	\$ 536,337	\$ 750,818
Marmot property	220,286	220,286
Condor program	38,149	43,787
Total board designated net assets	\$ 794,772	\$ 1,014,891

The reserve fund is intended to be perpetual; however, the reserve fund may be utilized in the event of an emergency, opportunity, or unanticipated income shortfall. See Note 11 for further discussion.

9. NET ASSETS WITH EXPIRING DONOR RESTRICTIONS

Net assets with expiring donor restrictions consist of the following at June 30, 2019 and 2018:

	2019	2018
Earnings on endowment (Note 11)	\$ 91,096	\$ 64,822
Various programs	1,755,891	2,189,911
Land held for conservation	1,520,157	1,520,157
Net assets - expiring donor restrictions	\$ 3,367,144	\$ 3,774,890

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2019

10. NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS

Net assets with perpetual donor restrictions 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 11). 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.

In 2010, the Organization established the sanctuary stewardship endowment fund. Contributions are held in perpetuity, with investment earnings to support stewardship of the sanctuary.

Net assets with perpetual donor restrictions are summarized as follows at June 30, 2019 and 2018:

	2019	2018
Perpetual trust	\$ 564,826	\$ 564,641
Ten Mile Creek Sanctuary endowment (Note 11)	203,095	203,095
Sanctuary stewardship endowment (Note 11)	258,710	258,710
Net assets - perpetual donor restrictions	\$ 1,026,631	\$ 1,026,446

11. ENDOWMENT FUNDS

Audubon Society of Portland, Oregon DBA Portland Audubon'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.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

II. ENDOWMENT FUNDS, Continued

Interpretation of Relevant Law

The Board of Directors of Audubon Society of Portland, Oregon DBA Portland Audubon 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 net assets with perpetual restrictions, (a) the original value of gifts donated to the perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual 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 perpetually restricted net assets is classified net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

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

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

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.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2019

II. ENDOWMENT FUNDS, Continued

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.

Under the terms of the agreement with OCF, 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.

Composition of endowment net assets at June 30, 2019 and 2018 is as follows:

	<u>Without Restrictions</u>	<u>With Expiring Restrictions</u>	<u>With Perpetual Restrictions</u>	<u>Total</u>
June 30, 2019				
Donor restricted	\$ -	\$ 91,096	\$ 461,805	\$ 552,901
Board designated	<u>536,337</u>	<u>-</u>	<u>-</u>	<u>536,337</u>
	<u>\$ 536,337</u>	<u>\$ 91,096</u>	<u>\$ 461,805</u>	<u>\$ 1,089,238</u>
June 30, 2018				
Donor restricted	\$ -	\$ 64,822	\$ 461,805	\$ 526,627
Board designated	<u>750,818</u>	<u>-</u>	<u>-</u>	<u>750,818</u>
	<u>\$ 750,818</u>	<u>\$ 64,822</u>	<u>\$ 461,805</u>	<u>\$ 1,277,445</u>

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

II. ENDOWMENT FUNDS, Continued

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	Without Restrictions	With Expiring Restrictions	With Perpetual Restrictions	Total
Balance – June 30, 2017	\$ 484,049	\$ 39,797	\$ 456,886	\$ 980,732
Contributions	250,000	-	4,919	254,919
Investment income, net	37,057	37,522	-	74,579
Appropriated for expenditure	<u>(20,288)</u>	<u>(12,497)</u>	<u>-</u>	<u>(32,785)</u>
Balance – June 30, 2018	750,818	64,822	461,805	1,277,445
Investment income, net	35,519	26,274	-	61,793
Appropriated for expenditure	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Balance – June 30, 2019	<u>\$ 536,337</u>	<u>\$ 91,096</u>	<u>\$ 461,805</u>	<u>\$ 1,089,238</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 \$56,300 and \$40,100 to the plan for the years ended June 30, 2019 and 2018, respectively.

13. CONCENTRATIONS OF CREDIT RISK

ASoP maintains its cash balances in several financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured cash balances approximate \$151,200 at June 30, 2018.

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.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

14. FAIR VALUE MEASUREMENTS

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

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

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

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2019				
Mutual funds - balanced	\$ 3,134,425	\$ 3,134,425	\$ -	\$ -
Investments held in perpetual trust:				
Fixed income mutual fund	116,301	116,301	-	-
Equity securities	431,520	431,520	-	-
Beneficial interest in assets held by OCF	<u>515,832</u>	<u>-</u>	<u>-</u>	<u>515,832</u>
	<u>\$ 4,198,078</u>	<u>\$ 3,682,246</u>	<u>\$ -</u>	<u>\$ 515,832</u>
2018				
Mutual funds - balanced	\$ 2,933,983	\$ 2,933,983	\$ -	\$ -
Investments held in perpetual trust:				
Fixed income mutual fund	45,090	45,090	-	-
Equity mutual funds	107,645	107,645	-	-
Equity securities	401,879	401,879	-	-
Beneficial interest in assets held by OCF	<u>500,818</u>	<u>-</u>	<u>-</u>	<u>500,818</u>
	<u>\$ 3,989,415</u>	<u>\$ 3,488,597</u>	<u>\$ -</u>	<u>\$ 500,818</u>

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2019

14. FAIR VALUE MEASUREMENTS, Continued

Fair values for 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.

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>2019</u>	<u>2018</u>
Beginning of year	\$ 500,818	\$ 484,049
Investment income, net of fees	(351)	(562)
Change in value (included in net assets without donor restrictions)	35,870	37,619
Disbursements	<u>(20,505)</u>	<u>(20,288)</u>
End of year	<u>\$ 515,832</u>	<u>\$ 500,818</u>