

AUDUBON SOCIETY OF PORTLAND, OREGON  
DBA PORTLAND AUDUBON

Audited Financial Statements

For the Year Ended June 30, 2020



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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobson, P.C.*

Portland, Oregon  
May 20, 2021

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON  
STATEMENT OF FINANCIAL POSITION  
June 30, 2020  
(With comparative totals for 2019)

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 676,280	\$ 136,320
Restricted cash - capital campaign	266,224	-
Grants and accounts receivable	389,981	104,713
Inventory	319,876	300,763
Prepaid expenses	166,896	92,417
Investments	3,676,848	4,325,648
Property and equipment, net	2,850,192	2,856,532
Conservation property	2,503,110	2,503,110
 TOTAL ASSETS	 \$ 10,849,407	 \$ 10,319,503
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 142,039	\$ 172,251
Accrued expenses	160,105	106,345
Deferred revenue	326,316	471,016
Refundable advance	495,400	-
Total liabilities	1,123,860	749,612
Net assets:		
Without donor restrictions:		
Available for operations	1,108,061	541,859
Board designated	772,325	794,772
Conservation property and net property and equipment	3,337,745	3,839,485
Total without donor restrictions	5,218,131	5,176,116
With donor restrictions:		
Net assets with expiring restrictions	3,469,257	3,367,144
Net assets with perpetual restrictions	1,038,159	1,026,631
Total with donor restrictions	4,507,416	4,393,775
Total net assets	9,725,547	9,569,891
 TOTAL LIABILITIES AND NET ASSETS	 \$ 10,849,407	 \$ 10,319,503

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2020  
(With comparative totals for 2019)

	2020				2019 Total
	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total	
	Restrictions	With Expiring Restrictions	With Perpetual Restrictions	Total	Total
<b>Support and revenue:</b>					
Contributions and grants	\$ 1,878,164	\$ 359,084	\$ 15,000	\$ 2,252,248	\$ 2,918,926
Donated materials and services	14,425	-	-	14,425	87,293
Memberships	388,580	-	-	388,580	330,703
Program service revenue	740,326	-	-	740,326	1,015,308
Special events revenue, net of direct costs of \$28,052 for 2020 and \$87,779 for 2019	130,459	-	-	130,459	157,727
Sales, net of cost of goods sold of \$358,025 for 2020 and \$425,773 for 2019	186,014	-	-	186,014	260,732
Investment income, net	42,809	3,237	-	46,046	115,394
Change in perpetual trust	-	-	(3,472)	(3,472)	185
Gain on sale	-	-	-	-	334,686
Other income	8,471	-	-	8,471	10,713
Net assets released from restrictions:					
Satisfaction of purpose restrictions	563,180	(563,180)	-	-	-
Total support and revenue	<u>3,952,428</u>	<u>(200,859)</u>	<u>11,528</u>	<u>3,763,097</u>	<u>5,231,667</u>
<b>Expenses:</b>					
Program services:					
Conservation	1,132,138	-	-	1,132,138	1,149,113
Education	1,152,338	-	-	1,152,338	1,645,057
Nature Store	180,731	-	-	180,731	181,985
Membership and publications	202,870	-	-	202,870	250,071
Sanctuary	302,135	-	-	302,135	435,259
Total program services	<u>2,970,212</u>	<u>-</u>	<u>-</u>	<u>2,970,212</u>	<u>3,661,485</u>
Management and general	403,885	-	-	403,885	461,107
Fundraising	512,068	-	-	512,068	485,644
Total expenses	<u>3,886,165</u>	<u>-</u>	<u>-</u>	<u>3,886,165</u>	<u>4,608,236</u>
Net operating activities	66,263	(200,859)	11,528	(123,068)	623,431
Capital campaign contributions	-	302,972	-	302,972	-
Capital campaign expenses	<u>(24,248)</u>	<u>-</u>	<u>-</u>	<u>(24,248)</u>	<u>-</u>
Change in net assets	42,015	102,113	11,528	155,656	623,431
<b>Net assets:</b>					
Beginning 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>
End of year	<u>\$ 5,218,131</u>	<u>\$ 3,469,257</u>	<u>\$ 1,038,159</u>	<u>\$ 9,725,547</u>	<u>\$ 9,569,891</u>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2020  
(With comparative totals for 2019)

	Program Services					Total Program Services	Management and Fundraising		2020 Total	2019 Total
	Conservation	Education	Nature Store	Membership and Publications	Sanctuary		General	Fundraising		
Salaries and related expenses	\$ 748,834	\$ 619,708	\$ 101,361	\$ 123,040	\$ 61,854	\$ 1,654,797	\$ 571,732	\$ 223,661	\$ 2,450,190	\$ 2,659,576
Professional and contract services	85,646	77,424	-	2,090	14,947	180,107	70,761	61,274	312,142	449,159
Operating expenses	25,054	40,076	24,489	4,163	1,119	94,901	134,349	22,091	251,341	249,814
Facilities	11,842	12,585	660	11,560	77,901	114,548	30,134	14,671	159,353	181,233
Communications	4,388	10,913	2,349	23,523	522	41,695	49,232	52,510	143,437	160,564
Materials and supplies	44,855	9,497	2,741	960	2,249	60,302	7,352	45,377	113,031	196,431
Direct benefit costs of special events	-	-	-	-	-	-	-	28,052	28,052	87,779
Cost of goods sold	-	-	358,025	-	-	358,025	-	-	358,025	425,773
Transportation and travel	18,643	265,323	451	17	3,504	287,938	2,899	3,358	294,195	559,080
Volunteer and membership	338	114	61	-	-	513	7,356	-	7,869	29,426
Capital campaign fundraising	-	-	-	-	-	-	-	24,248	24,248	-
Depreciation	-	-	-	-	-	-	154,607	-	154,607	122,953
Administration and facilities allocation	192,538	116,698	48,619	37,517	140,039	535,411	(624,537)	89,126	-	-
	<u>1,132,138</u>	<u>1,152,338</u>	<u>538,756</u>	<u>202,870</u>	<u>302,135</u>	<u>3,328,237</u>	<u>403,885</u>	<u>564,368</u>	<u>4,296,490</u>	<u>5,121,788</u>
Less expenses netted with revenues:										
Direct benefit costs of special events	-	-	-	-	-	-	-	(28,052)	(28,052)	(87,779)
Cost of goods sold	-	-	(358,025)	-	-	(358,025)	-	-	(358,025)	(425,773)
Capital campaign fundraising reported separately	-	-	-	-	-	-	-	(24,248)	(24,248)	-
Total expenses	<u>\$ 1,132,138</u>	<u>\$ 1,152,338</u>	<u>\$ 180,731</u>	<u>\$ 202,870</u>	<u>\$ 302,135</u>	<u>\$ 2,970,212</u>	<u>\$ 403,885</u>	<u>\$ 512,068</u>	<u>\$ 3,886,165</u>	<u>\$ 4,608,236</u>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2020  
(With comparative totals for 2019)

	2020	2019
<b>Cash flows from operating activities:</b>		
Cash receipts:		
Contributions, grants and events	\$ 2,357,359	\$ 3,162,967
Sales	544,039	686,505
Program services, memberships, and other income	992,677	1,475,451
Proceeds from Paycheck Protection Program	495,400	-
Investment income	45,905	62,718
Total receipts	4,435,380	5,387,641
Cash disbursements:		
Payroll and related expenses	(2,605,816)	(2,325,058)
Other operating expenses	(1,567,302)	(2,747,411)
Total cash disbursements	(4,173,118)	(5,072,469)
Net cash flows from operating activities	262,262	315,172
 <b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(116,547)	(611,476)
Purchase of conservation property	-	(500,000)
Proceeds from sale of easement	-	334,686
Purchase of investments	(886,289)	(1,442,299)
Proceeds from investments	1,531,758	1,699,018
Net cash flows from investing activities	528,922	(520,071)
 <b>Cash flows from financing activities:</b>		
Cash restricted for endowment	15,000	-
Net cash from financing activities	15,000	-
 Net change in cash and cash equivalents	806,184	(204,899)
 Cash and cash equivalents - beginning of year	136,320	341,219
 Cash and cash equivalents - end of year	\$ 942,504	\$ 136,320
 <b>Reconciliation to statement of financial position:</b>		
Cash and cash equivalents	\$ 676,280	\$ 136,320
Restricted cash (capital campaign)	266,224	-
	\$ 942,504	\$ 136,320

See notes to financial statements.

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

June 30, 2020

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, 2020

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 with donor restrictions.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

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.

Refundable Advance

The refundable advance represents the Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) and is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue.

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, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets, Materials and Services, Continued

During the years ended June 30, 2020 and 2019, donated materials and services consisted of the following:

	2020	2019
Materials and supplies	\$ 14,425	\$ 79,753
Veterinary services - conservation	-	7,540
Total donated materials and services	\$ 14,425	\$ 87,293

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 40,700 hours of donated time for 2020 and 41,700 hours for 2019 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, 2020 and 2019, advertising expenses approximated \$21,000 and \$22,000, respectively.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

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 implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis.

Use of Estimates

The preparation of financial statements in accordance 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 May 20, 2021, 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, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Summarized Financial Information for 2019

The financial information as of June 30, 2019 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, 2020:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 942,504	\$ 136,320
Grants and accounts receivable, net	376,981	104,713
Investments	<u>3,676,848</u>	<u>4,325,648</u>
	4,996,333	4,566,681
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	2,987,259	2,873,618
Board designations	<u>772,325</u>	<u>794,772</u>
Financial assets available for general expenditure	<u>\$ 1,236,749</u>	<u>\$ 898,291</u>

The board designated operating reserve is for special purposes and/or the long-term benefit of ASoP. See Note 9 regarding board designated net assets.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 June 30, 2020

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Grants and pledges receivable within one year	\$ 347,348	\$ 37,681
Contracts and accounts receivable	<u>29,633</u>	<u>67,032</u>
Total grants and accounts receivable	<u>\$ 376,981</u>	<u>\$ 104,713</u>

5. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Securities held in perpetual trust:		
Cash and cash equivalents	\$ 15,152	\$ 17,005
Fixed income fund	112,051	116,301
Equity securities	<u>434,151</u>	<u>431,520</u>
	561,354	564,826
Beneficial interest in assets held by Oregon		
Community Foundation (OCF)	-	515,832
Cash and cash equivalents	13,245	10,677
Certificates of deposit	-	99,888
Mutual funds	<u>3,102,249</u>	<u>3,134,425</u>
Total investments	<u>\$ 3,676,848</u>	<u>\$ 4,325,648</u>

Investments are held for the following purposes:

	<u>2020</u>	<u>2019</u>
Investments with and without expiring restrictions	\$ 2,005,978	\$ 2,671,584
Investments held in perpetual trust	561,354	564,826
Investments held in endowment	<u>1,109,516</u>	<u>1,089,238</u>
	<u>\$ 3,676,848</u>	<u>\$ 4,325,648</u>

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 June 30, 2020

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.

The Organization liquidated its OCF investments in 2020.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 366,673	\$ 366,673
Buildings	3,626,178	3,518,221
Furniture and equipment	338,366	319,326
Library Collection	14,500	14,500
Website	24,142	24,142
Construction in progress	68,468	47,198
	4,438,327	4,290,060
Accumulated depreciation	(1,588,135)	(1,433,528)
Property and equipment, net	\$ 2,850,192	\$ 2,856,532

During 2020, ASoP began a capital campaign to renovate the Wildlife Care Center. This activity is reported as non-operating in the statement of activities. Funds raised are reported as restricted cash in the statement of financial position. Construction has begun and estimated costs to complete the project are \$2.5 million (not reflected in the accompanying financial statements).

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 June 30, 2020

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 reported as gain on sale 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.

8. CONTINGENCIES AND UNCERTAINTIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

The Organization has been impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

9. 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:

	2020	2019
Board designated reserve (Note 12)	\$ 538,378	\$ 536,337
Marmot property	220,286	220,286
Condor program	13,661	38,149
Total board designated net assets	<u>\$ 772,325</u>	<u>\$ 794,772</u>

The board designated 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 12 for further discussion.



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10. NET ASSETS WITH EXPIRING DONOR RESTRICTIONS

Net assets with expiring donor restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
Earnings on endowment (Note 11)	\$ 94,333	\$ 91,096
Capital campaign	302,972	-
Various programs	1,551,795	1,755,891
Land held for conservation	1,520,157	1,520,157
Net assets - expiring donor restrictions	\$ 3,469,257	\$ 3,367,144

11. 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 12 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.

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NOTES TO FINANCIAL STATEMENTS, Continued  
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II. NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS, Continued

Net assets with perpetual donor restrictions are summarized as follows at June 30, 2020 and 2019:

	2020	2019
Perpetual trust	\$ 561,354	\$ 564,826
Ten Mile Creek Sanctuary endowment (Note 12)	203,095	203,095
Sanctuary stewardship endowment (Note 12)	273,710	258,710
Net assets - perpetual donor restrictions	\$ 1,038,159	\$ 1,026,631

12. 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.

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.

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NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

12. ENDOWMENT FUNDS, 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

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.

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.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

12. ENDOWMENT FUNDS, Continued

Composition of endowment net assets at June 30, 2020 and 2019 is as follows:

	Without Restrictions	With Expiring Restrictions	With Perpetual Restrictions	Total
<b>June 30, 2020</b>				
Donor restricted	\$ -	\$ 94,333	\$ 476,805	\$ 571,138
Board designated	538,378	-	-	538,378
	<u>\$ 538,378</u>	<u>\$ 94,333</u>	<u>\$ 476,805</u>	<u>\$ 1,109,516</u>
<b>June 30, 2019</b>				
Donor restricted	\$ -	\$ 91,096	\$ 461,805	\$ 552,901
Board designated	536,337	-	-	536,337
	<u>\$ 536,337</u>	<u>\$ 91,096</u>	<u>\$ 461,805</u>	<u>\$ 1,089,238</u>

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	Without Restrictions	With Expiring Restrictions	With Perpetual Restrictions	Total
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	(250,000)	-	-	(250,000)
Balance – June 30 2019	536,337	91,096	461,805	1,089,238
Contributions	-	-	15,000	15,000
Investment income, net	2,041	3,237	-	5,278
Balance – June 30 2020	<u>\$ 538,378</u>	<u>\$ 94,333</u>	<u>\$ 476,805</u>	<u>\$ 1,109,516</u>

13. 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 \$45,200 and \$56,300 to the plan for the years ended June 30, 2020 and 2019, respectively.

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 June 30, 2020

14. CONCENTRATIONS OF CREDIT RISK

ASoP maintains its cash balances in one financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances in excess of insured limits were approximately \$708,100 for the year ended June 30, 2020.

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.

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
2020			
Mutual funds	\$ 3,102,249	\$ 3,102,249	\$ -
Investments held in perpetual trust: <sup>1</sup>			
Fixed income mutual fund	112,051	112,051	-
Equity securities	434,151	434,151	-
	<u>\$ 3,648,451</u>	<u>\$ 3,648,451</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS, Continued  
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15. FAIR VALUE MEASUREMENTS, Continued

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
2019			
Mutual funds	\$ 3,134,425	\$ 2,933,983	\$ -
Certificates of deposit	99,888	99,888	-
Investments held in perpetual trust:			
Fixed income mutual fund	116,301	116,301	-
Equity mutual funds	431,520	431,520	-
Beneficial interest in assets held by OCF	515,832	-	515,832
	<u>\$ 4,297,966</u>	<u>\$ 3,983,571</u>	<u>\$ 515,832</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.

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>2020</u>	<u>2019</u>
Beginning of year	\$ 515,832	\$ 500,818
Investment income, net of fees	2,041	(351)
Change in value (included in net assets without donor restrictions)	-	35,870
Disbursements/transfers	<u>(517,873)</u>	<u>(20,505)</u>
End of year	<u>\$ -</u>	<u>\$ 515,832</u>