

AUDUBON SOCIETY OF PORTLAND, OREGON
DBA PORTLAND AUDUBON

Audited Financial Statements

For the Year Ended June 30, 2021



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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
April 26, 2022

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,239,685	\$ 579,769
Restricted cash - capital campaign	1,392,394	362,735
Grants, pledges, and accounts receivable	158,157	389,981
Inventory	304,351	319,876
Prepaid expenses	161,173	166,896
Investments	3,676,143	3,676,848
Property and equipment, net	2,705,230	2,850,192
Conservation property	2,503,110	2,503,110
 TOTAL ASSETS	 \$ 12,140,243	 \$ 10,849,407
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 205,682	\$ 142,039
Accrued expenses	153,170	160,105
Deferred revenue	328,709	326,316
Refundable advance	654,895	495,400
Total liabilities	1,342,456	1,123,860
Net assets:		
Without donor restrictions:		
Available for operations	1,239,429	1,011,550
Board designated	756,623	772,325
Conservation property and net property and equipment	3,033,288	3,337,745
Total without donor restrictions	5,029,340	5,121,620
With donor restrictions:		
Net assets with expiring restrictions	4,590,815	3,565,768
Net assets with perpetual restrictions	1,177,632	1,038,159
Total with donor restrictions	5,768,447	4,603,927
Total net assets	10,797,787	9,725,547
 TOTAL LIABILITIES AND NET ASSETS	 \$ 12,140,243	 \$ 10,849,407

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021
(With comparative totals for 2020)

	2021			Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions			
	Without Donor Restrictions	With Expiring Restrictions	With Perpetual Restrictions	Total	2020 Total
Support and revenue:					
Contributions and grants	\$ 1,706,455	\$ 300,919	\$ -	\$ 2,007,374	\$ 2,155,737
Government grants	495,400	-	-	495,400	-
Donated materials and services	16,128	-	-	16,128	14,425
Memberships	323,056	-	-	323,056	388,580
Program service revenue	233,503	-	-	233,503	740,326
Special events revenue, net of direct costs of \$28,511 for 2021 and \$28,052 for 2020	63,305	-	-	63,305	130,459
Sales, net of cost of goods sold of \$392,933 for 2021 and \$358,025 for 2020	184,390	-	-	184,390	186,014
Investment income, net	135,380	26,403	-	161,783	46,046
Change in perpetual trust	-	-	139,473	139,473	(3,472)
Other income	7,003	-	-	7,003	8,471
Net assets released from restrictions:					
Satisfaction of purpose restrictions	331,934	(331,934)	-	-	-
Total support and revenue	<u>3,496,554</u>	<u>(4,612)</u>	<u>139,473</u>	<u>3,631,415</u>	<u>3,666,586</u>
Expenses:					
Program services:					
Conservation	1,346,610	-	-	1,346,610	1,132,138
Education	681,537	-	-	681,537	1,152,338
Nature Store	176,092	-	-	176,092	180,731
Membership and publications	203,906	-	-	203,906	202,870
Sanctuary	251,643	-	-	251,643	302,135
Total program services	<u>2,659,788</u>	<u>-</u>	<u>-</u>	<u>2,659,788</u>	<u>2,970,212</u>
Management and general	384,219	-	-	384,219	403,885
Fundraising	496,266	-	-	496,266	512,068
Total expenses	<u>3,540,273</u>	<u>-</u>	<u>-</u>	<u>3,540,273</u>	<u>3,886,165</u>
Net operating activities	(43,719)	(4,612)	139,473	91,142	(219,579)
Capital campaign contributions	-	1,029,659	-	1,029,659	399,483
Capital campaign expenses	<u>(48,561)</u>	<u>-</u>	<u>-</u>	<u>(48,561)</u>	<u>(24,248)</u>
Change in net assets	(92,280)	1,025,047	139,473	1,072,240	155,656
Net assets:					
Beginning of year	<u>5,121,620</u>	<u>3,565,768</u>	<u>1,038,159</u>	<u>9,725,547</u>	<u>9,569,891</u>
End of year	<u>\$ 5,029,340</u>	<u>\$ 4,590,815</u>	<u>\$ 1,177,632</u>	<u>\$ 10,797,787</u>	<u>\$ 9,725,547</u>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021
(With comparative totals for 2020)

	Program Services					Total Program Services	Management and Fundraising		2021 Total	2020 Total
	Conservation	Education	Nature Store	Membership and Publications	Sanctuary		General	Fundraising		
Salaries and related expenses	\$ 857,219	\$ 387,939	\$ 91,546	\$ 127,001	\$ 38,876	\$ 1,502,581	\$ 529,225	\$ 276,331	\$ 2,308,137	\$ 2,450,190
Professional and contract services	170,915	71,002	2,795	328	6,959	251,999	132,460	48,473	432,932	312,142
Operating expenses	38,045	34,814	22,785	3,966	134	99,744	78,498	29,549	207,791	251,341
Facilities	25,966	14,651	1,372	11,630	55,914	109,533	1,928	13,809	125,270	159,353
Communications	8,349	3,393	2,942	25,106	4,888	44,678	74,117	34,239	153,034	143,437
Materials and supplies	53,251	39,901	6,680	61	13,062	112,955	5,314	9,521	127,790	113,031
Direct benefit costs of special events	-	-	-	-	-	-	-	28,511	28,511	28,052
Cost of goods sold	-	-	392,933	-	-	392,933	-	-	392,933	358,025
Transportation and travel	7,439	16,475	241	16	549	24,720	1,831	721	27,272	294,195
Volunteer and membership	468	-	-	-	-	468	4,580	93	5,141	7,869
Capital campaign fundraising	-	-	-	-	-	-	-	48,561	48,561	24,248
Depreciation	-	-	-	-	-	-	152,906	-	152,906	154,607
Administration and facilities allocation	184,958	113,362	47,731	35,798	131,261	513,110	(596,640)	83,530	-	-
	<u>1,346,610</u>	<u>681,537</u>	<u>569,025</u>	<u>203,906</u>	<u>251,643</u>	<u>3,052,721</u>	<u>384,219</u>	<u>573,338</u>	<u>4,010,278</u>	<u>4,296,490</u>
Less expenses netted with revenues:										
Direct benefit costs of special events	-	-	-	-	-	-	-	(28,511)	(28,511)	(28,052)
Cost of goods sold	-	-	(392,933)	-	-	(392,933)	-	-	(392,933)	(358,025)
Capital campaign fundraising reported separately	-	-	-	-	-	-	-	(48,561)	(48,561)	(24,248)
Total expenses	<u>\$ 1,346,610</u>	<u>\$ 681,537</u>	<u>\$ 176,092</u>	<u>\$ 203,906</u>	<u>\$ 251,643</u>	<u>\$ 2,659,788</u>	<u>\$ 384,219</u>	<u>\$ 496,266</u>	<u>\$ 3,540,273</u>	<u>\$ 3,886,165</u>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
 STATEMENT OF CASH FLOWS
 For the year ended June 30, 2021
 (With comparative totals for 2020)

	2021	2020
Cash flows from operating activities:		
Contributions, grants and events	\$ 3,360,673	\$ 2,357,359
Sales	577,323	544,039
Program services, memberships, and other income	565,955	992,677
Proceeds from Paycheck Protection Program	654,895	495,400
Investment income	22,013	45,905
Total receipts	5,180,859	4,435,380
Cash disbursements:		
Payroll and related expenses	(2,315,072)	(2,605,816)
Other operating expenses	(1,448,216)	(1,567,302)
Total cash disbursements	(3,763,288)	(4,173,118)
Net cash flows from operating activities	1,417,571	262,262
 Cash flows from investing activities:		
Purchase of property and equipment	(7,944)	(116,547)
Purchase of investments	(1,637,576)	(886,289)
Proceeds from sale of investments	1,917,524	1,531,758
Net cash flows from investing activities	272,004	528,922
 Cash flows from financing activities:		
Cash restricted for endowment	-	15,000
Net cash from financing activities	-	15,000
 Net change in cash and cash equivalents	1,689,575	806,184
 Cash and cash equivalents - beginning of year	942,504	136,320
 Cash and cash equivalents - end of year	\$ 2,632,079	\$ 942,504
 Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 1,239,685	\$ 579,769
Restricted cash (capital campaign)	1,392,394	362,735
	\$ 2,632,079	\$ 942,504

See notes to financial statements.

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

June 30, 2021

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, 2021

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, Pledges, and Accounts Receivable

Grants, pledges, and accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Unconditional promises to give expected to be collected in future years, if material to the financial statements, are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. 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 net realizable 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, 2021

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

Revenues from various sources are recognized as follows:

Contributions and Grants: Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's grant revenue is derived from cost reimbursable contracts and grants, which are conditional upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position.

Government Grants (Refundable Advance): The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) 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. The Organization received a PPP loan during the year ended June 30, 2020 and satisfied the conditions during 2021 and \$495,400 was recognized as revenue. The Organization received a second PPP loan of \$654,895 during the year ended June 30, 2021.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

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

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.

During the years ended June 30, 2021 and 2020, donated materials and services consisted of program supplies of \$16,128 and \$14,425, respectively.

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 30,070 hours of donated time for 2021 and 40,700 hours for 2020 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 assets are placed in service.

Membership Dues: Membership dues are recognized as revenue in the applicable membership period.

Program Fees: Revenues from trainings and other events are recognized in the period in which the programs and other activities occur. Deferred revenue represents advanced payments for programs that relate to the following year.

Special Events: The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Sponsorships are recorded as revenue at the time of the commitment unless commensurate value is included a part of the agreements. The portion of the sponsorship revenue that relates to commensurate value of the sponsor received in return is recognized when the related events are held and performance obligations are met.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2021 and 2020, advertising expenses approximated \$18,000 and \$21,000, respectively.

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.

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 2014-09, *Revenue from Contracts with Customers* beginning in 2021. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis. See Note 13.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Summarized Financial Information for 2020

The financial information as of June 30, 2020 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through April 26, 2022, the date the financial statements were available to be issued.

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, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 2,620,809	\$ 942,504
Grants, pledges and accounts receivable	158,157	389,981
Investments	3,676,143	3,676,848
	<u>6,455,109</u>	<u>5,009,333</u>
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	4,248,290	3,083,770
Board designations	756,623	772,325
Financial assets available for general expenditure	<u>\$ 1,450,196</u>	<u>\$ 1,153,238</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, 2021

4. GRANTS, PLEDGES, AND ACCOUNTS RECEIVABLE

Grants, pledges and accounts receivable are unsecured and consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Grants receivable	\$ 128,478	\$ 360,348
Contracts and accounts receivable	<u>29,679</u>	<u>29,633</u>
Total grants, pledges, and accounts receivable	<u>\$ 158,157</u>	<u>\$ 389,981</u>

Grants and pledges receivable are expected to be collected within one year.

5. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Securities held in perpetual trust:		
Cash and cash equivalents	\$ 1,505	\$ 15,152
Fixed income fund	132,245	112,051
Equity securities	<u>567,077</u>	<u>434,151</u>
	700,827	561,354
Cash and cash equivalents	6,674	13,245
US Treasury money funds	2,324,457	2,573,685
Mutual funds	<u>644,185</u>	<u>528,564</u>
Total investments	<u>\$ 3,676,143</u>	<u>\$ 3,676,848</u>

Investments are held for the following purposes:

	<u>2021</u>	<u>2020</u>
Investments with and without expiring restrictions	\$ 1,870,112	\$ 2,005,978
Investments held in perpetual trust	700,827	561,354
Investments held in endowment	<u>1,105,204</u>	<u>1,109,516</u>
	<u>\$ 3,676,143</u>	<u>\$ 3,676,848</u>

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021 and 2020:

	2021	2020
Land	\$ 366,673	\$ 366,673
Buildings	3,634,122	3,626,178
Furniture and equipment	338,366	338,366
Library Collection	14,500	14,500
Website	24,142	24,142
Construction in progress	68,468	68,468
	<u>4,446,271</u>	<u>4,438,327</u>
Accumulated depreciation	<u>(1,741,041)</u>	<u>(1,588,135)</u>
Property and equipment, net	<u>\$ 2,705,230</u>	<u>\$ 2,850,192</u>

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. The project is in the preliminary development stages and estimated costs to complete are \$2.5 million (not reflected in the accompanying financial statements).

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. 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

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.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

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 at June 30, 2021 and 2020:

	2021	2020
Board designated reserve (Note 12)	\$ 536,337	\$ 538,378
Marmot property	220,286	220,286
Condor program	-	13,661
Total board designated net assets	\$ 756,623	\$ 772,325

The board designated reserve fund is intended to be perpetual but can be utilized in the event of an emergency, opportunity, or unanticipated income shortfall. See Note 12 for further discussion.

10. NET ASSETS WITH EXPIRING DONOR RESTRICTIONS

Net assets with expiring donor restrictions consist of the following at June 30, 2021 and 2020:

	2021	2020
Earnings on endowment (Note 12)	\$ 92,062	\$ 94,333
Capital campaign	1,499,655	399,484
Various programs	1,418,941	1,551,794
Communications/branding	60,000	-
Land held for conservation	1,520,157	1,520,157
Net assets - expiring donor restrictions	\$ 4,590,815	\$ 3,565,768

II. 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.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2021

II. NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS, Continued

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. 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.

Net assets with perpetual donor restrictions are summarized as follows at June 30, 2021 and 2020:

	2021	2020
Perpetual trust	\$ 700,827	\$ 561,354
Ten Mile Creek Sanctuary endowment (Note 12)	203,095	203,095
Sanctuary stewardship endowment (Note 12)	273,710	273,710
Net assets - perpetual donor restrictions	\$ 1,177,632	\$ 1,038,159

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.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

12. 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 fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected 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, 2021

12. 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, 2021 and 2020 is as follows:

	<u>Without Restrictions</u>	<u>With Expiring Restrictions</u>	<u>With Perpetual Restrictions</u>	<u>Total</u>
June 30, 2021				
Donor restricted	\$ -	\$ 92,062	\$ 476,805	\$ 568,867
Board designated	536,337	-	-	536,337
	<u>\$ 536,337</u>	<u>\$ 92,062</u>	<u>\$ 476,805</u>	<u>\$ 1,105,204</u>
June 30, 2020				
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>

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

12. ENDOWMENT FUNDS, Continued

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	Without Restrictions	With Expiring Restrictions	With Perpetual Restrictions	Total
Balance – June 30, 2019	\$ 536,337	\$ 91,096	\$ 461,805	\$ 1,089,238
Contributions	-	-	15,000	15,000
Investment income, net	2,041	16,804	-	18,845
Appropriated for expenditure	-	(13,567)	-	(13,567)
Balance – June 30, 2020	538,378	94,333	476,805	1,109,516
Contributions	-	-	-	-
Investment income, net	-	26,403	-	26,403
Appropriated for expenditure	(2,041)	(28,674)	-	(30,715)
Balance – June 30, 2021	<u>\$ 536,337</u>	<u>\$ 92,062</u>	<u>\$ 476,805</u>	<u>\$ 1,105,204</u>

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable (contract asset) and customer advances and deposits and deferred revenue (contract liabilities) on the statements of financial position.

Revenue from customers is recognized as follows:

- Retail store sales revenue is recognized at the point in time of the sale transaction.
- Program service revenue is recognized at the point in time the service is provided.
- Special event revenue is recognized at the point in time that the event is held.

Total exchange revenue by contract type recognized at a point in time is as follows:

	2021	2020
Program services	\$ 233,503	\$ 740,326
Special events	91,816	158,511
Retail store sales	577,323	544,039
Total contract revenue	<u>\$ 902,642</u>	<u>\$ 1,442,876</u>

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

13. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

There were no contract assets as of June 30, 2021, 2020 and 2019. Contract liabilities are as follows:

	2021	2020	2020
Deferred revenue - program services	\$ 328,709	\$ 323,100	\$ 449,912
Deferred revenue - special events	-	3,216	21,104
	\$ 328,709	\$ 326,316	\$ 471,016

Revenue recognized for the years ended June 30, 2021 and 2020 that was included in the contract liability balance at the beginning of each year was \$49,787 and \$471,016, respectively.

14. 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 \$44,700 and \$45,200 to the plan for the years ended June 30, 2021 and 2020, respectively.

15. CONCENTRATIONS OF CREDIT RISK

ASoP maintains its cash balances in one financial institution 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 \$2,105,300 and \$708,100 at June 30, 2021 and 2020, 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.

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

16. 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, 2021 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
June 30, 2021		
US Treasury money fund	\$ 2,324,457	\$ 2,324,457
Mutual funds	644,185	644,185
Investments held in perpetual trust:		
Fixed income mutual fund	132,245	132,245
Equity securities	567,077	567,077
Total fair value	<u>\$ 3,667,964</u>	<u>\$ 3,667,964</u>

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

	<u>Fair Value</u>	<u>Level 1</u>
June 30, 2020		
US Treasury money fund	\$ 2,573,685	\$ 2,573,685
Mutual funds	528,564	528,564
Investments held in perpetual trust: ¹		
Fixed income mutual fund	112,051	112,051
Equity mutual funds	434,151	434,151
Total fair value	<u>\$ 3,648,451</u>	<u>\$ 3,648,451</u>

AUDUBON SOCIETY OF PORTLAND, OREGON DBA PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

16. FAIR VALUE MEASUREMENTS, Continued

Fair values for money funds, equity securities, and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

17. RECLASSIFICATIONS TO PRIOR YEAR FINANCIAL STATEMENTS

The 2020 financial statements reflect reclassification of donor-restricted capital campaign contributions of \$96,511 from contributions and grants without donor restrictions. The reclassification increased net assets with donor restrictions and restricted cash at June 30, 2020 by the same amount.