

**AUDUBON SOCIETY
OF PORTLAND, OREGON**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2013**



INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA
Shareholder

To the Board of Directors
Audubon Society of Portland, Oregon

Susan J. Marks, CPA
Shareholder

We have audited the accompanying financial statements of Audubon Society of Portland, Oregon (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Mary Strasdin, CPA
Shareholder

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Jill Oswald
Shareholder

Anthony Almer, CPA
Principal

Tyee Carr, CPA
Principal

Dennis C. Jobson, CPA
of counsel

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Audubon Society of Portland, Oregon as of June 30, 2013, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Audubon Society of Portland, Oregon's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
November 19, 2013

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF FINANCIAL POSITION
June 30, 2013
(With comparative totals for 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 650,016	\$ 882,245
Accounts receivable	110,477	181,908
Inventory	165,059	155,516
Prepaid expenses	61,455	47,932
Investments	2,194,625	1,827,597
Property and equipment, net	1,311,348	1,361,864
Conservation property	2,003,110	2,003,110
TOTAL ASSETS	\$ 6,496,090	\$ 6,460,172
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 112,142	\$ 94,662
Accrued expenses	76,973	101,561
Deferred revenue	388,689	368,080
Note payable	42,146	45,046
Total liabilities	619,950	609,349
Net assets:		
Unrestricted:		
Available for operations	650,650	985,762
Board designated	465,029	432,535
Conservation property and net property and equipment	1,752,155	1,799,771
Total unrestricted	2,867,834	3,218,068
Temporarily restricted	2,084,592	1,803,244
Permanently restricted	923,714	829,511
Total net assets	5,876,140	5,850,823
TOTAL LIABILITIES AND NET ASSETS	\$ 6,496,090	\$ 6,460,172

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013
(With comparative totals for 2012)

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and grants	\$ 283,879	\$ 692,958	\$ 58,095	\$ 1,034,932	\$ 1,800,357
Donated assets, materials and services	348,397	-	-	348,397	367,320
Memberships	217,822	-	-	217,822	201,649
Program service revenue	856,241	-	-	856,241	722,343
Special events revenue, net of direct costs of \$54,451 for 2013 and \$7,230 for 2012	149,266	-	-	149,266	158,319
Sales, net of cost of goods sold of \$485,995 for 2013 and \$463,083 for 2012	256,118	-	-	256,118	197,233
Investment income	30,566	32,093	7,434	70,093	35,587
Net realized/unrealized investment gain (loss)	52,034	(759)	-	51,275	(15,560)
Change in perpetual trust	-	-	28,674	28,674	(18,149)
Rental income	14,541	-	-	14,541	19,325
Other income	-	-	-	-	2,848
Net assets released from restrictions:					
Satisfaction of purpose restrictions	427,944	(427,944)	-	-	-
Satisfaction of time restrictions	15,000	(15,000)	-	-	-
Total support and revenue	<u>2,651,808</u>	<u>281,348</u>	<u>94,203</u>	<u>3,027,359</u>	<u>3,471,272</u>
Expenses:					
Program services:					
Conservation	901,922	-	-	901,922	919,038
Education	966,285	-	-	966,285	813,906
Nature Store	157,455	-	-	157,455	160,906
Membership and publications	195,881	-	-	195,881	177,284
Sanctuary	202,367	-	-	202,367	170,439
Total program services	<u>2,423,910</u>	<u>-</u>	<u>-</u>	<u>2,423,910</u>	<u>2,241,573</u>
Management and general	366,048	-	-	366,048	300,931
Fundraising	212,084	-	-	212,084	175,963
Total expenses	<u>3,002,042</u>	<u>-</u>	<u>-</u>	<u>3,002,042</u>	<u>2,718,467</u>
Change in net assets	(350,234)	281,348	94,203	25,317	752,805
Net assets:					
Beginning of year	<u>3,218,068</u>	<u>1,803,244</u>	<u>829,511</u>	<u>5,850,823</u>	<u>5,098,018</u>
End of year	<u>\$ 2,867,834</u>	<u>\$ 2,084,592</u>	<u>\$ 923,714</u>	<u>\$ 5,876,140</u>	<u>\$ 5,850,823</u>

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013
(With comparative totals for 2012)

	Program Services					Total Program	Management and Fundraising		2013 Total	2012 Total
	Conservation	Education	Nature Store	Membership and Publications	Sanctuary		General	Fundraising		
Salaries	\$ 273,520	\$ 356,119	\$ 83,491	\$ 68,180	\$ 110,070	\$ 891,380	\$ 220,970	\$ 52,349	\$ 1,164,699	\$ 1,003,924
Payroll taxes	27,497	33,075	8,020	6,722	9,192	84,506	21,350	4,934	110,790	92,112
Employee benefits	51,510	51,865	17,602	10,770	22,551	154,298	32,414	3,225	189,937	153,044
Contract services	35,836	22,159	-	11,173	11,758	80,926	25,651	52,704	159,281	204,328
Telephone	678	2,354	73	10	1,022	4,137	4,164	27	8,328	8,640
Postage	270	979	472	19,261	2	20,984	1,113	16,765	38,862	30,791
Printing	1,568	842	272	21,308	64	24,054	2,504	8,051	34,609	31,656
Utilities	-	-	-	-	23,400	23,400	-	-	23,400	27,689
Building maintenance	-	-	-	-	37,204	37,204	-	-	37,204	22,612
Facility rental	-	214,648	-	-	-	214,648	4,877	11,631	231,156	221,702
Equipment maintenance	4,101	1,356	939	6,641	5,923	18,960	9,614	1,797	30,371	19,191
Vehicle expenses	545	65,294	-	-	-	65,839	198	2,369	68,406	71,823
Travel	7,524	17,531	1,676	36	286	27,053	4,478	4,565	36,096	21,554
Conferences, meetings and training	1,472	641	541	-	40	2,694	2,820	-	5,514	3,036
Supplies	45,836	120,419	2,204	1,859	5,627	175,945	29,390	19,415	224,750	229,911
Program expenses	189	493	659	108	8,954	10,403	28,984	8,565	47,952	41,149
Advertising	-	15,016	4,214	-	-	19,230	224	7,147	26,601	34,672
Insurance	-	4,394	-	-	-	4,394	27,579	-	31,973	29,709
Professional fees	367,142	-	-	-	15,084	382,226	25,988	5,018	413,232	347,769
Bank fees	-	448	15,630	6,048	45	22,171	2,740	3,562	28,473	34,089
Depreciation	-	-	-	-	-	-	68,258	-	68,258	68,030
Interest expense	-	-	-	-	2,198	2,198	-	-	2,198	2,397
Miscellaneous	325	171	243	2,568	1,400	4,707	4,531	762	10,000	13,159
Website and internet	110	-	80	-	-	190	9,137	625	9,952	5,480
Administration allocation	83,799	58,481	21,339	41,197	(52,453)	152,363	(160,936)	8,573	-	-
Total expenses	\$ 901,922	\$ 966,285	\$ 157,455	\$ 195,881	\$ 202,367	\$ 2,423,910	\$ 366,048	\$ 212,084	\$ 3,002,042	\$ 2,718,467

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
STATEMENT OF CASH FLOWS
For the year ended June 30, 2013
(With comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 25,317	\$ 752,805
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,258	68,030
Net realized/unrealized (gain) loss on investments	(51,275)	15,560
Change in perpetual trust	(28,674)	18,149
Contributions restricted for endowment	(58,095)	(18,535)
Donated vehicle	-	(27,655)
(Increase) decrease in:		
Accounts receivable	71,431	(88,222)
Inventory	(9,543)	(3,259)
Prepaid expenses	(13,523)	(9,887)
Increase (decrease) in:		
Accounts payable and accrued expenses	(7,108)	13,456
Deferred revenue	20,609	55,433
Net cash provided by operating activities	<u>17,397</u>	<u>775,875</u>
Cash flows from investing activities:		
Purchase of property and equipment	(17,742)	(11,832)
Purchase of investments	(305,305)	(903,908)
Proceeds from investments	18,226	271,866
Net cash used in investing activities	<u>(304,821)</u>	<u>(643,874)</u>
Cash flows from financing activities:		
Contributions restricted for endowment	58,095	18,535
Principal payments on note payable	(2,900)	(2,900)
Net cash provided by financing activities	<u>55,195</u>	<u>15,635</u>
Net increase (decrease) in cash and cash equivalents	(232,229)	147,636
Cash and cash equivalents - beginning of year	<u>882,245</u>	<u>734,609</u>
Cash and cash equivalents - end of year	<u>\$ 650,016</u>	<u>\$ 882,245</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 2,198	\$ 2,397

See notes to financial statements.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. THE ORGANIZATION

Audubon Society of Portland, Oregon (ASoP or the Organization) is a nonprofit organization founded in 1902. ASoP promotes the enjoyment, understanding and protection of native birds, other wildlife and their habitats with a focus on the local area and the Pacific Northwest. ASoP is affiliated with the National Audubon Society but is financially and structurally independent. ASoP's support is provided by a combination of contributions and memberships, grants, program revenues and Nature Store sales.

ASoP's headquarters is located on Cornell Road in Portland, Oregon. Facilities include the Nature Store, administrative offices, the Wildlife Care Center, and the Sanctuary. ASoP also owns the Marmot Cabin and Sanctuary located near Sandy, Oregon and Ten Mile Creek Sanctuary on the Oregon coast.

ASoP's programs are as follows:

Conservation: Promotes the conservation of native birds, wildlife and their habitats in Oregon and the Pacific Northwest, as well as conservation of healthy urban watersheds for wildlife and people in the Metropolitan-Portland region. Maintains and operates the Wildlife Care Center (WCC) to provide medical care and rehabilitation of injured or orphaned native birds and other native wildlife. WCC also houses federally-permitted non-releasable birds for educational purposes.

Education: Provides guided tours in the Sanctuary, as well as hands-on natural history programs, local, regional, national and international field trips and tours, nature center exhibits, and programs to local school and community groups.

Nature Store: Sells items that help promote the enjoyment, understanding and protection of the natural world.

Membership and Publications: Distributes a newsletter, "Warbler", and offers programs and classes to members and the general public.

Sanctuary: A 150-acre, free-to-the-public Nature Sanctuary is a showcase for native flora and fauna. It has over four miles of forested hiking trails available to the general public.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, *Continued*
June 30, 2013

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

ASoP reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of ASoP or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of ASoP.

Cash and Cash Equivalents

For purposes of the statement of cash flows, ASoP considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Inventory

Inventory consists primarily of merchandise held for sale by ASoP's Nature Store and is carried at the lower of cost or market value. Cost is determined using an average cost method.

Investments

Investments are carried at fair value.

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.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Depreciation

Depreciation of buildings, equipment and furniture is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years.

Program Service Revenue and Deferred Revenue

Program service revenue is recognized in the period the program is conducted. Funds received in advance are recorded as deferred revenue.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Memberships are recorded as revenue when received.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

ASoP recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2013 and 2012, donated assets, materials and services consisted of the following:

	2013	2012
Vehicle	\$ -	\$ 27,655
Program services:		
Materials and supplies	46,045	34,567
Veterinary services - conservation	40,200	39,380
Legal services - conservation	262,152	265,718
Total donated facilities, materials and services	\$ 348,397	\$ 367,320

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets and Services, Continued

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 41,500 hours of donated time for 2013 and 38,600 hours for 2012 and are not recognized as contributions in the financial statements since the recognition criteria were not met.

Contributions of Long-Lived Assets

Contributions of equipment and other long-lived assets without donor-imposed stipulations concerning the use of such assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire equipment or other long-lived assets with such donor stipulations are reported as temporarily restricted revenue. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

ASoP uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. During the years ended June 30, 2013 and 2012, advertising expenses approximated \$27,000 and \$35,000, respectively.

Income Tax Status

Audubon Society of Portland, Oregon is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements because ASoP has no activities subject to unrelated business income tax. The Organization's information returns for years ended June 30, 2009 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions. ASoP is not a private foundation.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 19, 2013, the date the financial statements were available to be issued.

Summarized Financial Information for 2012

The financial information as of June 30, 2012 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of grants, bequests, pledges and other receivables and are unsecured. Management believes all accounts receivable are fully collectible; therefore, no allowance for uncollectible accounts has been recorded. Accounts receivable are as follows at June 30, 2013 and 2012:

	2013	2012
Grants and pledges receivable:		
Receivable within one year	\$ 31,111	\$ 119,000
Contracts and accounts receivable	79,366	62,908
Total accounts receivable	\$ 110,477	\$ 181,908

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

4. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2013 and 2012 :

	2013	2012
Securities held in perpetual trust:		
Cash and cash equivalents	\$ 17,243	\$ 24,849
Fixed income fund	71,227	73,627
Mutual funds	19,571	21,082
Equity securities	413,222	373,031
	521,263	492,589
Beneficial interest in assets held by OCF	419,778	387,856
Cash and cash equivalents	381,976	153,815
Fixed income securities	494,667	460,596
Mutual funds	376,941	332,741
	\$ 2,194,625	\$ 1,827,597

Beneficial interest in assets held by OCF

The Organization established a fund that is held by the Oregon Community Foundation (OCF), an Oregon charitable organization. The Organization's funds are pooled with other assets managed by OCF and The Organization's fund is pooled with other assets managed by OCF which are invested in a mixture of equities, fixed-income instruments, alternative investment classes, and cash, which are reflected at fair value. Under the terms of the agreement, variance power has been granted to OCF, however, the Organization is the beneficiary of the fund and the transfer is reciprocal in nature. Accordingly, OCF recognizes the fund as a liability on its statement of financial position. Also, under the terms of the agreement, OCF shall distribute not less than annually, a percentage of the fair value of the funds as determined by the board of directors of OCF. However, in no event will the percentage be less than a reasonable rate of return. OCF may make additional distributions from the funds to the Organization upon a majority vote of all of the directors of the Organization, if, in the sole judgment of the board of OCF, the requested distribution is consistent with the objectives and purposes of the Organization.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2013 and 2012:

	2013	2012
Land	\$ 366,673	\$ 366,673
Buildings	1,772,383	1,772,383
Furniture and equipment	207,443	189,700
Library collection	14,500	14,500
	2,360,999	2,343,256
Less accumulated depreciation	1,049,651	981,392
	\$ 1,311,348	\$ 1,361,864

6. CONSERVATION PROPERTY

In August 2008, ASoP entered into an agreement with the National Audubon Society (NAS) to receive, conserve, and manage land on the Oregon coast, valued at \$1,520,157, as a wildlife sanctuary, known as Ten Mile Creek Sanctuary. The property is subject to a conservation easement between NAS, as grantor, and McKenzie River Trust, as grantee. Other conservation property includes the Hilltop property acquired in July 2007 for \$482,953.

7. NOTE PAYABLE

Note payable represents a loan from an unrelated individual for the remodeling and rehabilitation of the caretaker's house. Interest is payable quarterly on outstanding advances at 5% per annum from May 1, 2010 through May 1, 2013 and 8% per annum thereafter, until paid. The outstanding balance is payable in quarterly installments of \$725 plus interest, until paid in full. The note is unsecured and due and payable on May 1, 2028. Future maturities are as follows:

Year ending June 30, 2014	\$ 2,900
2015	2,900
2016	2,900
2017	2,900
2018	2,900
Thereafter	27,646
	\$ 42,146

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

8. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of unrestricted net assets designated by the Board as a reserve fund for the long-term benefit of ASoP. The reserve fund is intended to be permanent; however, the reserve fund may be utilized in the event of an emergency, opportunity, or unanticipated income shortfall. See Note 11 for further discussion.

9. TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Earnings on endowment (Note 11)	\$ -	\$ 759
Time restricted	46,012	195,000
Various programs	518,423	87,328
Land held for conservation	1,520,157	1,520,157
Total temporarily restricted net assets	\$ 2,084,592	\$ 1,803,244

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include a permanently restricted bequest (perpetual trust) received in 2003. The assets are held in trust and administered by a bank. The donor restrictions stipulated that the annual income earned on the trust, determined by the greater of the actual earnings or 5% of the asset value, be released for the care of wild birds and for public education regarding birds. In the event the 5% distribution exceeds actual earnings, the corpus will be reduced accordingly.

In August 2009, ASoP entered into an agreement with the National Audubon Society (NAS) to receive, conserve, and manage land on the Oregon coast, valued at \$1,520,157, as a wildlife sanctuary, known as Ten Mile Creek Sanctuary. NAS also contributed \$190,000 to be held in an endowment for management and maintenance of the property (easement funding). In the event that ASoP conveys the property to a third party, the balance of the easement funding will also be transferred to such third party. An additional contribution of \$10,000 was received for the endowment but is not part of the easement funding. See Note 11 for further discussion of the endowment.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

10. PERMANENTLY RESTRICTED NET ASSETS, Continued

During the year ended June 30, 2010, the Organization established the sanctuary stewardship endowment fund. Contributions will be held in perpetuity, with the earnings to support stewardship of the sanctuary after the fund reaches \$250,000.

Permanently restricted net assets are summarized as follows at June 30, 2013 and 2012:

	2013	2012
Perpetual trust	\$ 521,263	\$ 492,589
Ten Mile Creek Sanctuary endowment (Note 11)	200,000	200,000
Sanctuary stewardship endowment (Note 11)	202,451	136,922
Total permanently restricted net assets	\$ 923,714	\$ 829,511

11. ENDOWMENT FUNDS

Audubon Society of Portland, Oregon's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or board designations.

Interpretation of Relevant Law

The Board of Directors of Audubon Society of Portland, Oregon has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

11. ENDOWMENT FUNDS, Continued

Interpretation of Relevant Law, Continued

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to fund cash flow needs.

Spending Policy:

The Organization has not yet established a policy for spending for the sanctuary stewardship endowment as the funds have not reached the level required to begin funding. Spending for the Ten Mile Creek Sanctuary endowment is in accordance with the endowment agreement.

Composition of endowment net assets at June 30, 2013 and 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
October 31, 2013				
Donor-restricted	\$ (79)	\$ -	\$ 402,451	\$ 402,372
Board-designated	465,029	-	-	465,029
	<u>\$ 464,950</u>	<u>\$ -</u>	<u>\$ 402,451</u>	<u>\$ 867,401</u>
October 31, 2012				
Donor-restricted	\$ -	\$ 759	\$ 336,922	\$ 337,681
Board-designated	432,535	-	-	432,535
	<u>\$ 432,535</u>	<u>\$ 759</u>	<u>\$ 336,922</u>	<u>\$ 770,216</u>

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

11. ENDOWMENT FUNDS, Continued

Changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance – June 30, 2011	\$ 396,452	\$ -	\$ 318,387	\$ 714,839
Contributions	68,513	-	18,535	87,048
Investment income	6,780	862	-	7,642
Realized/unrealized gain				
on investments	(21,014)	(103)	-	(21,117)
Appropriated for expenditure	(18,196)	-	-	(18,196)
Balance – June 30, 2012	432,535	759	336,922	770,216
Contributions	-	-	58,095	58,095
Investment income	2,600	4,646	7,434	14,680
Realized/unrealized gain (loss)				
on investments	48,117	(5,484)	-	42,633
Appropriated for expenditure	(18,223)	-	-	(18,223)
Transfer	(79)	79	-	-
Balance – June 30, 2013	<u>\$ 464,950</u>	<u>\$ -</u>	<u>\$ 402,451</u>	<u>\$ 867,401</u>

Board designated endowment net assets were restated for the year ended June 30, 2012 to remove undesignated funds totaling \$535,174 included in error.

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 \$37,508 and \$27,083 to the plan for the years ended June 30, 2013 and 2012.

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. At June 30, 2013 and 2012, uninsured cash balances approximate \$157,500 and \$85,000, respectively.

Credit risk for contributions receivable was concentrated as well because at June 30, 2013, 17% of the balance is from one organization, and at June 30, 2012, 73% of the balance is from three organizations.

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

13. CONCENTRATIONS OF CREDIT RISK, Continued

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.

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, 2013 and 2012 are as follows:

2013	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Mutual funds:			
Fixed income	\$ 494,667	\$ 494,667	\$ -
Balanced	376,941	376,941	-
Investments held in perpetual trust:			
Fixed income mutual fund	71,227	71,227	-
Equity mutual funds	19,571	19,571	-
Equity securities	413,222	413,222	-
Beneficial interest in assets held by OCF	419,778	-	419,778
	<u>\$ 1,795,406</u>	<u>\$ 1,375,628</u>	<u>\$ 419,778</u>

AUDUBON SOCIETY OF PORTLAND, OREGON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

14. FAIR VALUE MEASUREMENTS, Continued

2012	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Mutual funds:			
Fixed income	\$ 460,596	\$ 460,596	\$ -
Balanced	332,741	332,741	-
Investments held in perpetual trust:			
Fixed income mutual fund	73,627	73,627	-
Equity mutual funds	21,082	21,082	-
Equity securities	373,031	373,031	-
Beneficial interest in assets held by OCF	387,856	-	387,856
	<u>\$ 1,648,933</u>	<u>\$ 1,261,077</u>	<u>\$ 387,856</u>

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

Investments held at OCF in pooled funds are valued at the net asset value per unit as provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using quoted market prices when available determined using a market approach. Quoted market prices are not available for certain alternative investment classes, such as limited partnership investments. The valuations for limited partnership investments are based on the net asset value of OCF's ownership interest in the partners' capital which includes assumptions and methods that were prepared by the general partners of the limited partnerships and were reviewed by OCF.

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>2013</u>	<u>2012</u>
Beginning of year	\$ 387,856	\$ 423,605
Contributions	-	-
Investment income, net of fees	2,063	3,461
Change in value (included in unrestricted net assets)	48,082	(21,014)
Disbursements	<u>(18,223)</u>	<u>(18,196)</u>
End of year	<u>\$ 419,778</u>	<u>\$ 387,856</u>