

AUDUBON SOCIETY OF PORTLAND, OREGON
DBA PORTLAND AUDUBON

Audited Financial Statements

For the Year Ended June 30, 2022



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Audubon Society of Portland, Oregon dba Portland Audubon (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portland Audubon as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Portland Audubon and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Portland Audubon's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Portland Audubon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Portland Audubon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Portland Audubon's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacoby, P.C.

Portland, Oregon
August 29, 2023

PORTLAND AUDUBON
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With comparative totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,729,927	\$ 1,239,685
Restricted cash - capital campaign	2,380,385	1,392,394
Grants, pledges, and accounts receivable	371,082	158,157
Inventory	344,269	304,351
Prepaid expenses	45,617	161,173
Investments	4,616,457	3,676,143
Property and equipment, net	2,668,809	2,705,230
Conservation property	2,654,058	2,503,110
 TOTAL ASSETS	 \$ 14,810,604	 \$ 12,140,243
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 174,611	\$ 205,682
Accrued expenses	422,621	153,170
Deferred revenue	494,192	328,709
Refundable advance	-	654,895
Total liabilities	1,091,424	1,342,456
Net assets:		
Without donor restrictions:		
Available for operations	98,671	584,534
Board designated	2,599,489	756,623
Conservation property and net property and equipment	3,802,710	3,688,183
Total without donor restrictions	6,500,870	5,029,340
With donor restrictions:		
Net assets with expiring restrictions	5,166,944	4,590,815
Net assets with perpetual restrictions	2,051,366	1,177,632
Total with donor restrictions	7,218,310	5,768,447
Total net assets	13,719,180	10,797,787
 TOTAL LIABILITIES AND NET ASSETS	 \$ 14,810,604	 \$ 12,140,243

See notes to financial statements.

PORTLAND AUDUBON
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022
(With comparative totals for 2021)

	2022				2021 Total
	Without Donor Restrictions	With Donor Restrictions		Total	
		Expiring	Perpetual		
Support and revenue:					
Contributions and grants	\$ 2,027,160	\$ 1,051,798	\$ 1,020,100	\$ 4,099,058	\$ 2,007,374
Government grants	654,895	-	-	654,895	495,400
Donated materials and services	50,229	-	-	50,229	16,128
Memberships	416,972	-	-	416,972	323,056
Program service revenue	686,460	-	-	686,460	233,503
Special events revenue, net of direct costs of \$36,375 for 2022 and \$28,511 for 2021	115,538	-	-	115,538	63,305
Sales, net of cost of goods sold of \$521,144 for 2022 and \$392,933 for 2021	250,724	-	-	250,724	184,390
Investment income loss (net)	(83,787)	(86,728)	-	(170,515)	161,783
Change in perpetual trust	-	-	(146,366)	(146,366)	139,473
Other income	123,603	-	-	123,603	7,003
Net assets released from restrictions:					
Satisfaction of purpose restrictions	1,666,900	(1,666,900)	-	-	-
Total support and revenue	<u>5,908,694</u>	<u>(701,830)</u>	<u>873,734</u>	<u>6,080,598</u>	<u>3,631,415</u>
Expenses:					
Program services:					
Conservation	1,388,720	-	-	1,388,720	1,346,610
Education	1,272,693	-	-	1,272,693	681,537
Nature Store	267,334	-	-	267,334	176,092
Membership and publications	181,481	-	-	181,481	203,906
Sanctuary	242,862	-	-	242,862	251,643
Total program services	3,353,090	-	-	3,353,090	2,659,788
Management and general	657,384	-	-	657,384	384,219
Fundraising	626,257	-	-	626,257	496,266
Total expenses	<u>4,636,731</u>	<u>-</u>	<u>-</u>	<u>4,636,731</u>	<u>3,540,273</u>
Net operating activities	1,271,963	(701,830)	873,734	1,443,867	91,142
Non-operating activities:					
Gain on sale	240,000	-	-	240,000	-
Capital campaign contributions	-	1,277,959	-	1,277,959	1,029,659
Capital campaign expenses	(40,433)	-	-	(40,433)	(48,561)
Total non-operating activities	<u>199,567</u>	<u>1,277,959</u>	<u>-</u>	<u>1,477,526</u>	<u>981,098</u>
Change in net assets	1,471,530	576,129	873,734	2,921,393	1,072,240
Net assets:					
Beginning 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>
End of year	<u>\$ 6,500,870</u>	<u>\$ 5,166,944</u>	<u>\$ 2,051,366</u>	<u>\$ 13,719,180</u>	<u>\$ 10,797,787</u>

See notes to financial statements.

PORTLAND AUDUBON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022
(With comparative totals for 2021)

	Program Services					Total Program Services	Management and General	Fundraising	2022 Total	2021 Total
	Conservation	Education	Nature Store	Membership and Publications	Sanctuary					
Salaries and related expenses	\$ 888,991	\$ 578,846	\$ 132,153	\$ 102,744	\$ 69,358	\$ 1,772,092	\$ 521,234	\$ 283,623	\$ 2,576,949	\$ 2,308,137
Professional and contract services	109,857	151,507	204	3,653	5,599	270,820	159,202	5,441	435,463	432,932
Operating expenses	97,246	130,043	79,608	2,093	2,606	311,596	113,327	90,734	515,657	207,791
Facilities	65,848	40,507	8,530	19,540	48,627	183,052	24,405	35,278	242,735	125,270
Communications	8,583	12,881	6,246	26,529	2,859	57,098	113,162	19,689	189,949	153,034
Materials and supplies	68,675	23,100	7,301	-	23,599	122,675	5,982	2,451	131,108	127,790
Direct benefit costs of special events	-	-	-	-	-	-	-	153,489	153,489	28,511
Cost of goods sold	-	-	521,144	-	-	521,144	-	-	521,144	392,933
Transportation and travel	11,007	250,234	504	-	1,417	263,162	8,342	3,667	275,171	27,272
Volunteer and membership	27	97	26	-	-	150	12,640	-	12,790	5,141
Capital campaign fundraising	-	-	-	-	-	-	-	40,433	40,433	48,561
Depreciation	-	-	-	-	-	-	139,795	-	139,795	152,906
Administration and facilities allocation	138,486	85,478	32,762	26,922	88,797	372,445	(440,705)	68,260	-	-
	<u>1,388,720</u>	<u>1,272,693</u>	<u>788,478</u>	<u>181,481</u>	<u>242,862</u>	<u>3,874,234</u>	<u>657,384</u>	<u>703,065</u>	<u>5,234,683</u>	<u>4,010,278</u>
Less expenses netted with revenues:										
Direct benefit costs of special events	-	-	-	-	-	-	-	(36,375)	(36,375)	(28,511)
Cost of goods sold	-	-	(521,144)	-	-	(521,144)	-	-	(521,144)	(392,933)
Capital campaign fundraising reported separately	-	-	-	-	-	-	-	(40,433)	(40,433)	(48,561)
Total expenses	<u>\$ 1,388,720</u>	<u>\$ 1,272,693</u>	<u>\$ 267,334</u>	<u>\$ 181,481</u>	<u>\$ 242,862</u>	<u>\$ 3,353,090</u>	<u>\$ 657,384</u>	<u>\$ 626,257</u>	<u>\$ 4,636,731</u>	<u>\$ 3,540,273</u>

See notes to financial statements.

PORTLAND AUDUBON
STATEMENT OF CASH FLOWS
For the year ended June 30, 2022
(With comparative totals for 2021)

	2022	2021
Cash flows from operating activities:		
Contributions, grants and events	\$ 4,295,905	\$ 3,360,673
Sales	771,868	577,323
Program services, memberships, and other income	1,392,518	587,968
Proceeds from Paycheck Protection Program	-	654,895
Total receipts	6,460,291	5,180,859
Cash disbursements:		
Payroll and related expenses	(2,307,498)	(2,315,072)
Other operating expenses	(2,423,143)	(1,448,216)
Total cash disbursements	(4,730,641)	(3,763,288)
Net cash flows from operating activities	1,729,650	1,417,571
Cash flows from investing activities:		
Purchase of property and equipment	(353,374)	(7,944)
Purchase of conservation property	(150,948)	-
Proceeds from sale of property	490,000	-
Purchase of investments	(1,257,195)	(1,637,576)
Proceeds from sale of investments	-	1,917,524
Net cash flows from investing activities	(1,271,517)	272,004
Cash flows from financing activities:		
Cash restricted for endowment	1,020,100	-
Net cash from financing activities	1,020,100	-
Net change in cash and cash equivalents	1,478,233	1,689,575
Cash and cash equivalents - beginning of year	2,632,079	942,504
Cash and cash equivalents - end of year	\$ 4,110,312	\$ 2,632,079
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 1,729,927	\$ 1,239,685
Restricted cash (capital campaign)	2,380,385	1,392,394
	\$ 4,110,312	\$ 2,632,079

See notes to financial statements.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. THE ORGANIZATION

Audubon Society of Portland, Oregon dba Portland Audubon (PA or the Organization) is a nonprofit organization founded in 1902. PA 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. PA is affiliated with the National Audubon Society but is financially and structurally independent. PA'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.

PA's facilities include the Nature Store, administrative offices, the Wildlife Care Center, and the Sanctuary. PA also owns the Marmot Cabin and Sanctuary located near Sandy, Oregon, and Ten Mile Creek Sanctuary on the Oregon coast.

PA'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.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

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, PA 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 PA'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.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

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, at which time \$495,400 was recognized as revenue. The Organization received a second PPP loan of \$654,895 during the year ended June 30, 2021, satisfied the conditions for forgiveness during 2022 and recognized revenue of the same amount.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

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.

PA 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.

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 45,400 hours (unaudited) of donated time for 2022 and 30,070 hours (unaudited) for 2021 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 revenue is considered contributory as little to no exchange of goods or services exists and is therefore recognized when the payment is made.

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 portion of sponsorship revenue that is considered contributory is recognized when the Organization is notified of the commitment. The portion that includes the fair value of direct benefits received by donors is recognized when the event takes place.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Advertising

PA uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. During the years ended June 30, 2022 and 2021, advertising expenses approximated \$39,000 and \$18,000, 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

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. The Organization has no 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.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

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.

Change in Accounting Principle and Standard

The Organization has implemented FASB ASU 2020-007, *Presentation and Disclosures by Non-Profit Entities for Contributed Nonfinancial Assets* for the year ended June 30, 2022. As a result, nonfinancial assets are disaggregated and presented separately in the statement of activities. In addition, enhanced disclosures include the valuation techniques, functional classification, and any restrictions associated with these types of contributions.

Subsequent Events

The Organization has evaluated all subsequent events through August 29, 2023, the date the financial statements were available to be issued.

Summarized Financial Information for 2021

The financial information as of June 30, 2021 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Future Accounting Standard

Effective for financial statements for the year ending June 30, 2023, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

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 available for general expenditure consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,110,312	#####
Grants, pledges, and accounts receivable	371,082	158,157
Investments	<u>4,616,457</u>	<u>3,676,143</u>
	9,097,851	6,466,379
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	5,698,153	4,248,289
Board designations	<u>2,599,489</u>	<u>756,623</u>
Financial assets available for general expenditure	<u>\$ 800,209</u>	<u>\$ 1,461,467</u>

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

3. GRANTS, PLEDGES, AND ACCOUNTS RECEIVABLE

Grants, pledges, and accounts receivable are unsecured and consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Grants receivable	\$ 319,743	\$ 128,478
Contracts and accounts receivable	<u>51,339</u>	<u>29,679</u>
Total grants, pledges, and accounts receivable	<u>\$ 371,082</u>	<u>\$ 158,157</u>

Grants and pledges receivable are expected to be collected within one year. At June 30, 2022, approximately 66% of amounts receivable were due from two sources.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

4. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Securities held in perpetual trust:		
Cash and cash equivalents	\$ 23,374	\$ 1,505
Fixed income funds	97,976	132,245
Equity securities	<u>432,810</u>	<u>567,077</u>
	554,160	700,827
Cash and cash equivalents	99,869	6,674
US Treasury money funds	2,614,733	2,324,457
Mutual funds	<u>1,347,695</u>	<u>644,185</u>
Total investments	<u>\$ 4,616,457</u>	<u>\$ 3,676,143</u>

Investments are held for the following purposes:

	<u>2022</u>	<u>2021</u>
Investments with and without expiring restrictions	\$ 2,047,013	\$ 1,870,112
Investments held in perpetual trust	554,160	700,827
Investments held in endowment	<u>2,015,284</u>	<u>1,105,204</u>
	<u>\$ 4,616,457</u>	<u>\$ 3,676,143</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 366,673	\$ 366,673
Buildings	3,717,140	3,634,122
Furniture and equipment	348,592	338,366
Library Collection	14,500	14,500
Website	24,142	24,142
Construction in progress	<u>78,598</u>	<u>68,468</u>
	4,549,645	4,446,271
Accumulated depreciation	<u>(1,880,836)</u>	<u>(1,741,041)</u>
Property and equipment, net	<u>\$ 2,668,809</u>	<u>\$ 2,705,230</u>

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

6. **PROPERTY AND EQUIPMENT, Continued**

During 2020, PA 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, PA 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, PA purchased additional land for \$500,000 (Burnside property) and subsequently sold easement rights to the City of Portland. PA'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 as well as the Shotpouch property acquired in January 2022 for \$150,948.

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.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

9. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of net assets without donor restrictions designated by the Board as reserve funds for special purposes and/or the long-term benefit of PA as follows at June 30, 2022 and 2021:

	2022	2021
Board designated reserve (Note 12)	\$ 513,045	\$ 536,337
Marmot property	-	220,286
Naito operating reserve	1,001,026	-
Conservation special projects	1,085,418	-
Total board designated net assets	\$ 2,599,489	\$ 756,623

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, 2022 and 2021:

	2022	2021
Earnings on endowment (Note 12)	\$ 5,334	\$ 92,062
Capital campaign	2,777,615	1,499,655
Various programs	803,838	1,418,941
Communications/branding	60,000	60,000
Land held for conservation	1,520,157	1,520,157
Net assets - expiring donor restrictions	\$ 5,166,944	\$ 4,590,815

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.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

11. NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS, Continued

In August 2009, PA 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 PA 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.

In 2022, the Organization established the Wildlife Care Center endowment fund. Contributions are held in perpetuity, with investment earnings to support a permanent doctor of veterinary medicine and general operating support for the center.

Net assets with perpetual donor restrictions are summarized as follows at June 30, 2022 and 2021:

	2022	2021
Perpetual trust	\$ 554,461	\$ 700,826
Ten Mile Creek Sanctuary endowment (Note 12)	203,195	203,095
Sanctuary Stewardship endowment (Note 12)	273,710	273,710
Wildlife Care Center endowment (Note 12)	1,020,000	-
Net assets - perpetual donor restrictions	\$ 2,051,366	\$ 1,177,631

12. ENDOWMENT FUNDS

Portland Audubon's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. 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 an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions or board designations.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

12. ENDOWMENT FUNDS, Continued

Interpretation of Relevant Law

The Board of Directors of 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.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

12. ENDOWMENT FUNDS, Continued

Spending Policy

The Organization's spending policy for the Sanctuary Stewardship and Wildlife Care Center endowments are 4.5%, based on a 12-quarter trailing average of the market value. Spending for the Ten Mile Creek Sanctuary endowment is in accordance with the endowment agreement.

Composition of endowment net assets at June 30, 2022 and 2021 is as follows:

	<u>Without Restrictions</u>	<u>With Expiring Restrictions</u>	<u>With Perpetual Restrictions</u>	<u>Total</u>
June 30, 2022				
Donor restricted	\$ -	\$ 5,334	\$ 1,496,905	\$ 1,502,239
Board designated	513,045	-	-	513,045
	<u>\$ 513,045</u>	<u>\$ 5,334</u>	<u>\$ 1,496,905</u>	<u>\$ 2,015,284</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>

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	<u>Without Restrictions</u>	<u>With Expiring Restrictions</u>	<u>With Perpetual Restrictions</u>	<u>Total</u>
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	536,337	92,062	476,805	1,105,204
Contributions	-	-	1,020,100	1,020,100
Investment loss, net	(792)	(86,728)	-	(87,520)
Appropriated for expenditure	(22,500)	-	-	(22,500)
Balance – June 30, 2022	<u>\$ 513,045</u>	<u>\$ 5,334</u>	<u>\$ 1,496,905</u>	<u>\$ 2,015,284</u>

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

13. CONTRIBUTED NONFINANCIAL ASSETS

Donated materials and services for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Materials and supplies (program)	\$ 21,719	\$ 16,128
Professional services:		
Program	14,355	-
Management and general	13,155	-
Fundraising	1,000	-
Total professional services	<u>28,510</u>	<u>-</u>
Total donated materials and services	<u>\$ 50,229</u>	<u>\$ 16,128</u>

All contributed nonfinancial assets are recorded at fair value based on the current cost to acquire the goods or services, or the sale price of comparable goods and services.

14. 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:

- 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.
- Retail store sales revenue is recognized at the point in time of the sale transaction.

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

	<u>2022</u>	<u>2021</u>
Program services	\$ 686,460	\$ 233,503
Special events, net of expenses	115,538	63,305
Direct costs of special events	36,375	28,512
Special events revenue at gross	<u>151,913</u>	<u>91,816</u>
Retail store sales, net of cost of goods sold	250,724	184,390
Cost of goods sold	521,144	392,933
Gross retail sales	<u>771,868</u>	<u>577,323</u>
Total contract revenue	<u>\$ 1,610,241</u>	<u>\$ 902,642</u>

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

14. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

Contract assets and liabilities are as follows as of June 30, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable (contract assets)	\$ 51,339	\$ 29,679	\$ 29,633
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred revenue - program services	494,192	328,709	323,100
Deferred revenue - special events	-	-	3,216
	<u>\$ 494,192</u>	<u>\$ 328,709</u>	<u>\$ 326,316</u>

Revenue recognized for the years ended June 30, 2022 and 2021 that was included in the contract liability balance at the beginning of each year was \$328,709 and \$49,787, respectively.

15. RETIREMENT PLAN

PA has a 401(k) salary deferral retirement plan available to eligible employees. Participants may make contributions through a salary reduction agreement. PA's contribution to the plan is discretionary and based on the approval of the Board of Directions. PA contributed approximately \$54,000 and \$44,700 to the plan for the years ended June 30, 2022 and 2021, respectively.

16. CONCENTRATIONS OF CREDIT RISK

PA maintains its cash balances in two 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 total approximately \$3,580,000 and \$2,105,300 at June 30, 2022 and 2021, 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.

Revenues are concentrated with 12% coming from one private source for the year ended June 30, 2022.

PORTLAND AUDUBON
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

17. 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, 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
June 30, 2022		
US Treasury money funds	\$ 2,614,733	\$ 2,614,733
Mutual funds	1,347,695	1,347,695
Investments held in perpetual trust:		
Fixed income mutual funds	97,976	97,976
Equity securities	432,810	432,810
Total fair value	<u>\$ 4,493,214</u>	<u>\$ 4,493,214</u>

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 funds	\$ 2,324,457	\$ 2,324,457
Mutual funds	644,185	644,185
Investments held in perpetual trust:		
Fixed income mutual funds	132,245	132,245
Equity mutual funds	567,077	567,077
Total fair value	<u>\$ 3,667,964</u>	<u>\$ 3,667,964</u>

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.