



**NEW JERSEY
AUDUBON
SOCIETY**

www.njaudubon.org

Financial Statements

August 31, 2017 and 2016

With Independent Auditors' Reports

New Jersey Audubon Society
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August 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
New Jersey Audubon Society:

Report on the Financial Statements

We have audited the accompanying financial statements of New Jersey Audubon Society, which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 entity'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 entity'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 New Jersey Audubon Society as of August 31, 2017 and 2016, and the changes in its net assets, cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.



January 30, 2018

New Jersey Audubon Society
Statements of Financial Position
August 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 1,023,511	\$ 1,129,121
Grants and contracts receivable	611,913	508,782
Loans receivable	11,663	14,663
Contributions receivable	20,014	40,639
Bequests receivable	60,000	525,149
Prepaid expenses and other current assets	77,556	60,770
Merchandise inventory	<u>533,420</u>	<u>508,228</u>
Total current assets	2,338,077	2,787,352
Property and equipment, net	3,359,701	3,544,501
Other assets		
Investments	5,260,438	4,362,669
Contributions receivable, net	18,199	40,248
Beneficial interest in remainder trust	482,952	457,392
Land held in perpetuity	<u>16,833,729</u>	<u>16,833,729</u>
Total other assets	<u>22,595,318</u>	<u>21,694,038</u>
Total assets	<u>\$ 28,293,096</u>	<u>\$ 28,025,891</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 226,160	\$ 200,161
Deferred revenue	<u>954,336</u>	<u>572,519</u>
Total current liabilities	1,180,496	772,680
Net assets		
Unrestricted	8,033,737	8,073,807
Temporarily restricted	1,103,238	1,229,339
Permanently restricted	<u>17,975,625</u>	<u>17,950,065</u>
Total net assets	<u>27,112,600</u>	<u>27,253,211</u>
Total liabilities and net assets	<u>\$ 28,293,096</u>	<u>\$ 28,025,891</u>

The Notes to Financial Statements are an integral part of these statements.

New Jersey Audubon Society
Statements of Activities and Changes in Net Assets
Years Ended August 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Sale of merchandise	\$ 964,584	\$ --	\$ --	\$ 964,584	\$ 918,425	\$ --	\$ --	\$ 918,425
Less: Cost of goods sold	(709,021)	--	--	(709,021)	(671,137)	--	--	(671,137)
Net sales of merchandise	255,563	--	--	255,563	247,288	--	--	247,288
Contributions	1,415,672	109,327	--	1,524,999	1,453,569	129,645	--	1,583,214
Contributions - bequests	529,288	200,000	--	729,288	1,828,697	--	--	1,828,697
Grants and contracts	2,078,401	--	--	2,078,401	2,032,160	--	--	2,032,160
Program fees	1,086,605	--	--	1,086,605	993,856	--	--	993,856
Membership dues	494,697	--	--	494,697	495,855	--	--	495,855
Change in value of beneficial interest in residual trust	--	--	25,560	25,560	--	--	30,842	30,842
Investment income	368,580	50,569	--	419,149	249,214	50,796	--	300,010
	6,228,806	359,896	25,560	6,614,262	7,300,639	180,441	30,842	7,511,922
Net assets released from restrictions	485,997	(485,997)	--	--	1,718,006	(290,806)	(1,427,200)	--
	6,714,803	(126,101)	25,560	6,614,262	9,018,645	(110,365)	(1,396,358)	7,511,922
Expenses								
Program services								
Education and sanctuaries	2,883,688	--	--	2,883,688	3,962,965	--	--	3,962,965
Conservation	1,707,224	--	--	1,707,224	1,408,721	--	--	1,408,721
Research	643,760	--	--	643,760	857,554	--	--	857,554
	5,234,672	--	--	5,234,672	6,229,240	--	--	6,229,240
Supporting services								
Management and general	590,082	--	--	590,082	663,943	--	--	663,943
Development	930,119	--	--	930,119	852,808	--	--	852,808
	1,520,201	--	--	1,520,201	1,516,751	--	--	1,516,751
	6,754,873	--	--	6,754,873	7,745,991	--	--	7,745,991
Changes in net assets	(40,070)	(126,101)	25,560	(140,611)	1,272,654	(110,365)	(1,396,358)	(234,069)
Net assets, beginning of year	8,073,807	1,229,339	17,950,065	27,253,211	6,801,153	1,339,704	19,346,423	27,487,280
Net assets, end of year	\$ 8,033,737	\$ 1,103,238	\$ 17,975,625	\$ 27,112,600	\$ 8,073,807	\$ 1,229,339	\$ 17,950,065	\$ 27,253,211

The Notes to Financial Statements are an integral part of these statements.

New Jersey Audubon Society
Statements of Cash Flows
Years Ended August 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Changes in net assets	\$ (140,611)	\$ (234,069)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	241,967	228,531
Change in value of remainder trust	(25,560)	(30,842)
Loss on transfer/disposal of assets	--	1,432,051
Unrealized gains on investments	(126,770)	(185,424)
Realized gains on investments	(158,795)	(9,243)
Bad debts	3,218	3,000
Adjustment to present value	(1,951)	845
Changes in assets and liabilities		
Grants and contracts receivable	(103,131)	60,030
Contributions receivable	41,407	63,161
Bequests receivable	465,149	(3,107)
Prepaid expenses and other current assets	(16,786)	1,883
Merchandise inventory	(25,192)	38,475
Accounts payable and accrued expenses	25,999	(104,574)
Deferred revenue	381,817	373,502
Net cash provided by operating activities	<u>560,761</u>	<u>1,634,219</u>
Cash flows from investing activities		
Purchase of property and equipment	(57,167)	(124,992)
Cash received on sale of property	--	9,000
Loan receivable	3,000	4,500
Purchase of investments	(1,386,566)	(1,957,928)
Proceeds from the sale of investments	774,362	1,069,392
Net cash used by investing activities	<u>(666,371)</u>	<u>(1,000,028)</u>
Net (decrease) increase in cash and cash equivalents	(105,610)	634,191
Cash and cash equivalents		
Beginning of year	<u>1,129,121</u>	<u>494,930</u>
End of year	<u>\$ 1,023,511</u>	<u>\$ 1,129,121</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ --</u>	<u>\$ --</u>

No amounts were paid for income taxes for the years ended August 31, 2017 and 2016.

**New Jersey Audubon Society
Statements of Functional Expenses
Year Ended August 31, 2017 with Comparative Totals for 2016**

	Program Services				Management and General	Development	2017 Total	2016 Total
	Education and Sanctuaries	Stewardship	Research	Total Program Services				
Salaries	\$ 1,272,709	\$ 688,222	\$ 310,123	\$ 2,271,054	\$ 327,858	\$ 396,960	\$ 2,995,872	\$ 2,972,190
Fringe benefits	311,563	170,473	72,693	554,729	56,226	75,597	686,552	706,842
Supplies	20,178	24,783	48,619	93,580	2,733	15,739	112,052	92,079
Insurance	56,984	35,996	7,407	100,387	13,448	7,648	121,483	115,381
Telephone	28,221	11,892	5,570	45,683	3,637	5,143	54,463	59,885
Printing	113,589	17,181	4,798	135,568	295	100,359	236,222	195,579
Postage	18,049	1,881	2,274	22,204	705	37,371	60,280	62,040
Advertising	36,534	815	--	37,349	--	840	38,189	31,215
Equipment	23,548	3,853	1,325	28,726	2,368	5,183	36,277	35,497
Occupancy	86,205	34,257	218	120,680	1,428	3,333	125,441	124,228
Travel	35,267	40,437	28,915	104,619	6,759	6,767	118,145	103,789
Professional fees and contracts	331,325	497,660	98,117	927,102	146,100	211,560	1,284,762	999,454
Program expenses	347,131	115,238	63,176	525,545	5,495	19,265	550,305	431,590
Repairs and maintenance	58,048	21,602	525	80,175	5,656	3,814	89,645	92,648
Depreciation	141,837	42,216	--	184,053	17,374	40,540	241,967	228,531
Bad debt expense	2,500	718	--	3,218	--	--	3,218	3,000
Transfer of restricted property	--	--	--	--	--	--	--	1,492,043
	<u>\$ 2,883,688</u>	<u>\$ 1,707,224</u>	<u>\$ 643,760</u>	<u>\$ 5,234,672</u>	<u>\$ 590,082</u>	<u>\$ 930,119</u>	<u>\$ 6,754,873</u>	<u>\$ 7,745,991</u>

The Notes to Financial Statements are an integral part of this statement.

**New Jersey Audubon Society
Statements of Functional Expenses
Year Ended August 31, 2016**

	Program Services			Total Program Services	Management and Development		Total
	Education and Sanctuaries	Stewardship	Research		General	Development	
Salaries	\$ 1,186,986	\$ 751,350	\$ 333,385	\$ 2,271,721	\$ 329,165	\$ 371,304	\$ 2,972,190
Fringe benefits	280,198	164,169	81,216	525,583	113,124	68,135	706,842
Supplies	18,612	19,008	35,496	73,116	3,778	15,185	92,079
Insurance	52,686	32,331	8,275	93,292	16,805	5,284	115,381
Telephone	34,262	13,103	4,342	51,707	4,057	4,121	59,885
Printing	122,512	1,499	--	124,011	--	71,568	195,579
Postage	20,995	974	456	22,425	923	38,692	62,040
Advertising	26,950	765	--	27,715	42	3,458	31,215
Equipment	25,920	4,766	499	31,185	2,993	1,319	35,497
Occupancy	82,363	29,082	8,574	120,019	1,263	2,946	124,228
Travel	23,856	40,790	26,411	91,057	6,023	6,709	103,789
Professional fees and contracts	120,417	201,844	315,929	638,190	155,593	205,671	999,454
Program expenses	263,257	90,543	42,971	396,771	9,739	25,080	431,590
Repairs and maintenance	69,862	13,755	--	83,617	7,015	2,016	92,648
Depreciation	139,046	44,742	--	183,788	13,423	31,320	228,531
Bad debt expense	3,000	--	--	3,000	--	--	3,000
Transfer of restricted property	1,492,043	--	--	1,492,043	--	--	1,492,043
	<u>\$ 3,962,965</u>	<u>\$ 1,408,721</u>	<u>\$ 857,554</u>	<u>\$ 6,229,240</u>	<u>\$ 663,943</u>	<u>\$ 852,808</u>	<u>\$ 7,745,991</u>

The Notes to Financial Statements are an integral part of this statement.

New Jersey Audubon Society

Notes to Financial Statements

August 31, 2017 and 2016

1. The Society and Purpose

New Jersey Audubon Society (the "Society"), founded in 1897, is a New Jersey not-for-profit corporation incorporated in 1937 to foster environmental awareness and a conservation ethic among New Jersey's citizens; to protect New Jersey's birds, mammals, other animals, and plants, especially endangered and threatened species; and to promote preservation of New Jersey's valuable natural habitats. The Society's significant sources of revenue are from contributions, grants and contracts, sales of merchandise, special events and income from programs operated to promote the Society's purpose.

This summary provides highlights of the Society's accomplishments for the year ended August 31, 2017:

- New Jersey Audubon led forest stewardship practices on thousands of acres through partnerships with private landowners in New Jersey. Working in collaboration with New Jersey Division of Fish & Wildlife, the Society finalized a 10 year Forest Stewardship Plan for the Sparta Mountain Wildlife Management Area. We had the third release of Northern Bobwhite, resulting in 13 nests, with 57 chickens hatched. The Society worked with legislative champions to introduce several bills aimed at minimizing the use of invasive plants. This included legislation requiring the Department of Transportation to plant only native flora along all state highways. In December 2016, New Jersey residents celebrated passage of the Delaware River Basin Conservation Act. This Federal legislation will provide essential funding for water and habitat restoration projects in the 4-state Delaware River Watershed.
- The Society completed the second phase of a massive habitat restoration project at Stone Harbor to improve coastal habitat for endangered shorebirds. Monitoring data showed an increase in the number of nesting pairs at the site and the number of chicks produced. For a second year, radio transmitters allowed the tracking of Semipalmated Sandpipers, a declining shorebird species. With state and federal partners, the Society took on the issue of marine debris. Residents were educated about the dangers of abandoned crab traps and other forms of debris that damage fragile habitats and injure wildlife. The Society led a successful effort to protect the Diamondback Terrapin by listing it as a Species of Special Concern. These beautiful turtles will now enjoy protection throughout our coastal bays. The Society began a new project to assess the effects of shrimp aquaculture migratory shorebirds who use the Delaware Bay and overwinter in Brazil.
- The Society's School of Ecology helped Linden Middle School teachers integrate watershed studies into their classrooms, spreading awareness that forest health directly impacts the quality of our drinking water. In 2016, a Forest Stewardship Plan was initiated at Plainsboro Preserve, while deer fencing will soon enable forest restoration at our Lorrimer Sanctuary. The Society is now managing relationships with 233 schools as part of the Eco-Schools initiative, working on school sustainability projects from water conservation to schoolyard gardens; from increasing biodiversity to recycling and energy conservation. At Lorrimer Sanctuary, the Society increased outreach to mobility-challenged individuals through a newly installed accessible trail that offers new opportunities for mobile nature exploration. The Society's education efforts have expanded internationally, with representatives from two schools in Mexico to participate in our summer teacher institutes. Through this program, the Society is crossing borders to share our ideas and values; we are connecting people, while connecting people with nature.

2. Summary of Significant Accounting Policies

Basis of Presentation

External financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions and the permanently restricted net asset category represents net assets that are subject to donor imposed restrictions that cannot be satisfied by either time or by actions of the Society. During the years ended August 31, 2017 and 2016 the Society had accounting transactions in all three net asset categories.

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2017 and 2016**

Revenue and Support Recognition

The Society recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Society accounts for those contract revenues which have been determined to be exchange transactions in the statements of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. Program revenues received in advance of their usage are classified as deferred revenue in the statements of financial position. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

Unrestricted revenues are obtained from the sale of merchandise, special events, and program fees. These revenues are recorded when the merchandise is sold or the program has occurred and are used to offset program expenses as well as the cost of property and equipment acquisitions and management and general and development expenses.

Investments

Investments, primarily consisting of equity and debt securities, are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

Merchandise Inventory

Inventory, consisting entirely of merchandise purchased for resale, is valued at the lower of cost or market. Costs are determined on a first-in, first-out basis.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising is expensed in the period incurred. Advertising amounted to \$38,189 and \$31,215 at August 31, 2017 and 2016, respectively.

Property and Equipment

Buildings, improvements and unrestricted land are recorded at cost, except for donated items which are recorded at fair value based on the assessed value at the date of donation. Buildings located on permanently restricted land sites have been recorded as temporarily restricted assets by the Society and will be depreciated over their useful lives. All personal property has been recorded as unrestricted assets, as there have been no restrictions placed on the contributions by the donors.

Furniture and equipment is recorded at cost, except for donated items which are recorded at the fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The principal rates for computing depreciation by major asset category are as follows:

Description	Estimated Life (Years)
Buildings and improvements	5 - 40
Furniture and equipment	3 - 5

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2017 and 2016**

Permanently Restricted Land

The Society has recorded contributions of land as permanently restricted assets, based on the donors' written or implied request to maintain these sites as wildlife sanctuaries into perpetuity.

Expense Classification

The expenses of the Society are presented in the statements of activities and changes in net assets under the following classifications which describe the Society's program activities:

- Education and sanctuaries - To promote educational awareness and environmental protection through summer camps, field trips, lectures and weekend events and to maintain wildlife sanctuaries, educational centers and other properties.
- Stewardship - To encourage and support sound conservation and stewardship practices and laws.
- Research - To disseminate and advance knowledge of the natural environment through educational and research programs and publications.

All expenses which were not directly associated with the above service categories, primarily management and fundraising expenses are categorized as management and general expenses or development expense.

Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments with a maturity date of three months or less on the date of acquisition.

Valuation of Long-Lived Assets

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets, the Society reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

Income Taxes

New Jersey Audubon Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for Federal income taxes. There were no uncertain tax positions at August 31, 2017 and 2016. The Society did not have any income tax related penalties or interest for the years in question.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, grants and contracts, contribution and other receivables, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

3. Contributions and Bequests Receivable

At August 31, contributions and bequests receivable consisted of the following:

	2017	2016
Total contributions receivable	\$ 40,014	\$ 84,639
Total bequests receivable	60,000	525,149
Less: Discount to net present value	<u>(1,801)</u>	<u>(3,752)</u>
Net contributions and bequests receivable	98,213	606,036
Less: Current portion	<u>80,014</u>	<u>565,788</u>
Contributions and bequest receivable, long term	<u>\$ 18,199</u>	<u>\$ 40,248</u>

Maturities of contributions and bequests receivable at August 31: 2018 - \$80,014; 2019 - \$6,667; 2020 - \$6,349; 2021 - \$5,183.

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2017 and 2016**

4. Loans Receivable

The Society operates a revolving loan program that provides low interest, short term loans to assist with equipment purchases, improvements or supplies for approved farmers that are participating in an assistance program operated by an outside federal agency. Once the project has been approved by the federal agency, a loan is made from the revolving loan account. Repayments are made directly to the Society from the state program once the project has been completed. The loans bear interest at 1 percent and normally are for terms ranging from 30 to 90 days. At August 31, 2017 and 2016, the loans receivable outstanding were \$11,663 and \$14,663, respectively, and were all current.

5. Grants and Contracts Receivable and Payable

The Society operates under various grants and contracts. At August 31, the Society was due certain amounts from funding sources which resulted from expenditures incurred in excess of payments received. The Society also received funds in excess of expenditures incurred, resulting in grants payable on contracts that have ended or deferred revenue on contracts that continue into the subsequent year. The following details the amounts due to the Society by contract:

Grants and Contracts Receivable

Funding Agency and Program	2017	2016
City of Linden	\$ 7,358	\$ 9,500
National Fish & Wildlife Foundation	268,512	219,753
PSE&G	90,374	69,789
U.S. Fish and Wildlife Service, Nongame	8,204	10,429
USDA Farm/Forestry Services	32,961	18,817
State of New Jersey – Department of Environmental Protection – Division of Fish and Wildlife	3,496	11,665
National Wildlife Federation	35,810	--
National Center for Science & Civic Engagement	--	16,668
Honeywell Institute for Ecosystem Education	34,040	37,200
Conserve Wildlife Foundation of New Jersey	11,000	11,000
New Jersey Natural Land Trusts	13,574	16,305
Natural Resources Conservation Service	8,092	8,249
Other	98,492	79,407
	<u>\$ 611,913</u>	<u>\$ 508,782</u>

6. Investments

The following summarizes the relationship between the market value and cost of investments at August 31:

	2017		2016	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual funds	<u>\$ 4,883,026</u>	<u>\$ 5,260,438</u>	<u>\$ 3,824,031</u>	<u>\$ 4,362,669</u>

New Jersey Audubon Society
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Investment income related to these investments is included with investment income earned by cash and cash equivalents on the statements of activities and changes in net assets at August 31, and was comprised of the following:

	2017	2016
Interest and dividend income	\$ 133,584	\$ 105,343
Realized gains	158,795	9,243
Unrealized gains	126,770	185,424
	<u>\$ 419,149</u>	<u>\$ 300,010</u>

7. Property and Equipment

Property and equipment at August 31, was comprised of the following:

	2017		
	Unrestricted	Temporarily Restricted	Total
Land	\$ 50,000	\$ --	\$ 50,000
Buildings and improvements	4,994,832	1,237,052	6,231,884
Furniture and equipment	<u>573,501</u>	<u>--</u>	<u>573,501</u>
	5,618,333	1,237,052	6,855,385
Less: Accumulated depreciation	<u>(2,558,048)</u>	<u>(937,636)</u>	<u>(3,495,684)</u>
	<u>\$ 3,060,285</u>	<u>\$ 299,416</u>	<u>\$ 3,359,701</u>
	2016		
	Unrestricted	Temporarily Restricted	Total
Land	\$ 92,055	\$ --	\$ 92,055
Buildings and improvements	4,940,837	1,194,997	6,135,834
Furniture and equipment	<u>874,139</u>	<u>935,723</u>	<u>1,809,862</u>
	5,907,031	2,130,720	8,037,751
Less: Accumulated depreciation	<u>(2,811,300)</u>	<u>(1,681,950)</u>	<u>(4,493,250)</u>
	<u>\$ 3,095,731</u>	<u>\$ 448,770</u>	<u>\$ 3,544,501</u>

Depreciation expense charged to operations amounted to \$241,967 and \$228,531 for the years ended August 31, 2017 and 2016, respectively.

8. Transfer of Restricted Assets

In November 2015 New Jersey Audubon donated the Weis Ecology Center to the Highlands Nature Friends, a not-for-profit specifically formed to manage the property. This transfer was facilitated in order to continue nature based education and conservation of the site. A transfer of restricted assets of \$1,492,043 was shown in the functional expenses for the year ended August 31, 2016.

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2017 and 2016**

9. Beneficial Interest

The Society is the remainder beneficiary of an interest in a charitable remainder annuity trust held by an outside trustee. The fair value of the trust at August 31, 2017 and 2016 was \$482,952 and \$457,392, respectively. The change in value of the beneficial interest in funds held by others of \$25,560 and \$30,842 has been reflected in the statements of activities and changes in net assets at August 31, 2017 and 2016, respectively.

10. Recurring Fair Value Measurements

The Society has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of August 31, along with the basis for the determination of fair value:

2017				
<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Observable Measurement Criteria (Level 2)</u>	<u>Unobservable Measurement Criteria (Level 3)</u>	
Money market	\$ 4,150	\$ 4,150	\$ --	\$ --
Mutual funds - stocks				
Foreign Large Blend	1,082,522	1,082,522	--	--
Large Blend	775,557	775,557	--	--
Large Growth	280,209	280,209	--	--
Large Value	265,766	265,766	--	--
Mid Cap Blend	113,086	113,086	--	--
Small Growth	116,954	116,954	--	--
Mutual funds - fixed income				
Corporate Bond	503,068	503,068	--	--
Intermediate Term Bond	1,253,230	1,253,230	--	--
Short-term Bond	<u>737,771</u>	<u>737,771</u>	--	--
	5,132,313	<u>\$ 5,132,313</u>	<u>\$ --</u>	<u>\$ --</u>
Investments measured at NAV (a)	<u>128,125</u>			
	<u>\$ 5,260,438</u>			
2016				
<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Observable Measurement Criteria (Level 2)</u>	<u>Unobservable Measurement Criteria (Level 3)</u>	
Mutual funds - stocks				
Foreign Large Blend	\$ 858,589	\$ 858,589	\$ --	\$ --
Large Blend	648,853	648,853	--	--
Large Growth	214,675	214,675	--	--
Large Value	226,832	226,832	--	--
Mid Cap Blend	91,248	91,248	--	--
Small Growth	98,670	98,670	--	--
Mutual funds - fixed income				
Corporate Bond	424,540	424,540	--	--
Intermediate Term Bond	1,060,610	1,060,610	--	--
Short-term Bond	<u>620,830</u>	<u>620,830</u>	--	--
	4,244,847	<u>\$ 4,244,847</u>	<u>\$ --</u>	<u>\$ --</u>
Investments measured at NAV (a)	<u>117,822</u>			
	<u>\$ 4,362,669</u>			

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(a) In accordance with FASB ASC 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

<u>Strategies</u>	<u>Valuation</u>	<u>Unfunded Commitment</u>	<u>Redemption Commitment</u>	<u>Redemption Notice Period</u>	<u>Redemption Notice Period</u>
Pooled Investment Fund	\$ 128,125	--	N/A	Monthly	Monthly

For applicable assets (liabilities) subject to this pronouncement, the Society will value such assets (liabilities) using quoted market prices in active markets for identical assets to the extent possible (Level 1). To the extent that such market prices are not available, the Society will next attempt to value such assets (liabilities) using observable measurement criteria, including quoted market prices of similar assets (liabilities) in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Society will develop measurement criteria based on the best information available (Level 3).

11. Line of Credit

The Society has a \$1,000,000 line of credit, bearing interest at the prevailing prime rate which expires in April 2018, secured by the investments of the Society. For the years ended August 31, 2017 and 2016, there was no outstanding loan balance.

12. Cost of Goods Sold

Cost of goods sold for the years ended August 31, was computed as follows:

	2017	2016
Beginning inventory	\$ 508,228	\$ 546,703
Purchases	<u>734,213</u>	<u>632,662</u>
Goods available for sale	1,242,441	1,179,365
Less ending inventory	<u>533,420</u>	<u>508,228</u>
Cost of goods sold	<u>\$ 709,021</u>	<u>\$ 671,137</u>

13. Leases

Operating Lease

The Society leases land from the City of Plainsboro and the City of Cape May to operate sanctuary programs. These leases expire in 2019 and 2020, respectively. In exchange for the cost of operating the nature centers, rental payments have been waived.

14. Deferred Revenue

The Society has deferred revenue of \$954,336 and \$572,519 at August 31, 2017 and 2016, respectively. Deferred revenues have been recorded for program fees that are associated with programs occurring in the next fiscal year.

15. Employee Retirement Plan

All employees of the Society who have completed minimum service requirements are eligible to participate in the New Jersey Audubon Society's Retirement Plan (the "Plan"), a defined contribution plan. Participants in the Plan are eligible to contribute amounts up to the maximum allowed by law on an annual basis. Discretionary employer contributions are determined by the Society and amounted to \$63,837 and \$38,356 for the years ended August 31, 2017 and 2016, respectively.

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16. Net Assets

Components of net assets at August 31, were as follows:

	2017	2016
Temporarily restricted - restricted by donor for programmatic use as follows:		
Education	\$ 344,932	\$ 304,497
Government relations	36,777	--
Stewardship	384,320	395,185
Sanctuaries	--	--
	<u>766,029</u>	<u>699,682</u>
Time restricted	37,793	80,887
Building on restricted site or sanctuary	299,416	448,770
Total temporarily restricted net assets	<u>\$ 1,103,238</u>	<u>\$ 1,229,339</u>
Permanently restricted - donor endowed principal	\$ 658,944	\$ 658,944
Beneficial interest in residual trust	482,952	457,392
Land restricted as site or sanctuary	16,833,729	16,833,729
Total permanently restricted net assets	<u>\$ 17,975,625</u>	<u>\$ 17,950,065</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2017	2016
Purpose restrictions:		
Research	\$ 9,412	\$ 24,418
Education	164,464	183,263
Stewardship	119,673	47,885
Sanctuaries	--	10,830
Capital improvement and equipment	--	11,204
	<u>293,549</u>	<u>277,600</u>
Satisfaction of time restrictions	192,448	13,206
Total temporarily restricted net assets	<u>\$ 485,997</u>	<u>\$ 290,806</u>

17. Endowment Funds

Endowment Funds

The Society's endowment consists of approximately 7 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment funds are included in permanently restricted net assets with land that has been restricted by donors and a beneficial interest in a residual trust. These other components of permanently restricted net assets are not included in the information below related to endowment funds as they are not subject to investment management practices by the Society.

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Interpretation of Relevant Law

The State of New Jersey has enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) effective June 2009. Prior to that New Jersey operated under the Uniform Management of Institutional Funds Act (“UMIFA”). Both UPMIFA and its predecessor, UMIFA, provide guidance on the maintenance and spending of endowment funds when the intent of the donors is not clear. UPMIFA provides new guidelines for the expenditure of a permanently or temporarily donor restricted endowment fund, absent explicit donor stipulations. UPMIFA eliminates UMIFA’s requirement for permanent endowment to be maintained at its historic dollar value amount and instead allows not-for-profits to adopt prudent spending policies which can allow for invasion of corpus. Management has determined that none of the temporarily restricted net assets of the Society are endowment funds. Furthermore, the permanent endowments of the Society are subject to written instruments in which the donor’s intent as to purpose and spending policies are explicitly indicated.

The Society has interpreted state law as requiring the preservation of the value of the endowment fund with primary consideration given to the donor intent expressed in the gift instrument. For those donations subject to UPMIFA, the Society has followed the donor instruments in classifying as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. 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 Society in a manner consistent with the standard of prudence prescribed by state law. The Society 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 Society 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 Society
- (7) The investment policies of the Society.

Return Objectives and Risk Parameters

The Society 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. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to minimize risk and maximize current income. The Society expects its endowment funds, over time, to provide an average rate of return of approximately 4.5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets an asset allocation that equally balances equities and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year 5 percent of its endowment fund’s average fair value. Effective September 1, 2017, the Society will reduce the distribution by .25 percent each year until the rate is reduced to 3 percent. For the years ended August 31, 2017 and 2016, the spending rates were 4.25 percent and 4.50 percent, respectively. In establishing this policy, the Society’s investment portfolio is expected to keep up with inflation over the long-term. Additional appropriations from the unrestricted endowment can be made at the discretion of the Board for capital improvements or other strategic initiatives. This is consistent with the Society’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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The following tables provide information regarding the change in the endowment net assets for the years ended August 31:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning	\$ 3,313,540	\$ 390,185	\$ 658,944	\$ 4,362,669
Investment return				
Investment income (net of fees)	98,095	14,045	--	112,140
Realized gain	138,917	19,878	--	158,795
Unrealized gain	111,481	15,353	--	126,834
	<u>3,662,033</u>	<u>439,461</u>	<u>658,944</u>	<u>4,760,438</u>
Contributions received	652,854	--	--	652,854
Appropriated for expenditure	(97,982)	(54,872)	--	(152,854)
Endowment net assets, ending	<u>\$ 4,216,905</u>	<u>\$ 384,589</u>	<u>\$ 658,944</u>	<u>\$ 5,260,438</u>

Permanently restricted net assets required to be maintained in perpetuity \$ 658,944

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning	\$ 2,182,075	\$ 438,447	\$ 658,944	\$ 3,279,466
Investment return				
Investment income (net of fees)	72,821	15,916	--	88,737
Realized gain	7,422	1,620	--	9,042
Unrealized gain	152,166	33,258	--	185,424
	<u>2,414,484</u>	<u>489,241</u>	<u>658,944</u>	<u>3,562,669</u>
Contributions received	1,011,408	--	--	1,011,408
Appropriated for expenditure	(112,352)	(99,056)	--	(211,408)
Endowment net assets, ending	<u>\$ 3,313,540</u>	<u>\$ 390,185</u>	<u>\$ 658,944</u>	<u>\$ 4,362,669</u>

Permanently restricted net assets required to be maintained in perpetuity \$ 658,944

The value of the beneficial interest in residual trust included in total permanently restricted net assets is not included in the above tables. See Note 9 for details on the beneficial interest.

The value of land held in perpetuity included in total permanently restricted net assets is not included in the tables above. See Note 2 for a description of land held in perpetuity.

18. Concentrations of Credit Risk

The Society's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, grants receivables and contributions and pledges receivable. At times during the years, cash of the Society deposited in financial institutions exceeds the FDIC limit of \$250,000. The management of the Society deposits cash funds in high quality institutions to lessen the amount of uninsured exposure. Cash equivalents and investments are in high-quality securities. Although subject to market fluctuations this investment policy somewhat limits the Society's exposure to concentrations of credit risk. The Society has a long-standing history of collecting its pledges and contributions receivable which are from various individuals, corporations and foundations. An allowance for uncollectible accounts is normally recorded in the financial statements for any amounts considered uncollectible. This limits the Society's exposure to credit risk.

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19. New Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14 – Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted will require a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 (the “ASU”), underwater funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions, as is the current practice. In addition, the ASU eliminates the accounting policy election to release donor-imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor’s restrictions at the time the asset is placed in service. The ASU also changes the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns. The Society is currently evaluating the impact these changes will have on its future financial statements.

20. Subsequent Events

The Society has evaluated subsequent events occurring after the statement of financial position date through the date of January 30, 2018, the date the financial statements were available for release. Based upon this evaluation, the Society has determined the no subsequent events require disclosure or adjustment in the financial statements.