



**NEW JERSEY
AUDUBON
SOCIETY**

www.njaudubon.org

**Financial Statements
August 31, 2019 and 2018
With Independent Auditor's Report**

New Jersey Audubon Society
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August 31, 2019 and 2018

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INDEPENDENT AUDITOR'S 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, 2019 and 2018, 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.

Auditor's 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 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 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, 2019 and 2018, 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.

Emphasis of Matter

Adoption of ASU 2016-14

As discussed in Note 2 in the notes to financial statements, in 2019 the Society adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958).

Withum Smith + Brown, PC

February 6, 2020

New Jersey Audubon Society
Statements of Financial Position
August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 264,439	\$ 537,705
Grants and contracts receivable	469,597	494,082
Loans receivable	54,588	57,088
Contributions receivable	9,000	15,500
Bequests receivable	275,853	131,146
Prepaid expenses and other current assets	33,348	41,592
Merchandise inventory	<u>598,262</u>	<u>586,177</u>
Total current assets	1,705,087	1,863,290
Property and equipment, net	4,005,517	3,254,511
Other assets		
Investments	5,346,077	5,445,288
Contributions receivable, net	5,762	9,524
Beneficial interest in remainder trust	455,807	474,800
Cash surrender value, life insurance	221,935	198,088
Land held in perpetuity	<u>16,833,729</u>	<u>16,833,729</u>
Total other assets	<u>22,863,310</u>	<u>22,961,429</u>
 Total assets	 <u>\$ 28,573,914</u>	 <u>\$ 28,079,230</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 408,073	\$ 467,858
Line of credit	50,000	-
Deferred revenue	<u>460,699</u>	<u>497,602</u>
Total current liabilities	<u>918,772</u>	<u>965,460</u>
Net assets		
Without donor restriction	8,763,555	7,964,172
With donor restriction	<u>18,891,587</u>	<u>19,149,598</u>
Total net assets	<u>27,655,142</u>	<u>27,113,770</u>
 Total liabilities and net assets	 <u>\$ 28,573,914</u>	 <u>\$ 28,079,230</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, 2019 and 2018

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and revenues						
Sale of merchandise	\$ 931,964	\$ -	\$ 931,964	\$ 988,543	\$ -	\$ 988,543
Less: Cost of goods sold	(703,803)	-	(703,803)	(727,714)	-	(727,714)
Net sales of merchandise	228,161	-	228,161	260,829	-	260,829
Contributions	1,398,751	68,915	1,467,666	1,522,090	216,543	1,738,633
Contributions - bequests	1,147,803	-	1,147,803	193,114	480,729	673,843
Contributions - land	950,000	-	950,000	-	-	-
Grants and contracts	1,990,088	-	1,990,088	2,090,943	-	2,090,943
Program fees	1,223,296	-	1,223,296	1,200,837	-	1,200,837
Membership dues	430,016	-	430,016	477,002	-	477,002
Change in value of beneficial interest in residual trust	-	(18,993)	(18,993)	-	(8,152)	(8,152)
Change in value of cash surrender value, life insurance	3,847	-	3,847	24,865	-	24,865
Investment return, net	162,197	-	162,197	327,992	25,471	353,463
	7,534,159	49,922	7,584,081	6,097,672	714,591	6,812,263
Net assets released from restrictions	307,933	(307,933)	-	344,440	(344,440)	-
	7,842,092	(258,011)	7,584,081	6,442,112	370,151	6,812,263
Expenses						
Program services						
Education and sanctuaries	2,975,998	-	2,975,998	2,806,324	-	2,806,324
Stewardship	1,817,914	-	1,817,914	1,750,499	-	1,750,499
Research	572,894	-	572,894	627,289	-	627,289
Total program expenses	5,366,806	-	5,366,806	5,184,112	-	5,184,112
Supporting services						
Management and general	621,152	-	621,152	650,436	-	650,436
Development	1,054,751	-	1,054,751	1,149,768	-	1,149,768
Total supporting services expenses	1,675,903	-	1,675,903	1,800,204	-	1,800,204
Total expenses	7,042,709	-	7,042,709	6,984,316	-	6,984,316
Changes in net assets	799,383	(258,011)	541,372	(542,204)	370,151	(172,053)
Net assets						
Beginning of year	7,964,172	19,149,598	27,113,770	8,506,376	18,779,447	27,285,823
End of year	\$ 8,763,555	\$ 18,891,587	\$ 27,655,142	\$ 7,964,172	\$ 19,149,598	\$ 27,113,770

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

New Jersey Audubon Society
Statements of Cash Flows
Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Changes in net assets	\$ 541,372	\$ (172,053)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	220,945	231,024
Contribution - land	(950,000)	
Beneficial interest in remainder trust	18,993	8,152
Cash surrender value, life insurance	(3,847)	(24,865)
Unrealized losses (gains) on investments	193,063	(92,087)
Realized gains on investments	(171,139)	(110,392)
Bad debts	7,500	320
Adjustment to present value	262	(1,325)
Changes in assets and liabilities		
Grants and contracts receivable	24,485	117,831
Contributions receivable	2,500	14,194
Bequests receivable	(144,707)	(71,146)
Prepaid expenses and other current assets	8,244	35,964
Merchandise inventory	(12,085)	(52,757)
Accounts payable and accrued expenses	(59,785)	241,698
Deferred revenue	(36,903)	(456,734)
Net cash used in operating activities	<u>(361,102)</u>	<u>(332,176)</u>
Investing activities		
Purchase of property and equipment	(21,951)	(125,834)
Life insurance policy premiums paid	(20,000)	-
Loans receivable	2,500	(45,425)
Purchase of investments	(972,377)	(521,262)
Proceeds from the sale of investments	1,049,664	538,891
Net cash provided (used) by investing activities	<u>37,836</u>	<u>(153,630)</u>
Financing activities		
Line of credit drawdowns	50,000	-
Net cash provided by financing activities	<u>50,000</u>	<u>-</u>
Net change in cash and cash equivalents	(273,266)	(485,806)
Cash		
Beginning of year	<u>537,705</u>	<u>1,023,511</u>
End of year	<u>\$ 264,439</u>	<u>\$ 537,705</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 488</u>	<u>\$ -</u>

No amounts were paid for income taxes for the years ended August 31, 2019 and 2018.

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

New Jersey Audubon Society
Statements of Functional Expenses
Year Ended August 31, 2019

	Program Services				Management and General	Development	2019 Total	2018 Total
	Education and Sanctuaries	Stewardship	Research	Total Program Services				
Salaries	\$ 1,410,129	\$ 876,153	\$ 319,072	\$ 2,605,354	\$ 327,129	\$ 567,493	\$ 3,499,976	\$ 3,234,402
Fringe benefits	326,158	192,805	64,664	583,627	55,796	109,374	748,797	738,711
Supplies	20,332	18,110	14,229	52,671	1,753	2,615	57,039	74,812
Insurance	52,251	34,328	4,504	91,083	12,161	4,996	108,240	110,131
Telephone	29,714	15,518	3,026	48,258	3,198	5,015	56,471	52,904
Printing	82,270	23,210	7,388	112,868	29	77,800	190,697	199,934
Postage	19,412	4,684	1,752	25,848	1,187	50,241	77,276	72,824
Advertising	40,750	33	-	40,783	-	125	40,908	41,458
Equipment	24,240	24,662	200	49,102	1,196	4,123	54,421	43,375
Occupancy	103,079	43,868	8,458	155,405	1,245	2,898	159,548	148,419
Travel	34,685	54,769	22,726	112,180	6,880	3,728	122,788	115,294
Professional fees and contracts	195,149	387,435	75,759	658,343	171,400	208,567	1,038,310	1,238,187
Program expenses	386,923	62,063	51,116	500,102	5,040	14,966	520,108	559,483
Repairs and maintenance	98,428	34,076	-	132,504	3,883	2,810	139,197	123,038
Interest expense	-	-	-	-	488	-	488	-
Depreciation	152,478	38,700	-	191,178	29,767	-	220,945	231,024
Bad debt expense	-	7,500	-	7,500	-	-	7,500	320
	<u>\$ 2,975,998</u>	<u>\$ 1,817,914</u>	<u>\$ 572,894</u>	<u>\$ 5,366,806</u>	<u>\$ 621,152</u>	<u>\$ 1,054,751</u>	<u>\$ 7,042,709</u>	<u>\$ 6,984,316</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, 2018

	Program Services				Management and General	Development	Total
	Education and Sanctuaries	Stewardship	Research	Total Program Services			
Salaries	\$ 1,264,879	\$ 770,609	\$ 334,375	\$ 2,369,863	\$ 309,854	\$ 554,685	\$ 3,234,402
Fringe benefits	320,532	179,452	72,554	572,538	51,014	115,159	738,711
Supplies	20,738	24,033	6,323	51,094	11,415	12,303	74,812
Insurance	52,352	32,253	5,246	89,851	13,988	6,292	110,131
Telephone	26,937	12,161	4,646	43,744	3,467	5,693	52,904
Printing	57,885	2,378	48	60,311	357	139,266	199,934
Postage	15,985	950	386	17,321	1,169	54,334	72,824
Advertising	40,923	416	-	41,339	-	119	41,458
Equipment	21,896	7,923	1,838	31,657	5,047	6,671	43,375
Occupancy	93,403	47,392	1,600	142,395	2,016	4,008	148,419
Travel	19,739	52,943	32,465	105,147	5,073	5,074	115,294
Professional fees and contracts	246,889	417,784	130,671	795,344	200,537	242,306	1,238,187
Program expenses	395,818	126,528	37,137	559,483	-	-	559,483
Repairs and maintenance	72,555	36,291	-	108,846	10,334	3,858	123,038
Depreciation	155,793	39,066	-	194,859	36,165	-	231,024
Bad debt expense	-	320	-	320	-	-	320
	<u>\$ 2,806,324</u>	<u>\$ 1,750,499</u>	<u>\$ 627,289</u>	<u>\$ 5,184,112</u>	<u>\$ 650,436</u>	<u>\$ 1,149,768</u>	<u>\$ 6,984,316</u>

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

New Jersey Audubon Society

Notes to Financial Statements

August 31, 2019 and 2018

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. New Jersey Audubon fosters environmental awareness and a conservation ethic among New Jersey’s citizens; protects New Jersey’s birds, mammals, other animals, and plants, especially endangered and threatened species; and promotes preservation of New Jersey’s valuable natural habitats. The Society helps to protect wildlife and habitat throughout New Jersey’s Forests and Farms, Coasts and Wetlands and Cities and Towns. The Society’s significant sources of revenues are from contributions, grants and contracts, sales of merchandise, special events and income from programs operated to promote the Society’s purpose.

The program service expenses shown in the statement of functional expenses include activities related to the summary of the Society’s accomplishments in the following three areas for the year ended August, 31, 2019:

- **Cities & Towns** - New Jersey Audubon’s staff works across the state to deliver its mission of connecting people with nature and stewarding the nature of today for the people of tomorrow. We met with 33,500 people in the cities and town’s space during 2019, including 2,270 teachers indirectly impacting 54,480 students learning ecological and sustainability principles through STEM+Art education (Science, Technology, Engineering and Math). Volunteer engagement is critical to our success in being able to accomplish our mission with close to 19,000 hours given to the organization from stewardship projects, to conducting educational programs to assisting in nature stores and in administrative capacities.
- **Forests & Farms** - New Jersey Audubon staff worked throughout the Garden State’s approximately 2,000,000 acres of forest land and educating/engaging 42,286 people in forest conservation. Research and evaluation continued on habitat management recommendations for utility corridors in northwestern NJ. Ongoing monitoring and evaluation of Ruffed Grouse and Northern Bobwhite in NJ continued. Policy efforts advanced the use of prescribed fire as a habitat management tool with an emphasis on the use of fire in the Pinelands, continuing to advocate for Delaware Watershed conservation and protection of open space through our leadership of the Keep It Green Coalition.
- **Coasts & Wetlands** – Ongoing & intensive monitoring of Semipalmated Sandpipers (SESA) in Delaware Bay & beach nesting birds at Stone Harbor Point continued. We attached solar-powered radio transmitters on SESA to assess habitat use and stopover duration in Delaware Bay. We also attached digitally-coded and solar-powered tags on SESA in Brazil as part of our program to understand survival during their wintering period in northern South America. This work was bolstered by the installation of the first automated tracking stations in Brazil to compliment the seven currently operating in Suriname and French Guiana. Additionally, we positioned ourselves as a leading voice advocating for responsibly developed offshore wind based on the best available science, which protects our natural resources while transitioning us to a clean energy future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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 Society has recorded accounting transactions in two net asset categories as follows:

- **Net assets without donor restrictions** - Assets that are not subject to donor imposed restrictions.
- **Net assets with donor restrictions** - Assets subject to donor imposed restrictions that will be fulfilled by the passage of time or actions of the Society.

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2019 and 2018

Revenue and Support Recognition

The Society recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as without donor restriction or with donor restriction support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, with donor restriction 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.

Revenues without donor restrictions 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.

Membership Dues

Membership dues are recorded when solicited and collected.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society.

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 without donor restricted 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 net realizable value. Costs are determined on a first-in, first-out basis.

Property and Equipment

Buildings, improvements and without donor restriction 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 with donor restriction net assets by the Society and will be depreciated over their useful lives. All personal property has been recorded as without donor restriction net 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.

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2019 and 2018**

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

<u>Description</u>	<u>Estimated Life (Years)</u>
Buildings and improvements	5-40
Furniture and equipment	3-5

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.

Restricted Land

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

Advertising

Advertising is expensed in the period incurred. Advertising amounted to \$40,908 and \$41,458 at August 31, 2019 and 2018, respectively.

Functional Expense Classifications

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.

Expenses are allocated on a functional basis between the above classifications. Expenses that can be identified within a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are prorated among the functions. Certain costs have been allocated among program service, management and general and development expense. Such allocations are determined by management on an equitable basis. The expenses that are allocated and the method of allocation are as follows:

<u>Expense Category</u>	<u>Allocation Methodology</u>
Supplies	By site
Insurance	By site
Telephone	By site
Printing	By site
Postage	By site
Occupancy	By site

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2019 and 2018**

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 and state 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, 2019 and 2018. The Society did not have any income tax related penalties or interest for the years presented.

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.

Effect of Accounting Pronouncements Adopted in the Current Year

Not-For-Profit Reporting

In August 2016 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-profit Entities* (Topic 958) - *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14 reduces the number of net asset classes from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted and permanently restricted net assets. Additionally, it increases the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location.

The Society adopted ASU 2016-14 effective September 1, 2018. A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of August 31, 2017 follows:

<u>Net Assets Classifications</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Unrestricted	\$ 8,033,737	\$ -	\$ 8,033,737
Temporarily restricted	-	1,276,461	1,276,461
Permanently restricted	-	17,975,625	17,975,625
Net assets as previously presented	8,033,737	19,252,086	27,285,823
Adjustment for time restrictions	472,639	(472,639)	-
Net assets as adjusted	<u>\$ 8,506,376</u>	<u>\$ 18,779,447</u>	<u>\$ 27,285,823</u>

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2019 and 2018

New Accounting Pronouncements Issued Not Yet Effective

Revenue Recognition – Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 (“ASC 606”). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for non-public entities for annual reporting periods beginning after December 15, 2018. ASC 606 allows for either “full retrospective” adoption, meaning the standard is applied to all of the periods presented, or “modified retrospective” adoption, meaning the standard is applied only to the most current period presented in the financial statements. At this time, ASC 606 is not expected to have a material impact on the Society’s financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Revenue Recognition – Contributions Made and Received

In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts of not-for-profit Organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This proposed ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018. At this time, ASU 2018-08 is not expected to have a material impact on the Society’s financial statements

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842) which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the statements of financial position for all of the Society’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2019. The Society is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Cash Flows

In November 2016, the FASB issued ASU 2016-18 *Statement of Cash Flows* (Topic 230), which requires restricted cash to be included within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018. The Society is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2019 and 2018

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of August 31, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of liabilities, were as follows:

Financial assets at year end	
Cash and cash equivalents	\$ 264,439
Grants and contracts receivable	469,597
Loans receivable	54,588
Contributions receivable	9,000
Bequests receivable	<u>275,853</u>
Financial assets available to meet general expenditures over the next twelve months	1,073,477
Liquidity Resources	
Available line of credit	1,950,000
Estimated annual draw from investment funds	<u>173,000</u>
Total financial assets and liquidity resources	<u>\$ 3,196,477</u>

The financial assets above are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Society manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. Excess cash is invested in mutual funds and sufficient cash is held on hand to manage operating expenses.

4. CONTRIBUTIONS AND BEQUESTS RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Total contributions receivable	\$ 15,500	\$ 25,500
Total bequests receivable	275,853	131,146
Less: Discount to net present value	<u>(738)</u>	<u>(476)</u>
Net contributions and bequests receivable	290,615	156,170
Less: Current portion	<u>284,853</u>	<u>146,646</u>
Contributions and bequest receivable, long term	<u>\$ 5,762</u>	<u>\$ 9,524</u>

Maturities of contributions and bequests receivable at August 31: 2020 - \$284,424; 2021 - \$4,286; 2022 - \$1,429; and 2023 - \$476.

5. 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.

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The two loans bear interest at 1% and normally are for terms ranging from 30 to 90 days. At August 31, 2019 and 2018, the loans receivable outstanding were \$54,588 and \$57,088, respectively, and were all current. Management reviews the loans receivable regularly for balances that will not be collected. Management deems the amounts to be fully collectible.

6. GRANTS AND CONTRACTS RECEIVABLE

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 following details the amounts due to the Society by contract:

Grants and Contracts Receivable

Funding Agency and Program	2019	2018
City of Linden	\$ 2,266	\$ 3,729
National Fish & Wildlife Foundation	179,873	161,826
PSE&G	77,058	79,476
U.S. Fish and Wildlife Service, Nongame	25,926	122,457
State of New Jersey – Department of Environmental Protection – Division of Fish and Wildlife	20,565	-
National Wildlife Federation	35,055	12,347
Honeywell Institute for Ecosystem Education	-	1,537
New Jersey Natural Land Trusts	21,080	12,481
Natural Resources Conservation Service	10,371	4,507
William Penn Foundation	3,663	-
Other	93,740	95,722
	\$ 469,597	\$ 494,082

7. PROPERTY AND EQUIPMENT

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

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Land	\$ 1,000,000	\$ -	\$ 1,000,000
Buildings and improvements	5,060,383	1,237,052	6,297,435
Furniture and equipment	655,735	-	655,735
	6,716,118	1,237,052	7,953,170
Less: Accumulated depreciation	(2,981,184)	(966,469)	(3,947,653)
	\$ 3,734,934	\$ 270,583	\$ 4,005,517

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	2018		
	Without Donor Restriction	With Donor Restriction	Total
Land	\$ 50,000	\$ -	\$ 50,000
Buildings and improvements	5,006,471	1,237,052	6,243,523
Furniture and equipment	687,696	-	687,696
	<u>5,744,167</u>	<u>1,237,052</u>	<u>6,981,219</u>
Less: Accumulated depreciation	<u>(2,771,442)</u>	<u>(955,266)</u>	<u>(3,726,708)</u>
	<u>\$ 2,972,725</u>	<u>\$ 281,786</u>	<u>\$ 3,254,511</u>

Depreciation expense charged to operations amounted to \$220,945 and \$231,024 for the years ended August 31, 2019 and 2018, respectively.

8. RECURRING FAIR VALUE MEASUREMENTS

The Society has provided fair value disclosure information for relevant assets and liabilities in these financial statements. 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). There have been no changes in the valuation methodologies or transfers between levels for investments for the periods presented.

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:

	2019			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Mutual funds - stocks				
Foreign Large Blend	\$ 1,003,660	\$ 1,003,660	\$ -	\$ -
Large Blend	537,335	537,335	-	-
Large Growth	271,992	271,992	-	-
Large Value	276,316	276,316	-	-
Mid Cap Blend	116,137	116,137	-	-
Small Growth	118,385	118,385	-	-
Social Index Fund Admiral	271,513	271,513	-	-
Mutual funds - fixed income				
Corporate Bond	554,624	554,624	-	-
Intermediate Term Bond	1,393,900	1,393,900	-	-
Short-term Bond	802,215	802,215	-	-
	<u>\$ 5,346,077</u>	<u>\$ 5,346,077</u>	<u>\$ -</u>	<u>\$ -</u>

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	2018			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Mutual funds - stocks				
Foreign Large Blend	\$ 1,042,923	\$ 1,042,923	\$ -	\$ -
Large Blend	900,563	900,563	-	-
Large Growth	320,456	320,456	-	-
Large Value	299,443	299,443	-	-
Mid Cap Blend	136,758	136,758	-	-
Small Growth	150,024	150,024	-	-
Mutual funds - fixed income				
Corporate Bond	521,492	521,492	-	-
Intermediate Term Bond	1,299,858	1,299,858	-	-
Short-term Bond	773,771	773,771	-	-
	<u>\$ 5,445,288</u>	<u>\$ 5,445,288</u>	<u>\$ -</u>	<u>\$ -</u>

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.

Investment return, net 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, 2019 and 2018 and was comprised of the following:

	2019	2018
Interest and dividend income	\$ 201,133	\$ 163,231
Realized gains	171,139	110,392
Unrealized (loss) gain	<u>(193,063)</u>	<u>92,087</u>
	179,209	365,710
Less investment fees	<u>(17,012)</u>	<u>(12,247)</u>
	<u>\$ 162,197</u>	<u>\$ 353,463</u>

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, 2019 and 2018 was \$455,807 and \$474,800, respectively. The change in value of the beneficial interest in funds held by others of \$(18,993) and \$(8,152) has been reflected in the statements of activities and changes in net assets at August 31, 2019 and 2018, respectively.

10. LINE OF CREDIT

The Society has a \$2,000,000 line of credit, bearing interest at 0.25 percent above the prevailing prime rate which expires in April 2021, secured by the investments and all property of the Society. For the years ended August 31, 2019, there was an outstanding loan balance of \$50,000 and \$-0-, respectively.

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11. COST OF GOODS SOLD

Cost of goods sold for the years ended August 31, 2019 and 2018 was computed as follows:

	<u>2019</u>	<u>2018</u>
Beginning merchandise inventory	\$ 586,177	\$ 533,420
Purchases	<u>715,888</u>	<u>780,471</u>
Goods available for sale	1,302,065	1,313,891
Less ending merchandise inventory	<u>598,262</u>	<u>586,177</u>
Cost of goods sold	<u>\$ 703,803</u>	<u>\$ 727,714</u>

12. 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.

The Society leases office space in Trenton, NJ commencing January 10, 2018 through December 31, 2020. The Society's rent expense pursuant to the operating lease was \$24,000 included in occupancy.

Future minimum payments are as follows: 2020 - \$24,000; 2021 - \$8,000

13. DEFERRED REVENUE

The Society 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 and amounted to \$298,072 and \$409,234 at August 31, 2019 and 2018, respectively. Other amounts of deferred revenues have been recorded for program fees that are associated with programs occurring in the next fiscal year and amounted to \$162,627 and \$88,368 at August 31, 2019 and 2018, respectively.

14. 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 \$85,065 and \$80,417 for the years ended August 31, 2019 and 2018, respectively.

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15. NET ASSETS

Components of net assets at August 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
With donor restriction - restricted by donor for programmatic use as follows:		
Education	\$ 171,060	\$ 282,700
Government relations	239	717
Stewardship	<u>276,317</u>	<u>393,334</u>
	447,616	676,751
Time restricted	<u>14,762</u>	<u>24,645</u>
	462,378	701,396
Donor endowed principal	1,139,673	1,139,673
Beneficial interest in residual trust	455,807	474,800
Land restricted as site or sanctuary	<u>16,833,729</u>	<u>16,833,729</u>
Total net assets with donor restriction	<u>\$ 18,891,587</u>	<u>\$ 19,149,598</u>

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

	<u>2019</u>	<u>2018</u>
Purpose restrictions		
Government relations	\$ 717	\$ 36,060
Education	160,084	197,967
Stewardship	<u>137,249</u>	<u>92,265</u>
	298,050	326,292
Satisfaction of time restrictions	<u>9,883</u>	<u>18,148</u>
Total released from restrictions	<u>\$ 307,933</u>	<u>\$ 344,440</u>

16. ENDOWMENT FUNDS

Endowment Funds

The Society's endowment consists of approximately 6 individual funds established by donors for a variety of purposes. Additionally, there is a board restricted endowment included in the total investment pool, which is included in without donor restriction net assets and is subject to the spending policy of the Society as well as to additional board direction as to use. 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 established by the donors are included in with donor restriction net assets with land along with other components such that has been restricted by donors and a beneficial interest in a residual trust. These other components of with donor restriction 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 with donor restriction 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 with donor restriction 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 with donor restriction 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 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 Society 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 % 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% of its endowment fund's average fair value. Effective September 1, 2017, the Society will reduce the distribution by .25% each year until the rate is reduced to 3%. For the years ended August 31, 2019 and 2018, the spending rates were 3.75% and 4.00%, respectively. In establishing this policy, the Society's investment portfolio is expected to keep up with inflation over the long-term.

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Additional appropriations from the without donor restriction 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. The following tables provide information regarding the change in the endowment net assets for the years ended August 31:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning	\$ 4,419,702	\$ 1,506,388	\$ 5,926,090
Investment return			
Investment income	162,572	17,035	179,607
Realized gain	154,068	16,144	170,212
Unrealized loss	<u>(174,752)</u>	<u>(18,312)</u>	<u>(193,064)</u>
	4,561,590	1,521,255	6,082,845
Contributions received	-	-	-
Appropriated for expenditure	<u>(477,027)</u>	<u>(163,524)</u>	<u>(640,551)</u>
Endowment net assets, ending	<u>\$ 4,084,563</u>	<u>\$ 1,357,731</u>	<u>\$ 5,442,294</u>
With donor restricted net assets required to be maintained in perpetuity			<u>\$ 1,139,673</u>

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning	\$ 4,216,905	\$ 1,043,533	\$ 5,260,438
Investment return			
Investment income	127,188	14,381	141,569
Realized gain	98,325	11,117	109,442
Unrealized gain	<u>83,218</u>	<u>9,409</u>	<u>92,627</u>
	4,525,636	1,078,440	5,604,076
Contributions received	-	480,729	480,729
Appropriated for expenditure	<u>(105,934)</u>	<u>(52,781)</u>	<u>(158,715)</u>
Endowment net assets, ending	<u>\$ 4,419,702</u>	<u>\$ 1,506,388</u>	<u>\$ 5,926,090</u>
With donor restriction net assets required to be maintained in perpetuity			<u>\$ 1,139,673</u>

The value of the beneficial interest in residual trust included in total with donor restriction 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 with donor restriction net assets is not included in the tables above. See Note 2 for a description of land held in perpetuity.

17. 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.

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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.

18. SUBSEQUENT EVENTS

The Society has evaluated subsequent events occurring after the statement of financial position date through the date of February 6, 2020, the date the financial statements were available for release. Based upon this evaluation, the Society has determined no subsequent events require disclosure or adjustment in the financial statements.