



**NEW JERSEY
AUDUBON
SOCIETY**

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Financial Statements

August 31, 2018 and 2017

With Independent Auditors' Report

New Jersey Audubon Society
August 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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

As discussed in Note 18 to the financial statements, the 2016 financial statements have been restated to correct a misstatement . Our opinion is not modified with respect to this matter.

Withum Smith + Brown, PC

February 6, 2019

New Jersey Audubon Society
Statements of Financial Position
August 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 537,705	\$ 1,023,511
Grants and contracts receivable	494,082	611,913
Loans receivable	57,088	11,663
Contributions receivable	15,500	20,014
Bequests receivable	131,146	60,000
Prepaid expenses and other current assets	41,592	77,556
Merchandise inventory	586,177	533,420
Total current assets	<u>1,863,290</u>	<u>2,338,077</u>
Property and equipment, net	3,254,511	3,359,701
Other assets		
Investments	5,445,288	5,260,438
Contributions receivable, net	9,524	18,199
Beneficial interest in remainder trust	474,800	482,952
Cash surrender value, life insurance	198,088	173,223
Land held in perpetuity	16,833,729	16,833,729
Total other assets	<u>22,961,429</u>	<u>22,768,541</u>
Total assets	<u>\$ 28,079,230</u>	<u>\$ 28,466,319</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 467,858	\$ 226,160
Deferred revenue	497,602	954,336
Total current liabilities	<u>965,460</u>	<u>1,180,496</u>
Net assets		
Unrestricted	7,484,298	8,033,737
Temporarily restricted	1,181,270	1,276,461
Permanently restricted	18,448,202	17,975,625
Total net assets	<u>27,113,770</u>	<u>27,285,823</u>
Total liabilities and net assets	<u>\$ 28,079,230</u>	<u>\$ 28,466,319</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, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Sale of merchandise	\$ 988,543	\$ --	\$ --	\$ 988,543	\$ 964,584	\$ --	\$ --	\$ 964,584
Less: Cost of goods sold	(727,714)	--	--	(727,714)	(709,021)	--	--	(709,021)
Net sales of merchandise	260,829	--	--	260,829	255,563	--	--	255,563
Contributions	1,522,090	216,543	--	1,738,633	1,415,672	109,327	--	1,524,999
Contributions - bequests	193,114	--	480,729	673,843	529,288	200,000	--	729,288
Grants and contracts	2,090,943	--	--	2,090,943	2,078,401	--	--	2,078,401
Program fees	1,200,837	--	--	1,200,837	1,086,605	--	--	1,086,605
Membership dues	477,002	--	--	477,002	494,697	--	--	494,697
Change in value of beneficial interest in residual trust	--	--	(8,152)	(8,152)	--	--	25,560	25,560
Change in value of cash surrender value, life insurance	--	24,865	--	24,865	--	24,629	--	24,629
Investment income	340,239	25,471	--	365,710	368,580	50,569	--	419,149
	6,085,054	266,879	472,577	6,824,510	6,228,806	384,525	25,560	6,638,891
Net assets released from restrictions	362,070	(362,070)	--	--	485,997	(485,997)	--	--
	6,447,124	(95,191)	472,577	6,824,510	6,714,803	(101,472)	25,560	6,638,891
Expenses								
Program services								
Education and sanctuaries	2,806,324	--	--	2,806,324	2,883,688	--	--	2,883,688
Stewardship	1,750,499	--	--	1,750,499	1,707,224	--	--	1,707,224
Research	627,289	--	--	627,289	643,760	--	--	643,760
	5,184,112	--	--	5,184,112	5,234,672	--	--	5,234,672
Supporting services								
Management and general	662,683	--	--	662,683	590,082	--	--	590,082
Development	1,149,768	--	--	1,149,768	930,119	--	--	930,119
	1,812,451	--	--	1,812,451	1,520,201	--	--	1,520,201
	6,996,563	--	--	6,996,563	6,754,873	--	--	6,754,873
Changes in net assets	(549,439)	(95,191)	472,577	(172,053)	(40,070)	(101,472)	25,560	(115,982)
Net assets, beginning of year	8,033,737	1,276,461	17,975,625	27,285,823	8,073,807	1,229,339	17,950,065	27,253,211
Prior period adjustment	--	--	--	--	--	148,594	--	148,594
Net assets, beginning of year as restated	8,033,737	1,276,461	17,975,625	27,285,823	8,073,807	1,377,933	17,950,065	27,401,805
Net assets, end of year	<u>\$ 7,484,298</u>	<u>\$ 1,181,270</u>	<u>\$ 18,448,202</u>	<u>\$ 27,113,770</u>	<u>\$ 8,033,737</u>	<u>\$ 1,276,461</u>	<u>\$ 17,975,625</u>	<u>\$ 27,285,823</u>

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

New Jersey Audubon Society
Statements of Cash Flows
Years Ended August 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ (172,053)	\$ (115,982)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation	231,024	241,967
Beneficial interest in remainder trust	8,152	(25,560)
Cash surrender value, life insurance	(24,865)	(24,629)
Unrealized gains on investments	(92,087)	(126,770)
Realized gains on investments	(110,392)	(158,795)
Bad debts	320	3,218
Adjustment to present value	(1,325)	(1,951)
Changes in assets and liabilities		
Grants and contracts receivable	117,831	(103,131)
Contributions receivable	14,194	41,407
Bequests receivable	(71,146)	465,149
Prepaid expenses and other current assets	35,964	(16,786)
Merchandise inventory	(52,757)	(25,192)
Accounts payable and accrued expenses	241,698	25,999
Deferred revenue	<u>(456,734)</u>	<u>381,817</u>
Net cash (used) provided by operating activities	(332,176)	560,761
Cash flows from investing activities		
Purchase of property and equipment	(125,834)	(57,167)
Loans receivable	(45,425)	3,000
Purchase of investments	(521,262)	(1,386,566)
Proceeds from the sale of investments	<u>538,891</u>	<u>774,362</u>
Net cash used by investing activities	<u>(153,630)</u>	<u>(666,371)</u>
Net change in cash and cash equivalents	(485,806)	(105,610)
Cash and cash equivalents		
Beginning of year	<u>1,023,511</u>	<u>1,129,121</u>
End of year	<u>\$ 537,705</u>	<u>\$ 1,023,511</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, 2018 and 2017.

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

New Jersey Audubon Society
Statements of Functional Expenses
Year Ended August 31, 2018 with Comparative Totals for 2017

	Program Services				Management and General	Development	2018 Total	2017 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	\$ 2,995,872
Fringe benefits	320,532	179,452	72,554	572,538	51,014	115,159	738,711	686,552
Supplies	20,738	24,033	6,323	51,094	11,415	12,303	74,812	136,812
Insurance	52,352	32,253	5,246	89,851	13,988	6,292	110,131	121,483
Telephone	26,937	12,161	4,646	43,744	3,467	5,693	52,904	54,463
Printing	57,885	2,378	48	60,311	357	139,266	199,934	236,222
Postage	15,985	950	386	17,321	1,169	54,334	72,824	60,280
Advertising	40,923	416	--	41,339	--	119	41,458	38,189
Equipment	21,896	7,923	1,838	31,657	5,047	6,671	43,375	36,277
Occupancy	93,403	47,392	1,600	142,395	2,016	4,008	148,419	125,441
Travel	19,739	52,943	32,465	105,147	5,073	5,074	115,294	118,145
Professional fees and contracts	246,889	417,784	130,671	795,344	212,784	242,306	1,250,434	1,284,762
Program expenses	395,818	126,528	37,137	559,483	--	--	559,483	525,545
Repairs and maintenance	72,555	36,291	--	108,846	10,334	3,858	123,038	89,645
Depreciation	155,793	39,066	--	194,859	36,165	--	231,024	241,967
Bad debt expense	--	320	--	320	--	--	320	3,218
	<u>\$ 2,806,324</u>	<u>\$ 1,750,499</u>	<u>\$ 627,289</u>	<u>\$ 5,184,112</u>	<u>\$ 662,683</u>	<u>\$ 1,149,768</u>	<u>\$ 6,996,563</u>	<u>\$ 6,754,873</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, 2017

	Program Services				Management and General	Development	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
Fringe benefits	311,563	170,473	72,693	554,729	56,226	75,597	686,552
Supplies	20,178	24,783	48,619	93,580	8,228	35,004	136,812
Insurance	56,984	35,996	7,407	100,387	13,448	7,648	121,483
Telephone	28,221	11,892	5,570	45,683	3,637	5,143	54,463
Printing	113,589	17,181	4,798	135,568	295	100,359	236,222
Postage	18,049	1,881	2,274	22,204	705	37,371	60,280
Advertising	36,534	815	--	37,349	--	840	38,189
Equipment	23,548	3,853	1,325	28,726	2,368	5,183	36,277
Occupancy	86,205	34,257	218	120,680	1,428	3,333	125,441
Travel	35,267	40,437	28,915	104,619	6,759	6,767	118,145
Professional fees and contracts	331,325	497,660	98,117	927,102	146,100	211,560	1,284,762
Program expenses	347,131	115,238	63,176	525,545	--	--	525,545
Repairs and maintenance	58,048	21,602	525	80,175	5,656	3,814	89,645
Depreciation	141,837	42,216	--	184,053	17,374	40,540	241,967
Bad debt expense	2,500	718	--	3,218	--	--	3,218
	<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>

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

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2018 and 2017

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 and to promote preservation of New Jersey's 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.

This summary provides highlights of the Society's accomplishments for the year ended August 31, 2018:

- **Cities and Towns** - The Society's nature centers continue to maintain models of best practice related to habitat health through land stewardship, creating pollinator gardens and maintaining trails for nature exploration. Over 45,000 people enjoyed nature at our six nature centers. We conducted 1,915 programs which directly reached 21,860 children and 29,951 adults. Close to 3,000 teachers have integrated ecological studies and sustainability projects as a result of teacher professional development workshops, individual school programs and the Eco-Schools USA program. Continued collaborations in urban and underserved communities result in high profile programs in Jersey City, Paterson and Camden. The Society continued to monitor birds colliding with tall buildings in Newark during southbound migration. We are evaluating how large-scale weather patterns and local wind conditions contribute to the number of birds found dead or injured at different buildings around the city.
- **Forest and Farms** - In 2018, the Society has educated more than 35,000 people and engaged approximately 10,000 people in conservation actions. Through public policy and advocacy, we have advocated for increased funding for NJ's Parks and Forestry Departments and have advanced policies regarding deer management, forest stewardship and prescribed burning. We have passed the 16,000-acre mark in the development and implementation of the Forest Stewardship Plan. In the heart of the New Jersey Pinelands, we released translocated Northern Bobwhites for a 4th year of, another 80 individuals, bringing the total number of translocated birds to 320. In the Delaware Watershed we made substantial progress implementing conservation practices on 3,900 acres of agricultural lands. We continue to evaluate the effects of powerline Right-of-Way management on wildlife, with special emphasis on the state endangered Golden-winged Warbler. The project will result in development of Best Management Practices to help guide right-of-way management.
- **Coast and Wetlands** - Over 28,000 people visited the Society's bird migration watches; data from these watches helps inform conservation actions and legislation. The Stone Harbor Point, NJ monitoring data showed an increase in the number of nesting pairs of shorebirds at the site and the number of chicks produced compared to the period prior to restoration. We continue to work with partners in Suriname and across the Western Hemisphere to curtail illegal or poorly regulated shorebird hunting. We continue to collaborate with partners in northeastern Brazil to assess the effects of shrimp aquaculture on migratory shorebirds. Specifically, the project is designed to understand how shorebirds use habitats in shrimp farms and whether they are exposed to contaminants at these sites. The Society continued co-leading the four-state Coalition for the Delaware River Watershed and realized the promise of the passage of the Delaware River Basin Restoration Act with the first round of funding this December in the amount of \$4.2 million. For the first time, the entire watershed will now begin to benefit from a comprehensive grant funding program for on-the-ground stewardship projects.

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, 2018 and 2017 the Society had accounting transactions in all three net asset categories.

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.

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 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 realizable value. Costs are determined on a first-in, first-out basis.

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

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August 31, 2018 and 2017

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.

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.

Advertising

Advertising is expensed in the period incurred. Advertising amounted to \$41,458 and \$38,189 at August 31, 2018 and 2017, respectively.

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 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, 2018 and 2017. 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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. The reclassifications had no effect on the changes in net assets.

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2018 and 2017

3. CONTRIBUTIONS AND BEQUESTS RECEIVABLE

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

	2018	2017
Total contributions receivable	\$ 25,500	\$ 40,014
Total bequests receivable	131,146	60,000
Less: Discount to net present value	<u>(476)</u>	<u>(1,801)</u>
Net contributions and bequests receivable	156,170	98,213
Less: Current portion	<u>146,646</u>	<u>80,014</u>
Contributions and bequest receivable, long term	<u>\$ 9,524</u>	<u>\$ 18,199</u>

Maturities of contributions and bequests receivable at August 31: 2019 - \$146,646; 2020 - \$4,949; 2021 - \$2,325; 2022 - \$1,350; and 2023 - \$900.

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 two loans bear interest at 1 percent and normally are for terms ranging from 30 to 90 days. At August 31, 2018 and 2017, the loans receivable outstanding were \$57,088 and \$11,663, 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.

5. 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:

Funding Agency and Program	2018	2017
City of Linden	\$ 3,729	\$ 7,358
National Fish & Wildlife Foundation	161,826	268,512
PSE&G	79,476	90,374
U.S. Fish and Wildlife Service, Nongame	122,457	8,204
USDA Farm/Forestry Services	--	32,961
State of New Jersey – Department of Environmental Protection – Division of Fish and Wildlife	--	3,496
National Wildlife Federation	12,347	35,810
Honeywell Institute for Ecosystem Education	1,537	34,040
Conserve Wildlife Foundation of New Jersey	--	11,000
New Jersey Natural Land Trusts	12,481	13,574
Natural Resources Conservation Service	4,507	8,092
Other	<u>95,722</u>	<u>98,492</u>
	<u>\$ 494,082</u>	<u>\$ 611,913</u>

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2018 and 2017

6. PROPERTY AND EQUIPMENT

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

	2018		
	Unrestricted	Temporarily Restricted	Total
Land	\$ 50,000	\$ --	\$ 50,000
Buildings and improvements	5,006,471	1,237,052	6,243,523
Furniture and equipment	<u>687,696</u>	<u>--</u>	<u>687,696</u>
	5,744,167	1,237,052	6,981,219
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>

	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>

Depreciation expense charged to operations amounted to \$231,024 and \$241,967 for the years ended August 31, 2018 and 2017, respectively.

7. 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, 2018 and 2017 was \$474,800 and \$482,952, respectively. The change in value of the beneficial interest in funds held by others of \$(8,152) and \$25,560 has been reflected in the statements of activities and changes in net assets at August 31, 2018 and 2017, 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).

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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:

	2018	2017
Interest and dividend income	\$ 163,231	\$ 133,584
Realized gains	110,392	158,795
Unrealized gains	<u>92,087</u>	<u>126,770</u>
	<u>\$ 365,710</u>	<u>\$ 419,149</u>

9. LINE OF CREDIT

The Society has a \$2,000,000 line of credit, bearing interest at the prevailing prime rate which expires in April 2019, secured by the investments and all property of the Society. For the years ended August 31, 2018 and 2017, there was no outstanding loan balance.

10. COST OF GOODS SOLD

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

	2018	2017
Beginning merchandise inventory	\$ 533,420	\$ 508,228
Purchases	<u>780,471</u>	<u>734,213</u>
Goods available for sale	1,313,891	1,242,441
Less ending merchandise inventory	<u>586,177</u>	<u>533,420</u>
Cost of goods sold	<u>\$ 727,714</u>	<u>\$ 709,021</u>

11. 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, 2019. The Society's rent expense pursuant to the operating lease was \$16,000 included in occupancy.

Future minimum payments are as follows: 2019 - \$24,000 and 2020 - \$8,000.

12. 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 \$409,234 and \$873,848 at August 31, 2018 and 2017, 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 \$88,368 and \$80,488 at August 31, 2018 and 2017, respectively.

13. 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 \$80,417 and \$63,837 for the years ended August 31, 2018 and 2017, respectively.

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14. NET ASSETS

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

	2018	2017
Temporarily restricted - restricted by donor for programmatic use as follows:		
Education	\$ 282,700	\$ 344,932
Government relations	717	36,777
Stewardship	<u>393,334</u>	<u>384,320</u>
	676,751	766,029
Time restricted	24,645	37,793
Cash surrender value, life insurance	198,088	173,223
Building on restricted site or sanctuary	<u>281,786</u>	<u>299,416</u>
Total temporarily restricted net assets	<u>\$ 1,181,270</u>	<u>\$ 1,276,461</u>
Permanently restricted - donor endowed principal	\$ 1,139,673	\$ 658,944
Beneficial interest in residual trust	474,800	482,952
Land restricted as site or sanctuary	<u>16,833,729</u>	<u>16,833,729</u>
Total permanently restricted net assets	<u>\$ 18,448,202</u>	<u>\$ 17,975,625</u>

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

	2018	2017
Purpose restrictions:		
Research	\$ --	\$ 9,412
Government relations	36,060	--
Education	197,967	164,464
Stewardship	<u>92,265</u>	<u>119,673</u>
	326,292	293,549
Satisfaction of time restrictions	<u>35,778</u>	<u>192,448</u>
Total released from restrictions	<u>\$ 362,070</u>	<u>\$ 485,997</u>

15. ENDOWMENT FUNDS

Endowment Funds

The Society's endowment consists of approximately 7 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 unrestricted 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 permanently restricted 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 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.

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, 2018 and 2017, the spending rates were 4.00 percent and 4.25 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:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ 4,216,905	\$ 384,589	\$ 658,944	\$ 5,260,438
Investment return				
Investment income (net of fees)	127,188	14,381	--	141,569
Realized gain	98,325	11,117	--	109,442
Unrealized gain	83,218	9,409	--	92,627
	<u>4,525,636</u>	<u>419,496</u>	<u>658,944</u>	<u>5,604,076</u>
Contributions received	--	--	480,729	480,729
Appropriated for expenditure	(105,934)	(52,781)	--	(158,715)
Endowment net assets, ending	<u>\$ 4,419,702</u>	<u>\$ 366,715</u>	<u>\$ 1,139,673</u>	<u>\$ 5,926,090</u>

Permanently restricted net assets required to be maintained in perpetuity \$ 1,139,673

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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

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 7 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.

16. 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.

17. NEW ACCOUNTING PRONOUNCEMENT

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, 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.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The new guidance clarifies what is an exchange transaction, of which revenues would be reported under Topic 606, and what is a contribution reported under Topic 958. The new guidance presents three key considerations for the not-for-profit to walk through in order to determine what type of transaction transpired. 1. Determine if the transaction is an exchange, third-party payer, or a contribution. An exchange is where commensurate value is received by the resource provider and a recipient. 2. If the not-for-profit has determined the transaction is a contribution, it has to determine if it is conditional or unconditional. 3. If a contribution is unconditional, determine if it is restricted or unrestricted. Entities should apply the changes due to ASU 2018-08 for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

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 statement of financial position for all of the Society’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customers. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This ASU, which was deferred by ASU 2015-14, is effective for annual periods and interim periods beginning after December 15, 2018. The ASU is to be applied retrospectively or using a cumulative effect transition method. Early adoption is permitted in fiscal year 2019.

The Society is currently evaluating the impact these changes will have on its future financial statements.

18. PRIOR PERIOD ADJUSTMENT

The net assets of the Society at August 31, 2016 have been restated from the amount previously reported to reflect an increase in contributions related to a cash surrender value, life insurance and change in value that had an effect of \$148,594 increase on the change of net assets. Total assets as of August 31, 2017 have been increased by \$173,223 to reflect the cash surrender value, life insurance.

19. SUBSEQUENT EVENTS

The Society has evaluated subsequent events occurring after the statement of financial position date through the date of February 6, 2019, 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.