

Consolidated Financial Statements Together with  
Report of Independent Certified Public Accountants

**NATIONAL AUDUBON SOCIETY, INC.**

For the years ended June 30, 2013 and 2012

# NATIONAL AUDUBON SOCIETY, INC.

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors of  
**National Audubon Society, Inc.:**

We have audited the accompanying consolidated financial statements of National Audubon Society, Inc. (“Audubon”), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management’s responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Audubon’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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Audubon Society, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

New York, New York

November 15, 2013

**NATIONAL AUDUBON SOCIETY, INC.**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2013 and 2012**

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents (Note 2)	\$ 34,074,891	\$ 30,051,059
Other receivables, net (Notes 2 and 4)	5,585,614	6,987,331
Prepaid expenses and other assets (Notes 2 and 9)	3,349,717	2,865,779
Pledges receivable, net (Notes 2 and 4)	3,655,380	3,738,481
Investments (Notes 2 and 5)	214,859,683	203,199,934
Beneficial interest in charitable trusts (Notes 2, 5 and 12)	42,151,503	39,402,611
Buildings and equipment, net (Notes 2, 3 and 6)	50,057,004	50,904,248
Land (Notes 2 and 6)	<u>96,600,999</u>	<u>95,796,374</u>
TOTAL ASSETS	<u>\$ 450,334,791</u>	<u>\$ 432,945,817</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 6,496,390	\$ 3,686,472
Accrued payroll and related liabilities	824,033	974,882
Accrued vacation	3,186,991	2,880,626
Deferred rent, tuition and other (Note 9)	5,921,877	5,717,595
Funds held for others (Note 2)	2,356,046	2,016,652
Obligations under charitable trusts (Notes 2, 5 and 12)	6,609,687	5,548,110
Pension and postretirement benefit liability (Note 10)	13,749,383	19,771,464
Loan payable (Note 11)	<u>7,275,000</u>	<u>7,175,000</u>
Total liabilities	<u>46,419,407</u>	<u>47,770,801</u>
 COMMITMENTS AND CONTINGENCIES (Note 9)		
<b>NET ASSETS</b>		
Unrestricted (Note 2)	134,662,490	126,556,867
Temporarily restricted (Notes 2 and 3)	173,421,712	166,994,917
Permanently restricted (Notes 2 and 3)	<u>95,831,182</u>	<u>91,623,232</u>
Total net assets	<u>403,915,384</u>	<u>385,175,016</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 450,334,791</u>	<u>\$ 432,945,817</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**NATIONAL AUDUBON SOCIETY, INC.**  
**Consolidated Statement of Activities**  
**For the year ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>				
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions and grants (Notes 2 and 8)	\$ 45,381,806	\$ 14,594,746	\$ 405,517	\$ 60,382,069
Bequests (Note 2)	5,156,516	1,150,172	1,497,616	7,804,304
Earned income (Note 2)	9,421,636	-	-	9,421,636
Investment earnings on non-pooled funds, net (Note 5)	1,655,888	18,598	-	1,674,486
Investment earnings on pooled funds - appropriated, net (Note 5)	6,244,515	574,208	-	6,818,723
Royalties, net and other revenue	2,413,754	-	-	2,413,754
Net assets released from restrictions (Note 7)	16,515,551	(16,515,551)	-	-
Total revenues, gains and other support	<u>86,789,666</u>	<u>(177,827)</u>	<u>1,903,133</u>	<u>88,514,972</u>
<b>EXPENSES (Note 1)</b>				
Conservation programs:				
Field conservation programs	50,273,365	-	-	50,273,365
National conservation programs	21,569,499	-	-	21,569,499
	<u>71,842,864</u>	<u>-</u>	<u>-</u>	<u>71,842,864</u>
Fundraising:				
Membership development	3,746,112	-	-	3,746,112
Other development	7,205,552	-	-	7,205,552
	<u>10,951,664</u>	<u>-</u>	<u>-</u>	<u>10,951,664</u>
Management and general				
	<u>3,989,114</u>	<u>-</u>	<u>-</u>	<u>3,989,114</u>
Total expenses	<u>86,783,642</u>	<u>-</u>	<u>-</u>	<u>86,783,642</u>
Changes in net assets from operations	6,024	(177,827)	1,903,133	1,731,330
<b>NON-OPERATING ACTIVITIES</b>				
Gain on sales of property	69,082	48,966	-	118,048
Transfer of program fees (Note 2)	(482,598)	(1,842,867)	-	(2,325,465)
Transfers of net assets (Note 3)	(236,069)	297,375	(61,306)	-
Investment income on pooled funds not appropriated, net (Note 5)	2,617,024	6,193,561	-	8,810,585
Charitable trust additions (Note 2)	-	921,807	-	921,807
Change in value of charitable trusts (Notes 2, 3 and 5)	-	985,780	2,366,123	3,351,903
Changes in net assets before pension and postretirement related changes other than net periodic costs	1,973,463	6,426,795	4,207,950	12,608,208
Pension and postretirement related changes other than net periodic costs (Note 10)				
Changes in net assets	<u>6,132,160</u>	<u>-</u>	<u>-</u>	<u>6,132,160</u>
	8,105,623	6,426,795	4,207,950	18,740,368
Net assets, beginning of year	<u>126,556,867</u>	<u>166,994,917</u>	<u>91,623,232</u>	<u>385,175,016</u>
Net assets, end of year	<u>\$ 134,662,490</u>	<u>\$ 173,421,712</u>	<u>\$ 95,831,182</u>	<u>\$ 403,915,384</u>

*The accompanying notes are an integral part of this consolidated financial statement.*

**NATIONAL AUDUBON SOCIETY, INC.**  
**Consolidated Statement of Activities**  
**For the year ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>				
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions and grants (Notes 2 and 8)	\$ 43,421,647	\$ 15,417,933	\$ 581,680	\$ 59,421,260
Bequests (Note 2)	5,732,678	1,499,436	842,359	8,074,473
Earned income (Note 2)	10,664,710	-	-	10,664,710
Investment earnings on non-pooled funds, net (Note 5)	1,706,221	24,011	-	1,730,232
Investment earnings on pooled funds - appropriated, net (Note 5)	5,907,823	576,591	-	6,484,414
Royalties, net and other revenue	3,551,497	-	-	3,551,497
Net assets released from restrictions (Note 7)	22,810,248	(22,810,248)	-	-
Total revenues, gains and other support	<u>93,794,824</u>	<u>(5,292,277)</u>	<u>1,424,039</u>	<u>89,926,586</u>
<b>EXPENSES (Note 1)</b>				
Conservation programs:				
Field conservation programs	51,589,136	-	-	51,589,136
National conservation programs	22,538,057	-	-	22,538,057
	<u>74,127,193</u>	<u>-</u>	<u>-</u>	<u>74,127,193</u>
Fundraising:				
Membership development	3,623,690	-	-	3,623,690
Other development	6,395,574	-	-	6,395,574
	<u>10,019,264</u>	<u>-</u>	<u>-</u>	<u>10,019,264</u>
Management and general				
	<u>4,841,268</u>	<u>-</u>	<u>-</u>	<u>4,841,268</u>
Total expenses	<u>88,987,725</u>	<u>-</u>	<u>-</u>	<u>88,987,725</u>
Changes in net assets from operations	4,807,099	(5,292,277)	1,424,039	938,861
<b>NON-OPERATING ACTIVITIES</b>				
Gain on sales of property	2,849,595	1,000	-	2,850,595
Transfers of net assets (Note 3)	250,715	1,214,822	(1,465,537)	-
Investment loss on pooled funds not appropriated, net (Note 5)	(1,581,123)	(5,056,172)	-	(6,637,295)
Charitable trust additions (Note 2)	-	339,557	-	339,557
Change in value of charitable trusts (Notes 2, 3 and 5)	-	(740,103)	(1,947,086)	(2,687,189)
Changes in net assets before pension and postretirement related changes other than net periodic costs	6,326,286	(9,533,173)	(1,988,584)	(5,195,471)
Pension and postretirement related changes other than net periodic costs (Note 10)	<u>(10,273,765)</u>	<u>-</u>	<u>-</u>	<u>(10,273,765)</u>
Changes in net assets	(3,947,479)	(9,533,173)	(1,988,584)	(15,469,236)
Net assets, beginning of year	<u>130,504,346</u>	<u>176,528,090</u>	<u>93,611,816</u>	<u>400,644,252</u>
Net assets, end of year	<u>\$ 126,556,867</u>	<u>\$ 166,994,917</u>	<u>\$ 91,623,232</u>	<u>\$ 385,175,016</u>

*The accompanying notes are an integral part of this consolidated financial statement.*

**NATIONAL AUDUBON SOCIETY, INC.**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2013**

	Conservation Program Expenses			Fundraising Expenses			Management and General	Total
	Field Programs	National Programs	Total Program Expenses	Membership Development	Other Development	Total Development Expenses		
Salaries	\$ 23,390,593	\$ 6,512,242	\$ 29,902,835	\$ 168,942	\$ 3,275,719	\$ 3,444,661	\$ 1,760,597	\$ 35,108,093
Payroll taxes and fringe benefits (Note 10)	6,748,860	1,847,090	8,595,950	51,939	998,244	1,050,183	101,778	9,747,911
Travel	1,251,629	439,828	1,691,457	2,476	221,762	224,238	70,011	1,985,706
Meetings	486,708	96,534	583,242	1,971	327,049	329,020	68,648	980,910
Postage and mailing	190,627	2,704,246	2,894,873	1,419,471	59,017	1,478,488	19,437	4,392,798
Grants and scholarships	743,565	1,326,247	2,069,812	3,408	67,804	71,212	5,031	2,146,055
Chapter grants and support	956,318	-	956,318	-	-	-	-	956,318
Professional services	4,616,495	1,883,297	6,499,792	275,856	963,599	1,239,455	427,069	8,166,316
Telemarketing	-	58,295	58,295	45,330	-	45,330	-	103,625
Occupancy (Note 9)	2,281,636	914,493	3,196,129	9,953	201,790	211,743	530,425	3,938,297
Telephone and telecommunications	496,113	121,965	618,078	1,218	37,017	38,235	105,857	762,170
Maintenance and equipment rental	2,421,100	101,061	2,522,161	604	46,353	46,957	34,070	2,603,188
Supplies	1,320,144	546,300	1,866,444	4,769	82,787	87,556	199,976	2,153,976
Printing and promotion	372,678	1,546,092	1,918,770	1,088,813	186,720	1,275,533	140	3,194,443
Membership fulfillment	322,327	482,627	804,954	293,141	55,095	348,236	216,361	1,369,551
Magazine printing	-	739,842	739,842	-	-	-	-	739,842
Commissions	-	309,000	309,000	45,561	-	45,561	-	354,561
Service bureaus	533,069	696,446	1,229,515	133,667	111,548	245,215	235,145	1,709,875
Insurance	931,128	96,992	1,028,120	1,390	51,093	52,483	24,184	1,104,787
Taxes	230,107	4,115	234,222	182	5,974	6,156	26	240,404
Advertising	168,335	100,014	268,349	394	61,681	62,075	-	330,424
Licenses and fees	83,818	24,361	108,179	5,320	7,720	13,040	2,557	123,776
Depreciation and amortization	2,728,115	103,992	2,832,107	1,780	35,339	37,119	154,667	3,023,893
Other	-	914,420	914,420	189,927	409,241	599,168	33,135	1,546,723
<b>TOTAL EXPENSES</b>	<b>\$ 50,273,365</b>	<b>\$ 21,569,499</b>	<b>\$ 71,842,864</b>	<b>\$ 3,746,112</b>	<b>\$ 7,205,552</b>	<b>\$ 10,951,664</b>	<b>\$ 3,989,114</b>	<b>\$ 86,783,642</b>

*The accompanying notes are an integral part of this consolidated financial statement.*



**NATIONAL AUDUBON SOCIETY, INC.**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2012**

	<u>Conservation Program Expenses</u>			<u>Fundraising Expenses</u>			<u>Management and General</u>	<u>Total</u>
	<u>Field Programs</u>	<u>National Programs</u>	<u>Total Program Expenses</u>	<u>Membership Development</u>	<u>Other Development</u>	<u>Total Development Expenses</u>		
Salaries	\$ 23,750,396	\$ 6,529,357	\$ 30,279,753	\$ 162,767	\$ 3,581,511	\$ 3,744,278	\$ 2,206,439	\$ 36,230,470
Payroll taxes and fringe benefits (Note 10)	6,597,275	1,780,036	8,377,311	43,318	1,037,399	1,080,717	629,321	10,087,349
Travel	1,309,669	588,306	1,897,975	3,018	235,617	238,635	84,046	2,220,656
Meetings	436,967	241,474	678,441	1,689	215,920	217,609	72,429	968,479
Postage and mailing	195,384	2,630,593	2,825,977	1,302,003	75,979	1,377,982	14,320	4,218,279
Grants and scholarships	2,507,542	1,743,968	4,251,510	94	4,599	4,693	5,118	4,261,321
Chapter grants and support	946,297	43,364	989,661	902	-	902	-	990,563
Professional services	4,373,310	1,623,700	5,997,010	198,764	397,784	596,548	262,967	6,856,525
Telemarketing	-	24,359	24,359	18,865	-	18,865	-	43,224
Occupancy (Note 9)	2,170,276	964,057	3,134,333	17,566	206,276	223,842	594,461	3,952,636
Telephone and telecommunications	511,775	163,736	675,511	2,049	48,282	50,331	80,040	805,882
Maintenance and equipment rental	2,261,481	17,974	2,279,455	1,960	37,723	39,683	98,873	2,418,011
Supplies	1,240,552	778,766	2,019,318	6,097	80,146	86,243	172,986	2,278,547
Printing and promotion	443,376	1,876,379	2,319,755	1,204,141	116,058	1,320,199	-	3,639,954
Membership fulfillment	287,172	542,047	829,219	342,333	50,129	392,462	233,509	1,455,190
Magazine printing	-	903,431	903,431	-	-	-	-	903,431
Commissions	-	413,162	413,162	52,686	-	52,686	-	465,848
Service bureaus	403,532	569,007	972,539	123,904	114,696	238,600	146,232	1,357,371
Insurance	985,662	123,533	1,109,195	1,529	47,819	49,348	31,895	1,190,438
Taxes	252,092	7,381	259,473	906	8,578	9,484	11,178	280,135
Advertising	117,441	-	117,441	28	59,644	59,672	95	177,208
Licenses and fees	70,937	28,780	99,717	7,511	6,072	13,583	4,872	118,172
Depreciation and amortization	2,726,526	120,660	2,847,186	3,269	39,378	42,647	178,879	3,068,712
Uncollectible pledge expense	1,474	-	1,474	-	-	-	-	1,474
Other	-	823,987	823,987	128,291	31,964	160,255	13,608	997,850
<b>TOTAL EXPENSES</b>	<b>\$ 51,589,136</b>	<b>\$ 22,538,057</b>	<b>\$ 74,127,193</b>	<b>\$ 3,623,690</b>	<b>\$ 6,395,574</b>	<b>\$ 10,019,264</b>	<b>\$ 4,841,268</b>	<b>\$ 88,987,725</b>

*The accompanying notes are an integral part of this consolidated financial statement.*

**NATIONAL AUDUBON SOCIETY, INC.**  
**Consolidated Statements of Cash Flows**  
**For the years ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 18,740,368	\$ (15,469,236)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	3,026,241	3,068,712
Net realized and unrealized (gains) loss on investments	(11,923,866)	5,312,866
(Increase) decrease in beneficial interests in charitable trusts	(2,748,892)	2,351,767
Gains on sales of land, buildings and equipment	(118,048)	(2,850,595)
Donated land	(132,325)	(666,255)
Decrease in estimate of allowance for uncollectible pledges, and other receivables	(36,375)	(649,588)
Pledge discount amortization	-	(104,233)
Long-term contributions, bequests and additions to charitable trusts	(5,508,395)	(4,088,298)
Change in operating assets and liabilities:		
Decrease (increase) in pledges and other receivables	1,521,194	(668,648)
Increase in prepaid expenses and other assets	(486,065)	(26,298)
Increase (decrease) in accounts payable, accrued expenses, funds held for others and obligations under charitable trusts	4,368,531	(1,154,521)
Increase in deferred rent, tuition and other	204,282	685,475
(Decrease) increase in pension and postretirement benefit liability	<u>(6,022,081)</u>	<u>8,046,375</u>
Net cash provided by (used in) operating activities	<u>884,569</u>	<u>(6,212,477)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(9,625,605)	(23,423,536)
Proceeds from sales of investments	9,889,723	17,558,696
Additions to land, buildings and equipment	(3,055,777)	(4,190,335)
Proceeds from sales of land, buildings and equipment	<u>322,527</u>	<u>5,290,997</u>
Net cash used in investing activities	<u>(2,469,132)</u>	<u>(4,764,178)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable	100,000	7,175,000
Proceeds from contributions, bequests and charitable trusts restricted for:		
Endowment	1,903,133	1,486,039
Capital projects	2,683,455	2,102,653
Charitable trust additions	<u>921,807</u>	<u>499,606</u>
Net cash provided by financing activities	<u>5,608,395</u>	<u>11,263,298</u>
Net increase in cash and cash equivalents	4,023,832	286,643
Cash and cash equivalents, beginning of the year	<u>30,051,059</u>	<u>29,764,416</u>
Cash and cash equivalents, end of the year	<u>\$ 34,074,891</u>	<u>\$ 30,051,059</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**NATIONAL AUDUBON SOCIETY, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2013 and 2012**

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**1. ORGANIZATION AND NATURE OF ACTIVITIES**

National Audubon Society, Inc. (“Audubon” or the “Organization”) was incorporated in 1905. Audubon’s mission is to conserve and restore natural ecosystems, focusing on birds and other wildlife, for the benefit of humanity and the earth’s biological diversity. A powerful combination of science, education and policy expertise combine in efforts ranging from protection and restoration of local habitats to the implementation of policies that safeguard birds, other wildlife and the resources that sustain us all—in the U.S. and across the Americas.

During the years ended June 30, 2013 and 2012, Audubon incurred total expenses related to program services of \$71.8 million and \$74.1 million, respectively. These programs are further described as follows:

**Conservation Programs:** In 2012, Audubon adopted a new strategic plan with the goal of focusing and aligning Audubon’s unparalleled network to meet today’s unprecedented environmental challenges. Reflecting the expertise and input of staff, chapters, board members, and other volunteers and partners, this “Roadmap for Hemispheric Conservation” enables Audubon to deliver conservation impact at scale.

**Field Conservation Programs:** By connecting the work of the Audubon network - chapters, nature centers, national and state staff, volunteers, partners, and other supporters - along each of the four flyways of the Americas, Audubon weaves a seamless web of conservation for both migratory and non-migratory species. By working toward common flyway conservation goals, we have greater impact. And by coordinating resources and expertise, we increase our efficiency across the network.

Audubon maximizes its conservation results by focusing on programming related to five strategies critical for birds:

1. *Putting working lands to work for birds and people:* Partnering with landowners to make working lands work for birds, people, and communities.
2. *Sharing our seas and shores:* Protecting the vital habitat along America’s coasts where people and birds intersect.
3. *Saving Important Bird Areas:* Identifying and protecting the most important places for birds.
4. *Shaping a healthy climate and clean energy future:* Reducing and mitigating the impacts of climate change and fostering a clean energy future.
5. *Creating bird-friendly communities:* Working with communities to improve habitats for birds and other wildlife.

**National Conservation Programs** provide strategy, expertise and leadership for Audubon’s conservation work at both national and field levels, and integrate all efforts for maximum effectiveness.

- **The Science program** maintains a high level of technical competency and knowledge among Audubon’s field instructors and conservation professionals. This program encompasses activities such as assistance with conservation planning, ecological analysis, environmental sciences, bird migration studies and coordinating the efforts of thousands of volunteers (citizen scientists) to monitor bird populations and habitats. The experts in Audubon’s science program also help

**NATIONAL AUDUBON SOCIETY, INC.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2013 and 2012**

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identify actions individuals can take to make a difference for conservation in their day-to-day lives that can be used at the field level for education purposes.

- ***The Public Policy program*** is a combination of grassroots organizing, advocacy and communications that has earned Audubon a reputation as a respected and influential voice on public policy issues. The Public Policy program supports large state and multi-state efforts such as: the restoration of large iconic ecosystems, like the Arctic Slope in Alaska, the wetlands of the Everglades, the Mississippi River Delta and the Northeast’s Long Island Sound; protection of 2,670 Important Bird Areas covering 380 million acres of public and private lands; and safeguarding common sense laws like the Clean Air Act, Clean Water Act, Endangered Species Act and the Neotropical Migratory Bird Conservation Act.
- ***The Community Conservation & Education program*** recognizes that people are at the heart of the conservation solution. By inspiring more people in more places to value and protect the natural world, we are laying the foundation for future conservation. Audubon nature centers are one of the principle elements of our education work reaching more than one million visitors each year. Programs like Audubon at Home, Urban Oasis and Lights Out empower people to make bird-friendly lifestyle choices. Partnerships like Toyota TogetherGreen, a collaboration of Audubon and Toyota Motor Co., are helping to diversify the environmental movement through fellowships and grants.
- ***The International Alliances Program*** protects the birds and biodiversity of the Americas. Providing science, education, and policy development tools to build the conservation capacities of in-country organizations directly involved in the fate of key landscapes in Latin America and the Caribbean. Audubon collaborates with international partners to extend a web of protection throughout the Western hemisphere.

**Communications** efforts include a wide range of publications and strategies to engage a broad and diverse audience in our conservation work. These include public websites, social media, email marketing, and printed materials such as *AUDUBON* Magazine, which reaches 1.2 million readers. The goal of our outreach is to motivate individuals and communities to take action for birds and the environment.

**Fundraising** relates to activities in raising contributions, grants and planned giving gifts for Audubon. Development expenses fund staff efforts associated with raising contributed income to fund operations and capital projects for use in both current and future years. Also included in this expense are all the costs associated with Membership Development, such as recruiting and retaining approximately 400,000 members. During the years ended June 30, 2013 and 2012, Audubon incurred joint costs of approximately \$8,141,000 and \$8,286,000, respectively, for informational material and activities that included development appeals. Of those costs approximately \$3,324,000 and \$3,628,000 were allocated to fundraising and approximately \$4,817,000 and \$4,658,000 were allocated to program for the years ended June 30, 2013 and 2012, respectively.

**Management and general** are those expenses that are not allocated to a program, fundraising activity or membership development activity and include certain activities of the President’s Office, as well as support areas such as Information Services, Legal, Human Resources, Finance and Operations.

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The consolidated financial statements of Audubon include the accounts of Audubon's wholly owned subsidiaries, National Audubon Society of Coastal Connecticut, Inc., National Audubon Society of Sharon, Inc., Lincoln Audubon Society, and The National Audubon Society of Greenwich, Inc. The subsidiaries hold land for the benefit and use of Audubon.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

**Net Assets**

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into the following categories:

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that will be met either by actions of Audubon and/or the passage of time. Audubon reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted net assets also include earnings on permanently restricted endowment funds that have not yet been appropriated for expenditure.

Permanently Restricted Net Assets

Permanently restricted net assets result from donors who stipulate that their donated resources be maintained in perpetuity by Audubon. Generally, Audubon is permitted to expend part or all of the income and gains derived from these donated assets, restricted only by donors' stipulations.

**Cash and Cash Equivalents**

Audubon considers all cash not intended for investment purposes and all non-pooled investments purchased with original maturities of 90 days or less to be cash equivalents.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value, generally determined on the basis of quoted market prices. Audubon also invests in non-exchange traded alternative investments, which are stated at estimated fair value based on the net asset value ("NAV"), as a practical expedient, reported by the investment managers or general partners. NAV may differ significantly from the values that would have been reported had a ready market for these

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investments existed. Audubon reviews and evaluates the values provided by the investment managers or general partners and has determined that the valuation methods and assumptions used in determining the fair value of the alternative investments are reasonable.

Audubon manages its investments on a total return basis and has established budgeted spending limits for specific endowment funds of 2.0%, 3.5% or 4.5% of the average of the rolling five calendar year-end market values, subject to limitations where applicable under donor restrictions or regulatory requirements.

**Prepaid Expenses and Other Assets**

Prepaid expenses and other assets include inventories of retail store merchandise of approximately \$339,000 and \$391,000 as of June 30, 2013 and 2012, respectively, which are valued at the lower of cost or market, on a first-in, first-out basis.

**Charitable Trust Agreements**

Audubon is the beneficiary of charitable trust agreements under varying terms and conditions. The basis for recognition of the assets recorded by Audubon is its share of the fair value of the underlying assets. Some of the agreements require specified payments to third parties for varying periods. Accordingly, Audubon applies present value techniques to accrue amounts recognized. The discount rates and actuarial assumptions used in the present value calculation for future payments are the prevailing rates of interest for similar types of high quality, fixed income investments of immediate to short term duration and are locked in at the date the charitable trust is established. For the years ended June 30, 2013 and 2012, the discount rates used to value charitable trust agreements ranged between 1.20% and 11.00%.

**Building and Equipment**

In 1978, Audubon adopted the policy of capitalizing, depreciating and amortizing building and equipment. Because historical costs were not available for buildings and art works, other basis were used to establish the initial carrying values of such property. Property tax appraisals adjusted to market and insurance appraisals were used to value buildings, and appraised net current retail values were used for the art collection. Assets acquired subsequent to July 1, 1978 have been recorded at cost. Depreciation of buildings and equipment is provided over the estimated useful lives of the assets on a straight-line basis. Leasehold improvements are amortized over the lesser of the related useful life of the asset or the lease term. Artwork is not depreciated. Audubon capitalizes property with a cost of \$5,000 or more and a useful life of greater than one year.

	<b><u>Estimated Useful Lives</u></b>
Buildings and building improvements	20 - 40 years
Equipment	4 - 10 years
Land improvements	10 - 40 years
Leasehold improvements	5 - 40 years

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**Land**

Land consists of approximately 104,809 acres on which some of Audubon's state offices, sanctuaries, research, and nature centers are located. Land is valued at cost when purchased or, if donated, at fair value on the date of donation. Included in permanently restricted net assets is land of approximately \$10,300,000 as of both June 30, 2013 and 2012. Included in unrestricted net assets is land of approximately \$86,300,000 and \$85,400,000 as of June 30, 2013 and 2012, respectively. A significant portion of the land included in unrestricted net assets is subject to legally binding contractual restrictions on use and/or disposition. Land purchased or donated to Audubon during the years ended June 30, 2013 and 2012 totaled approximately \$914,000 and \$2,400,000, respectively. Land sold or donated to other organizations during the years ended June 30, 2013 and 2012 totaled approximately \$101,000 and \$1,600,000, respectively.

**Chapters**

Audubon has 463 independent chapters throughout the United States. The consolidated financial statements do not include the assets, liabilities, net assets, revenues and expenses of Audubon's chapters since such chapters are independent organizations.

**Contributions and Grants**

Audubon reports gifts of cash and other assets as an increase in restricted net assets if they are received with donor stipulations limiting the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Restricted gifts and grants, received and utilized in the same year, are reflected in the consolidated statement of activities in the unrestricted class of net assets. Bequests are recognized as revenue once the probate process is complete.

Revenue from federal grants is recognized to the extent that qualifying reimbursable expenses have been incurred over the terms of the respective agreements.

Gifts of long-lived assets and gifts of cash or other assets that must be used to acquire long-lived assets are reported as an increase in restricted net assets.

**Earned Income**

Earned income includes advertising revenue, tuition and admission revenue, retail sales and program revenue. Revenue is recorded when earned under the terms of the related agreements.

**Receivables**

Receivables are recorded at net realizable value if expected to be collected in one year and at fair value (using credit adjusted discount rates) if expected to be collected in more than one year. Receivables are stated net of an allowance for uncollectible receivables of approximately \$709,000 and \$745,000 as of June 30, 2013 and 2012, respectively. Such estimated allowances are based on management's assessment of the credit worthiness of its donors, the aged basis of the receivables, and historical information. Receivables are written off in the period they are deemed uncollectible and payments subsequently received are recorded as income in the period received.

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Other receivables include grant receivables and receivables due from other organizations.

**Funds Held for Others**

As of June 30, 2013 and 2012, funds held for others included approximately \$973,000 and \$686,000, respectively, in agency funds held for other nonprofit organizations and independent Audubon chapters and \$1,383,000 and \$1,330,000, respectively, in funds held for employees and former employees of Audubon related to a deferred compensation plan to which funds are no longer being contributed. Such amounts are included in investments and funds held for others in the accompanying consolidated statements of financial position.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value Measurements**

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in level 2 are investments measured using a NAV per share, or its equivalent, that may be redeemed at the NAV at the consolidated statement of financial position date or in the near term, which is generally considered to be within 90 days.
- Level 3 - Securities that have little to no observable pricing. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV at the consolidated statement of financial position date or in the near term or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

In determining fair value, Audubon utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.



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**Income Taxes**

Audubon is a Type B New York State not-for-profit membership corporation under Section 201(b) of the Not-For-Profit Corporation Law of New York State, and is exempt from federal income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code. Nevertheless, Audubon may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ending June 30, 2010, 2011, 2012 and 2013 are still open to audit for both federal and state purposes.

Audubon recognizes the tax effects from an uncertain tax position in the consolidated financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. Management has determined that Audubon has no uncertain tax positions that would require consolidated financial statement recognition or disclosure.

**Concentrations**

Cash, cash equivalents, and investments are exposed to interest rate, market, and credit risks. Audubon maintains its cash and cash equivalents in various bank deposit accounts that may exceed federally insured limits at times. To minimize risk, Audubon places its cash accounts with high credit quality financial institutions. Audubon does not anticipate any losses in such accounts.

Investment concentrations are disclosed in Note 5 to the accompanying consolidated financial statements.

**Subsequent Events**

Audubon has evaluated, for potential recognition and disclosure, events subsequent to the consolidated statement of financial position date of June 30, 2013 through November 15, 2013, the date the consolidated financial statements were available to be issued. Audubon is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

**Reclassifications**

Certain reclassifications were made to the 2012 consolidated financial statements in order to conform to the 2013 presentation.

**Operating Measure**

Operating revenues and expenses reflect the activities in which Audubon typically engages to fulfill its mission. Audubon utilizes a spending rate in making its annual investment allocation for support of operations. Investment income, including net realized and unrealized gains and losses, earned in excess of or less than Audubon’s spending rate is recognized within non-operating activities. Charitable trust contributions, the change in value of charitable trusts, pension related expenses other than net periodic pension costs and other transactions that are non-recurring and unusual in nature are recorded below the operating indicator on the accompanying consolidated statement of activities. During the year ended June 30, 2013, Audubon transferred a program to another not-for-profit organization, resulting in a non-operating loss of approximately \$2.3 million.

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**3. NET ASSETS**

The New York Prudent Management of Institutional Funds Act (“NYPMIFA”) was enacted in 2010. Audubon has interpreted NYPMIFA as requiring the preservation of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Audubon classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Audubon in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of Audubon and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Audubon
- The investment policies of Audubon
- Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on Audubon

Audubon’s endowment investment policy is based on a study of its assets and liabilities. The risk tolerance of the portfolio is directly related to Audubon’s overall finances and its restricted and endowment funds. Investments are allocated across capital markets beginning with a careful review of the world capital market allocation and are adjusted to reflect Audubon’s unique circumstances with a controlled opportunistic overlay. The portfolio’s investment strategy combines both passive and active investment solutions, the selection of which is governed by rules elaborated in Audubon’s Statement of Investment Policy. Audubon 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).

Annual spending from the endowment funds is described in Note 2.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires Audubon to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature, if they occurred, are reported in unrestricted net assets. As of June 30, 2013 and 2012, there were 1 and 5 donor endowment funds, respectively, whose fair value of approximately \$994,000 and \$535,000 were below the original gift amount of approximately \$1,000,000 and \$542,000 by approximately \$6,000 and \$7,000, respectively.

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During the year ended June 30, 2012, approximately \$1,466,000 was transferred from permanently restricted to temporarily restricted and unrestricted net assets. The most significant transfer was the transfer of an endowment of \$1,000,000 to an independent Audubon chapter. This endowment was established to support 1,600 acres of unrestricted land with a book value of \$300,000 that was also transferred to the Audubon chapter. This Audubon chapter owns adjacent land and can more efficiently manage the combined property in accordance with Audubon's mission. The balance of the transfers during the year ended June 30, 2012 and the transfers during the year ended June 30, 2013 were also made in accordance with donor restrictions.

Changes in endowment net assets, excluding permanently restricted land of \$10,295,373, for the years ended June 30, 2013 and 2012 were as follows:

	<b>2013</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	\$ (6,841)	\$ 38,052,434	\$ 81,327,859	\$ 119,373,452
Investment activity:				
Interest, dividends and realized (losses) gains	(13,880)	1,449,137	-	1,435,257
Unrealized gains on investments	8,145	5,959,276	-	5,967,421
Change in value of charitable trusts	-	-	2,366,123	2,366,123
Total investment activity	(5,735)	7,408,413	2,366,123	9,768,801
Amounts appropriated for expenditure	-	(3,254,305)	-	(3,254,305)
Contributions to endowments	-	-	405,516	405,516
Bequests	-	-	1,497,617	1,497,617
Transfers of net assets	11,772	(37,719)	(61,306)	(87,253)
<b>Endowment net assets, end of year</b>	<u>\$ (804)</u>	<u>\$ 42,168,823</u>	<u>\$ 85,535,809</u>	<u>\$ 127,703,828</u>
	<b>2012</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	\$ (2,841)	\$ 41,479,949	\$ 83,316,443	\$ 124,793,551
Investment activity:				
Interest, dividends and realized gains	-	4,669,531	-	4,669,531
Unrealized losses on investments	(4,000)	(4,779,916)	-	(4,783,916)
Change in value of charitable trusts	-	-	(1,947,086)	(1,947,086)
Total investment activity	(4,000)	(110,385)	(1,947,086)	(2,061,471)
Amounts appropriated for expenditure	-	(3,170,266)	-	(3,170,266)
Contributions to endowments	-	-	581,680	581,680
Bequests	-	-	842,359	842,359
Transfers of net assets	-	(146,864)	(1,465,537)	(1,612,401)
<b>Endowment net assets, end of year</b>	<u>\$ (6,841)</u>	<u>\$ 38,052,434</u>	<u>\$ 81,327,859</u>	<u>\$ 119,373,452</u>

Endowment net assets of \$127,703,828 and \$119,373,452 as of June 30, 2013 and 2012, respectively, are included within the investments and beneficial interest in charitable trusts in the accompanying consolidated statements of financial position.

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Temporarily restricted net assets as of June 30, 2013 and 2012 are available for the following:

	<u>2013</u>	<u>2012</u>
Purpose restrictions:		
Field Conservation Programs	\$ 155,820,604	\$ 146,280,940
National Conservation Programs	8,480,679	8,832,963
Time restrictions	<u>9,120,429</u>	<u>11,881,014</u>
	<u>\$ 173,421,712</u>	<u>\$ 166,994,917</u>

Temporarily restricted net assets above are further characterized by Audubon in the following manner as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Accumulated earnings on endowment funds	\$ 42,168,823	\$ 38,052,434
Property funded by restricted contributions	44,323,580	45,301,792
Charitable trusts, net of obligations	9,632,132	9,249,363
Other time restricted funds	8,168,291	7,103,680
Other purpose restricted funds	<u>69,128,886</u>	<u>67,287,648</u>
	<u>\$ 173,421,712</u>	<u>\$ 166,994,917</u>

Permanently restricted net assets, excluding permanently restricted land of \$10,295,373, represent gifts to be held in perpetuity and generate income that was available to support the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Purpose restrictions:		
Field conservation programs	\$ 53,238,402	\$ 49,992,803
National conservation programs	8,797,482	8,832,899
General purposes	<u>23,499,925</u>	<u>22,502,157</u>
	<u>\$ 85,535,809</u>	<u>\$ 81,327,859</u>

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**4. RECEIVABLES**

Receivables consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Unconditional pledges receivable:		
Less than one year	\$ 2,787,680	\$ 2,580,607
One to five years	<u>961,700</u>	<u>1,241,374</u>
	3,749,380	3,821,981
Less: Allowance for uncollectible pledges	<u>(94,000)</u>	<u>(83,500)</u>
Total pledges receivable, net	3,655,380	3,738,481
Other receivables (net of allowance of \$614,861 and \$661,736)	<u>5,585,614</u>	<u>6,987,331</u>
	<u>\$ 9,240,994</u>	<u>\$ 10,725,812</u>

Audubon received new conditional pledges of approximately \$0 and \$7,348,000 during the years ended June 30, 2013 and 2012, respectively. Audubon has recorded revenue of approximately \$2,479,000 and \$6,922,000 for the years ended June 30, 2013 and 2012, respectively, the extent to which the conditions on the pledges have been met. As of June 30, 2013 and 2012, Audubon had conditional pledges outstanding of \$2,001,000 and \$4,551,000, respectively. Pledge payments due over the ensuing three to four years are conditional based on progress and reporting satisfactory to the donor.

**5. INVESTMENTS**

Audubon's investments consisted of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 10,244,226	\$ 14,214,518
U.S. government and agency obligations	1,818,831	1,872,808
Equities	4,765,806	3,697,325
Bonds	4,775,888	4,015,891
Mutual funds - equity	4,259,244	2,815,952
Mutual funds - fixed income	16,729,980	17,821,605
Exchange traded funds - equity	33,470,902	28,412,563
Exchange traded funds - international equity	25,373,753	21,955,192
Exchange traded funds - fixed income	78,186	82,697
Collective trust funds - fixed income	63,093,285	63,408,644
Common trust funds	6,661,798	5,610,114
Alternative investments	<u>43,587,784</u>	<u>39,292,624</u>
	<u>\$ 214,859,683</u>	<u>\$ 203,199,933</u>

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As of June 30, 2013 and 2012, concentrations of Audubon's investments in excess of 10% of the fair value of its portfolio included approximately 29% and 31% invested in the BGI Government Bond Index Fund, respectively, approximately 11% and 10% in the iShares MSCI EAFE Index Fund, respectively, and approximately 12% and 11% in Standard & Poors Depository Receipts "SPDR," respectively.

Investments are subject to market volatility that could change their carrying values substantially in the near term. Alternative investments consist primarily of investments in several fund-of-fund managers and partnerships.

Investment income consists of the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 6,779,059	\$ 7,222,092
Net realized gains	2,462,811	4,687,542
Net unrealized gains (losses)	9,461,055	(10,000,408)
Investment fees	(446,576)	(426,065)
	<u>\$ 18,256,349</u>	<u>\$ 1,483,161</u>

Investment income is reported as follows in the accompanying consolidated statements of activities for the years ended June 30, 2013 and 2012:

	<u>2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and support:			
Investment earnings on non-pooled funds, net	\$ 1,655,888	\$ 18,598	\$ 1,674,486
Investment earnings on pooled funds – appropriated, net	6,244,515	574,208	6,818,723
Nonoperating items:			
Investment loss on pooled funds not appropriated, net	2,617,024	6,193,561	8,810,585
Included in change in value of charitable trusts	-	952,555	952,555
	<u>\$ 10,517,427</u>	<u>\$ 7,738,922</u>	<u>\$ 18,256,349</u>
	<u>2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and support:			
Investment earnings on non-pooled funds, net	\$ 1,706,221	\$ 24,011	\$ 1,730,232
Investment earnings on pooled funds – appropriated, net	5,907,823	576,591	6,484,414
Nonoperating items:			
Investment loss on pooled funds not appropriated, net	(1,581,123)	(5,056,172)	(6,637,295)
Included in change in value of charitable trusts	-	(94,190)	(94,190)
	<u>\$ 6,032,921</u>	<u>\$ (4,549,760)</u>	<u>\$ 1,483,161</u>

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Included in investment income for the years ended June 30, 2013 and 2012 is approximately \$1,427,000 and \$1,456,000 related to assets held in trust, respectively, where Audubon is a designated income beneficiary.

Assets and liabilities measured at fair value at June 30, 2013 and 2012 are classified in the tables below in one of the three levels as follows:

	<b>2013</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Assets Carried at Fair Value:</b>				
<b>Investments:</b>				
Cash and cash equivalents	\$ 10,244,226	\$ -	\$ -	\$ 10,244,226
U.S. government and agency obligations	1,818,831	-	-	1,818,831
Equities	4,765,806	-	-	4,765,806
Bonds	-	4,775,888	-	4,775,888
Mutual funds - equity	4,259,244	-	-	4,259,244
Mutual funds - fixed income	16,729,980	-	-	16,729,980
Exchange traded funds - equity	33,470,902	-	-	33,470,902
Exchange traded funds - international equity	25,373,753	-	-	25,373,753
Exchange traded funds - fixed income	78,186	-	-	78,186
Collective trust fund - fixed income	-	63,093,285	-	63,093,285
Common trust funds	-	6,661,798	-	6,661,798
Alternative investments	-	36,014,959	7,572,825	43,587,784
Total investments	<u>96,740,928</u>	<u>110,545,930</u>	<u>7,572,825</u>	<u>214,859,683</u>
Beneficial interest in charitable trusts	-	-	42,151,503	42,151,503
Total Assets Carried at Fair Value	<u>\$ 96,740,928</u>	<u>\$ 110,545,930</u>	<u>\$ 49,724,328</u>	<u>\$ 257,011,186</u>
<b>Liabilities Carried at Fair Value:</b>				
Obligations under charitable trusts	\$ -	\$ -	\$ 6,609,687	\$ 6,609,687
Total Liabilities Carried at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,609,687</u>	<u>\$ 6,609,687</u>

**NATIONAL AUDUBON SOCIETY, INC.**  
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	<b>2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets Carried at Fair Value:				
Investments:				
Cash and cash equivalents	\$ 14,214,518	\$ -	\$ -	\$ 14,214,518
U.S. government and agency obligations	1,872,808	-	-	1,872,808
Equities	3,697,325	-	-	3,697,325
Bonds	-	4,015,891	-	4,015,891
Mutual funds - equity	2,815,952	-	-	2,815,952
Mutual funds - fixed income	17,821,605	-	-	17,821,605
Exchange traded funds - equity	28,412,563	-	-	28,412,563
Exchange traded funds - international equity	21,955,192	-	-	21,955,192
Exchange traded funds - fixed income	82,697	-	-	82,697
Collective trust fund - fixed income	-	63,408,644	-	63,408,644
Common trust funds	-	5,610,114	-	5,610,114
Alternative investments	-	31,160,756	8,131,868	39,292,624
Total investments	<u>90,872,660</u>	<u>104,195,405</u>	<u>8,131,868</u>	<u>203,199,933</u>
Beneficial interest in charitable trusts	-	-	39,402,611	39,402,611
Total Assets Carried at Fair Value	<u>\$ 90,872,660</u>	<u>\$ 104,195,405</u>	<u>\$ 47,534,479</u>	<u>\$ 242,602,544</u>
Liabilities Carried at Fair Value:				
Obligations under charitable trusts	\$ -	\$ -	\$ 5,548,110	\$ 5,548,110
Total Liabilities Carried at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,548,110</u>	<u>\$ 5,548,110</u>

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

**Equity Securities**

Valued at the closing price reported on the active market on which the individual securities are traded or the net asset value of shares held by Audubon at year end.

**Alternative Investments**

Alternative investments in hedge funds and fund of funds are designated as Level 2 or 3 as indicative of the investment manager's classification of Audubon's investment in the funds. It is not meant to be indicative of the classification of the investments in the underlying portfolio of these funds. The fair value of alternative investments is provided by the general partner or fund manager, and may be based on historical cost, appraisals and obtainable prices for similar assets or other estimates.

**U.S. Government and Agency Obligations**

Investments in U.S. government and agency obligations are valued using market prices in active markets (Level 1), except for Audubon's interests in common and collective trusts which are valued using the NAV provided by the administrator of the trusts and which is categorized under Level 2 in the fair value hierarchy. The NAV is based on the value of the underlying assets owned by the trust, less the trust's liabilities and then divided by the number of shares outstanding.



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**Bonds**

Municipal and corporate bonds are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities, etc.)

The following tables list investments valued at NAV as of June 30, 2013 and 2012:

2013							
Name/Type	Strategy	Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Alternative investment - International Value Equity Fund	Seeks to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the U.S. Fund will invest primarily in established international markets; but	1	\$ 16,109,345	N/A	N/A	May redeem all or part of units on the first business day of each month by providing written notice at least six (6) business days prior to the month end.	Redemptions ordinarily must equal or exceed \$500,000. Notice and minimum redemption requirements may be waived.
Alternative investment - Open-ended Interval Fund	Seeks long-term growth of capital by investing primarily in equity securities of issuers in developing countries.	1	4,956,706	N/A	N/A	30 days written notice with a monthly frequency.	N/A
Alternative investment - Limited Partnerships	Venture capital and private equity	5	6,553,013	1-4 years	1,128,208	N/A	Not permitted to withdraw.
Alternative investment - Limited Partnership	The partnership is organized for the purpose of earning attractive rates of return through an investment program of "alternative investment strategies" including general or limited partnerships or other pooled vehicles and with managers of separately	1	13,668,934	N/A	N/A	90 days written notice as of each June 30th and December 31st.	N/A
Alternative investment - Open-ended Investment Company	Seeks to achieve attractive risk adjusted returns by investing in, on margin or otherwise, a diversified portfolio of public and private securities, primarily involving high yield fixed income securities, syndicated leveraged loans (bank debt), credit derivatives and to a	1	1,279,974	N/A	N/A	Shares may be redeemed annually on June 30 with notice not less than 90 days prior to the intended redemption date.	N/A
Alternative investment - Limited Partnership	Objective is to achieve superior risk-adjusted returns through opportunistic investments across the credit spectrum.	1	1,019,812	N/A	N/A	Quarterly with 90 days prior written notice required.	Certain lock-up and redemption restrictions.
Collective trust fund - Blackrock Institutional Trust Company	The Fund invests in a broad market of investment grade bonds consisting of U.S. Treasury, U.S. Agency and domestic corporate bonds.	1	63,093,285	N/A	N/A	Daily	N/A
Common trust funds - State Street	The objectives of the funds are to approximate the performance of S&P 500 Index, Russell 2000 Index, MSCI EAFE Index and S&P MidCap 400 Index.	9	6,661,798	N/A	N/A	Daily/Monthly	N/A
		<u>20</u>	<u>\$ 113,342,867</u>		<u>\$ 1,128,208</u>		

**NATIONAL AUDUBON SOCIETY, INC.**  
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2012							
Name/Type	Strategy	Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Alternative investment - International Value Equity Fund	Seeks to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the U.S. Fund will invest primarily in established international markets; but may invest a portion in	1	\$ 12,718,815	N/A	N/A	May redeem all or part of units on the first business day of each month by providing written notice at least six (6) business days prior to the month end.	Redemptions ordinarily must equal or exceed \$500,000. Notice and minimum redemption requirements may be waived.
Alternative investment - Open-ended Interval Fund	Seeks long-term growth of capital by investing primarily in equity securities of issuers in developing countries.	1	4,768,550	N/A	N/A	30 days written notice with a monthly frequency.	N/A
Alternative investment - Limited Partnerships	Venture capital and private equity	5	6,953,199	1-4 years	1,593,209	N/A	Not permitted to withdraw.
Alternative investment - Limited Partnership	The partnership is organized for the purpose of earning attractive rates of return through an investment program of "alternative investment strategies" including general or limited partnerships or other pooled vehicles and with managers of separately managed accounts.	1	12,458,104	N/A	N/A	90 days written notice as of each June 30th and December 31st.	N/A
Alternative investment - Guernsey Corporation	Invests in venture capital partnerships	1	165,279	In liquidation	N/A	N/A	Not permitted to withdraw.
Alternative investment - Open-ended Investment Company	Seeks to achieve attractive risk adjusted returns by investing in, on margin or otherwise, a diversified portfolio of public and private securities, primarily involving high yield fixed income securities, syndicated leveraged loans (bank debt), credit derivatives and to a lesser extent, equities.	1	1,215,287	N/A	N/A	Shares may be redeemed annually on June 30 with notice not less than 90 days prior to the intended redemption date.	N/A
Alternative investment - Limited Partnership	Objective is to achieve superior risk-adjusted returns through opportunistic investments across the credit spectrum.	1	1,013,390	N/A	N/A	Quarterly with 90 days prior written notice required.	Certain lock-up and redemption restrictions.
Collective trust fund - Blackrock Institutional Trust Company	The Fund invests in a broad market of investment grade bonds consisting of U.S. Treasury, U.S. Agency and domestic corporate bonds.	1	63,408,644	N/A	N/A	Daily	N/A
Common trust funds - State Street	The objectives of the funds are to approximate the performance of S&P 500 Index, Russell 2000 Index, MSCI EAFE Index and S&P MidCap 400 Index.	9	5,610,114	N/A	N/A	Daily/Monthly	N/A
		<u>21</u>	<u>\$ 108,311,382</u>		<u>\$ 1,593,209</u>		

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The changes in investment assets measured at fair value for which Audubon has used Level 3 inputs to determine fair value were as follows for the years ended June 30, 2013 and 2012:

<b>Balance at June 30, 2011</b>	\$ 10,713,114
Purchases	878,287
Redemptions	(2,743,353)
Unrealized losses	<u>(716,180)</u>
<b>Balance at June 30, 2012</b>	8,131,868
Purchases	465,000
Redemptions	(1,352,937)
Unrealized gains	<u>328,894</u>
<b>Balance at June 30, 2013</b>	<u><u>\$ 7,572,825</u></u>

**Charitable Trust Agreements**

Beneficial interest in charitable trusts and obligations under charitable trusts are designated as Level 3. The changes in assets and liabilities measured at fair value for which Audubon has used Level 3 inputs to determine fair value was as follows for the years ended June 30, 2013 and 2012.

	<b>Beneficial Interest in Charitable Trusts</b>	<b>Obligations under Charitable Trusts</b>
<b>Balance at June 30, 2011</b>	\$ 41,754,378	\$ 5,530,053
New agreements	51,250	558,489
Payments to annuitants	-	(843,714)
Change in fair value of trust assets	(2,403,017)	-
Change in value due to actuarial valuations	<u>-</u>	<u>303,282</u>
<b>Balance at June 30, 2012</b>	39,402,611	5,548,110
New agreements	-	1,547,063
Payments to annuitants	-	(889,171)
Change in fair value of trust assets	2,748,892	-
Change in value due to actuarial valuations	<u>-</u>	<u>403,685</u>
<b>Balance at June 30, 2013</b>	<u><u>\$ 42,151,503</u></u>	<u><u>\$ 6,609,687</u></u>

**Financial Instruments**

The carrying amounts of cash and cash equivalents, receivables, prepaid expenses and other assets, and accounts payable and accrued expenses approximate fair value due to the short maturity of these financial instruments. The carrying value of receivables has been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience and therefore approximates net realizable value.

**NATIONAL AUDUBON SOCIETY, INC.**  
**Notes to Consolidated Financial Statements**  
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**6. LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Buildings and building improvements	\$ 43,429,067	\$ 42,555,216
Construction in progress (see Note 9)	1,053,733	439,282
Equipment	10,044,531	9,677,849
Land improvements	91,936	91,936
Leasehold improvements	<u>23,396,067</u>	<u>23,308,366</u>
	78,015,334	76,072,649
Less: Accumulated depreciation and amortization	<u>(28,782,084)</u>	<u>(25,992,155)</u>
Buildings and equipment, net	49,233,250	50,080,494
Assets not subject to depreciation:		
Artwork	823,754	823,754
Land available for sale	1,500	1,500
Land - Sanctuaries	<u>96,599,499</u>	<u>95,794,874</u>
Total land, buildings and equipment, net	<u>\$ 146,658,003</u>	<u>\$ 146,700,622</u>

Audubon, for the past several years, has been in the process of developing various nature centers that are to be used for educational purposes. Construction in progress reflects construction costs and pre-construction professional fees associated with these and other nature center refurbishment projects. See Note 9 for further information regarding commitments related to these projects.

**7. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from donor restrictions due to the passage of time and/or satisfying the restricted purposes specified by the donors are as follows:

	<u>2013</u>	<u>2012</u>
Program restrictions:		
Field Conservation programs	\$ 11,268,816	\$ 15,120,377
National Conservation programs	4,463,617	7,342,018
Time restrictions	<u>783,118</u>	<u>347,853</u>
	<u>\$ 16,515,551</u>	<u>\$ 22,810,248</u>

**8. IN-KIND CONTRIBUTIONS**

Audubon receives in-kind contributions in the form of donated goods and land which are recorded at their estimated fair value at the date of receipt. A number of volunteers donate substantial amounts of time to Audubon's program services. Donated services are evaluated to determine if they meet the criteria for recognition in the consolidated financial statements. The value of such in-kind contributions, that met the criteria for recognition, was approximately \$867,000 and \$808,000 for the years ended June 30, 2013 and 2012, respectively, and is reflected in the accompanying consolidated financial statements as contribution revenue and applicable functional expenses or capitalized asset as appropriate.

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**9. COMMITMENTS AND CONTINGENCIES**

Audubon entered into a twenty year lease agreement for its national headquarters in New York. The lease commenced September 1, 2007 and was amended on November 1, 2007. Rental payments commenced May 1, 2008 and call for approximately the following commitments for years subsequent to June 30, 2013:

	<u>Base Rent</u>	<u>Operating Expenses</u>	<u>Total</u>
2014	\$ 1,195,000	\$ 201,000	\$ 1,396,000
2015	1,195,000	243,000	1,438,000
2016	1,195,000	286,000	1,481,000
2017	1,195,000	330,000	1,525,000
2018	1,262,000	376,000	1,638,000
Thereafter	12,915,000	6,253,000	19,168,000
	<u>\$ 18,957,000</u>	<u>\$ 7,689,000</u>	<u>\$ 26,646,000</u>

As of June 30, 2013 and 2012, Audubon substituted a standby letter of credit in the amount of \$273,211 in lieu of a security deposit for its office lease. As required by Audubon's bank, a certificate of deposit with a balance of \$289,163 and \$289,163 as of June 30, 2013 and 2012, respectively, is included in prepaid expenses and other assets in the accompanying consolidated statements of financial position and secures this letter of credit.

Audubon occupies other office space under long-term lease agreements with varying expiration dates through the year ended June 30, 2023. Future minimum annual rental commitments under operating leases are approximately as follows for years subsequent to June 30, 2013:

2014	\$ 1,048,000
2015	595,000
2016	529,000
2017	434,000
2018	305,000
Thereafter	1,438,000
	<u>\$ 4,349,000</u>

Rent credits and charges are accounted for on a straight-line basis over the life of the lease. Included in the accompanying consolidated statements of financial position as of June 30, 2013 and 2012 is a liability of approximately \$4,313,000 and \$3,909,000, respectively, related to the tenant improvement credit and deferred rent under the straight-line method of accounting.

The minimum rental payments are subject to adjustments based on increases in real estate taxes, insurance and other operating expenses. Total rent expense for the years ended June 30, 2013 and 2012 amounted to approximately \$3,082,000 and \$3,090,000, respectively.

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During the year ended June 30, 2012, Audubon began leasing personal computers on three-year leases. The future three-year total commitments were approximately \$334,000 and \$363,000 as of June 30, 2013 and 2012, respectively. Audubon has also entered into arrangements with multiple suppliers for office equipment such as copiers and postage meters. These leases have terms that range from 1 to 7 years with total lease costs of less than \$85,000 annually.

As discussed in Note 6, Audubon has been in the process of developing and improving several nature centers, which are in various stages of completion. As of June 30, 2013 and 2012, Audubon had remaining commitments on construction and related agreements amounting to approximately \$1,008,000 and \$54,000, respectively. The lower construction in progress balance in fiscal 2012 is due to two projects being completed in that year.

Audubon is invested in several limited partnerships under which Audubon is committed to make capital contributions in future periods totaling approximately \$1.1 million and \$1.6 million as of June 30, 2013 and 2012, respectively.

Audubon is a defendant in various lawsuits. Audubon is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on Audubon's financial position, changes in net assets or cash flows.

Audubon receives significant federal grants which are subject to audit by federal agencies. Audubon is of the opinion that disallowances, if any, would not have a significant effect on Audubon's financial position, changes in net assets or cash flows.

**10. PENSION AND OTHER RETIREMENT BENEFIT PLANS**

**Cash Balance Pension Plan**

Effective January 1, 1998, Audubon changed its noncontributory, defined benefit trustee administered retirement plan (the "Prior Plan"), to a hybrid Cash Balance Pension Plan. All employees who were vested at the time of the change will receive the greater of the "Prior Plan" benefit or the cash balance benefit upon termination or retirement.

The Cash Balance Pension Plan (the "Cash Balance Plan") is a defined benefit pension plan covering substantially all employees of Audubon. Individuals who met the applicable age and service requirements while they were Audubon employees are entitled to vested pension benefits under the Cash Balance Plan. All employees hired before October 1, 2004 are always 100% vested in their benefits. Employees hired on or after October 1, 2004 become fully vested after completing three years of service with Audubon. Participants who were active as of January 1, 2000 and who had 5 years of service at December 31, 1997 were grandfathered and receive a benefit based on a final average pay formula. Plan participants at January 1, 1998 who were not grandfathered had an opening balance established based on their accrued benefit at December 31, 1997. For the period between December 31, 1997 and June 30, 2010, the participant account was credited with an amount equal to 3% (4% for the 2000 plan year) of the participant's eligible earnings. In addition, interest is credited each year using the applicable interest rate, determined each January 1, based on short-term interest rates in effect at the end of the prior year. Benefits generally are available to employees upon retirement. The plan was frozen effective June 30, 2010. After that date, no new participants were accepted into the Plan. Compensation paid after June 30, 2010, is disregarded, but participants continue to accrue interest credits.

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**403(b) Plan**

In addition to the Cash Balance Plan, Audubon maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code, in which all employees, as defined, are eligible to participate. Participants may make voluntary contributions, subject to plan limitations. Effective July 1, 2010, Audubon changed its contribution to provide all eligible employees with a 4% contribution of eligible compensation subject to plan limitations and an additional matching contribution up to another 4% of eligible compensation subject to plan limitations. For the years ended June 30, 2013 and 2012, Audubon contributed approximately \$2,130,000 and \$2,262,000, respectively, to this retirement plan. All contributions vest immediately and are held in accounts owned by the employees.

**Retiree Medical and Life Plan**

Audubon also maintains an unfunded group medical and life insurance plan. The medical plan is the primary provider of benefits up to age 65; after the age of 65, Medicare becomes the primary provider. In connection with this change, a new prior service credit base of \$1,448,781 was established at June 30, 2010 to account for the decrease in benefit obligation due to this plan change. The recognition of the prior service credit will be spread over the average remaining years of service of the participants remaining in the plan. Employees who separated from service after February 1, 2007 are no longer eligible for retiree life insurance coverage. The following table sets forth the plan's funded status and benefit obligation at June 30, 2013 and 2012:

	<b>2013</b>		<b>2012</b>	
	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plan</b>	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plan</b>
Change in benefit obligation:				
<b>Benefit obligation-beginning of year</b>	\$ 44,828,038	\$ 3,093,358	\$ 37,836,574	\$ 2,068,800
Service cost	289,000	174,590	333,000	192,049
Interest cost	1,654,388	97,882	1,915,372	130,166
Participant contributions and retiree drug subsidy	-	104,282	-	116,252
Actuarial (gain) loss	(4,008,574)	(774,129)	6,974,475	756,531
Benefits paid and expenses	<u>(3,299,908)</u>	<u>(166,480)</u>	<u>(2,231,383)</u>	<u>(170,440)</u>
<b>Benefit obligation – end of year</b>	<u>39,462,944</u>	<u>2,529,503</u>	<u>44,828,038</u>	<u>3,093,358</u>
Change in plan assets:				
<b>Fair value of plan assets – beginning of year</b>	28,149,932	-	28,180,285	-
Actual return	2,521,040	-	(323,970)	-
Employer contributions	872,000	62,198	2,525,000	54,188
Participant contributions and retiree drug subsidy	-	104,282	-	116,252
Benefits paid	(2,912,068)	(166,480)	(1,942,569)	(170,440)
Administrative expenses	<u>(387,840)</u>	<u>-</u>	<u>(288,814)</u>	<u>-</u>
<b>Fair value of plan assets – end of year</b>	<u>28,243,064</u>	<u>-</u>	<u>28,149,932</u>	<u>-</u>
Funded status	<u>\$ (11,219,880)</u>	<u>\$ (2,529,503)</u>	<u>\$ (16,678,106)</u>	<u>\$ (3,093,358)</u>
Accumulated benefit obligation	<u>\$ 39,462,944</u>	<u>2,529,503</u>	<u>\$ 44,828,038</u>	<u>3,093,358</u>

**NATIONAL AUDUBON SOCIETY, INC.**  
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Amounts recognized as a liability in the accompanying consolidated statements of financial position consisted of the following as of June 30, 2013 and 2012:

	<b>2013</b>		
	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plan</b>	<b>Total</b>
Accrued benefit liability	<u>\$ (11,219,880)</u>	<u>\$ (2,529,503)</u>	<u>\$ (13,749,383)</u>

  

	<b>2012</b>		
	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plan</b>	<b>Total</b>
Accrued benefit liability	<u>\$ (16,678,106)</u>	<u>\$ (3,093,358)</u>	<u>\$ (19,771,464)</u>

The following table provides the components of net periodic benefit cost for the plans for the years ended June 30, 2013 and 2012:

	<b>2013</b>		<b>2012</b>	
	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plan</b>	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plan</b>
Service cost	\$ 289,000	\$ 174,590	\$ 333,000	\$ 192,049
Interest cost	1,654,388	97,882	1,915,372	130,166
Expected return on plan assets	(1,788,899)	-	(1,804,870)	-
Amortization of prior service credit	-	(1,452,359)	-	(1,452,359)
Amortization of net loss	<u>1,967,177</u>	<u>102,498</u>	<u>904,811</u>	<u>133,629</u>
Net periodic benefit cost (credit)	<u>\$ 2,121,666</u>	<u>\$ (1,077,389)</u>	<u>\$ 1,348,313</u>	<u>\$ (996,515)</u>



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The components of the unfunded liability as of June 30, 2013 and 2012 but not yet reflected in net periodic benefit cost consisted of the following:

	2013		2012	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Prior service credit	\$ -	\$ 5,501,321	\$ -	\$ 6,953,680
Accumulated loss	<u>(12,047,140)</u>	<u>(794,260)</u>	<u>(18,755,032)</u>	<u>(1,670,887)</u>
Amounts recognized in unrestricted net assets	(12,047,140)	4,707,061	(18,755,032)	5,282,793
Cumulative employer contributions in excess of net periodic benefit cost	<u>827,260</u>	<u>(7,236,564)</u>	<u>2,076,926</u>	<u>(8,376,151)</u>
Net amount recognized in the statement of financial position	<u>\$ (11,219,880)</u>	<u>\$ (2,529,503)</u>	<u>\$ (16,678,106)</u>	<u>\$ (3,093,358)</u>

For the years ended June 30, 2013 and 2012, Audubon recognized pension and postretirement related changes other than net periodic costs of \$6,132,160 and \$(10,273,765), respectively. Such amounts represent the change in the amounts reflected in unrestricted net assets for the years ended June 30, 2013 and 2012 and consist of \$6,707,892 and \$(8,198,504) for the Cash Balance Plan and \$(575,732) and \$(2,075,261) for the Retiree Medical and Life plan.

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2013 and 2012 are as follows:

	2013		2012	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Net (gain) loss arising during period	\$ (4,740,715)	\$ (774,129)	\$ 9,103,315	\$ 756,531
Amortization of prior service credit	-	1,452,359	-	1,452,359
Amortization of actuarial loss	<u>(1,967,177)</u>	<u>(102,498)</u>	<u>(904,811)</u>	<u>(133,629)</u>
Change in unrestricted net assets	<u>\$ (6,707,892)</u>	<u>\$ 575,732</u>	<u>\$ 8,198,504</u>	<u>\$ 2,075,261</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ (4,586,226)</u>	<u>\$ (501,657)</u>	<u>\$ 9,546,817</u>	<u>\$ 1,078,746</u>

The estimated actuarial loss and prior service credit for the Cash Balance Plan that will be amortized from the unrestricted net asset balance into net periodic benefit cost over the next fiscal year are \$1,157,264 and \$0, respectively. The estimated actuarial loss and prior service credit for the Retiree Medical and Life Plan that will be amortized from the unrestricted net asset balance into net periodic benefit cost over the next fiscal year are \$58,019 and \$1,452,359, respectively.

**NATIONAL AUDUBON SOCIETY, INC.**  
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The weighted average assumptions used to determine benefit obligations as of June 30, 2013 and 2012 consisted of the following:

	<b>2013</b>		<b>2012</b>	
	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plan</b>	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plans</b>
Discount rate	4.50 %	4.50 %	3.80 %	3.80 %
Rate of compensation increase	N/A	N/A	N/A	N/A

The weighted average assumptions used to determine net periodic benefit cost for the years ended June 30, 2013 and 2012 consisted of the following:

	<b>2013</b>		<b>2012</b>	
	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plan</b>	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plans</b>
Discount rate	3.80 %	3.80 %	5.25 %	5.25 %
Expected return on plan assets	6.50 %	N/A	6.50 %	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A
Medical cost trend rate	N/A	8.04 %	N/A	8.31 %

The assumed health care cost trend rate at June 30, 2013 and 2012 consisted of the following:

	<b>2013</b>		<b>2012</b>	
	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plan</b>	<b>Cash Balance Plan</b>	<b>Retiree Medical and Life Plan</b>
Health care cost trend rate assumed for next year	N/A	7.78 %	N/A	8.04 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	4.50 %	N/A	4.50 %
Year that the rate reaches the ultimate trend rate	N/A	2029	N/A	2029

Audubon expects to contribute approximately \$823,000 to its Cash Balance Plan and \$0 to its Retiree Medical and Life Plan during the year ending June 30, 2014.

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Future benefit payments are expected to be as follows:

<u>Fiscal year ending June 30th</u>	<u>Cash Balance Plan</u>	<u>Retiree Medical and Life Plan</u>
2014	\$ 1,819,000	\$ 124,000
2015	1,935,000	148,000
2016	2,102,000	156,000
2017	2,231,000	167,000
2018	2,306,000	196,000
2019 through 2023	<u>12,371,000</u>	<u>1,366,000</u>
Total	<u>\$ 22,764,000</u>	<u>\$ 2,157,000</u>

The weighted average asset allocation of the Cash Balance Plan as of June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Equities - domestic	26.90 %	21.96 %
Equities - international	24.26 %	20.98 %
Debt securities	32.69 %	32.97 %
Cash and cash equivalents	6.63 %	15.19 %
Alternative investments	<u>9.52 %</u>	<u>8.90 %</u>
	<u>100.00 %</u>	<u>100.00 %</u>

The Cash Balance Plan's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocations and estimates of future long-term returns by asset class.

The composition of the Cash Balance Plan's assets is intended to provide a long-term annualized investment return that will provide for future benefit payments. Volatility is reduced by asset class diversification. The target asset mix is periodically reviewed based on future expectations and performance and rebalanced as deemed necessary.

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The fair value hierarchy defines three levels, as further described in Note 2. Cash Balance Plan assets measured at fair value at June 30, 2013 and 2012 are classified in the table as follows:

	<b>2013</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Investments:			
Equities - domestic	\$ 7,598,026	\$ -	\$ 7,598,026
Equities - international	6,851,170	-	6,851,170
Collective trust fund	-	9,233,559	9,233,559
Cash and cash equivalents	1,871,878	-	1,871,878
Alternative investments	-	2,688,431	2,688,431
Total assets carried at fair value	<u>\$ 16,321,074</u>	<u>\$ 11,921,990</u>	<u>\$ 28,243,064</u>
	<b>2012</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Investments:			
Equities - domestic	\$ 6,182,226	\$ -	\$ 6,182,226
Equities - international	5,905,786	-	5,905,786
Collective trust fund	-	9,281,131	9,281,131
Cash and cash equivalents	4,277,066	-	4,277,066
Alternative investments	-	2,503,723	2,503,723
Total assets carried at fair value	<u>\$ 16,365,078</u>	<u>\$ 11,784,854</u>	<u>\$ 28,149,932</u>

The Cash Balance Plan did not have any investments classified as Level 3 as of June 30, 2013 and 2012.

The following table lists Audubon's Cash Balance Plan investments by major category, which are valued at NAV as of June 30, 2013 and 2012:

Type	Strategy	2013					
		Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Alternative investment - Limited partnership	The partnership is organized for the purpose of earning attractive rates of return through an investment program of "alternative investment strategies" including general or limited partnerships or other pooled vehicles and with managers of separately managed accounts.	1	\$ 1,646,303	18	N/A	90 days written notice as of each June 30th and December 31st.	Restrictions for withdrawals of 90% or more.
Collective trust fund - Blackrock Institutional Trust Company	Fixed income fund	1	9,233,559	N/A	N/A	Daily	N/A
Alternative investment - Open-ended Interval Fund	Seeks long-term growth of capital by investing primarily in equity securities of issuers in developing countries.	1	1,042,128	N/A	N/A	30 days written notice with a monthly frequency.	N/A
		<u>3</u>	<u>\$ 11,921,990</u>				

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Type	Strategy	2012		Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
		Number of Funds	NAV in Funds				
Alternative investment - Limited partnership	The partnership is organized for the purpose of earning attractive rates of return through an investment program of "alternative investment strategies" including general or limited partnerships or other pooled vehicles and with managers of separately managed accounts.	1	\$ 1,501,154	18	N/A	90 days written notice as of each June 30th and December 31st.	Restrictions for withdrawals of 90% or more.
Collective trust fund - Blackrock Institutional Trust Company	Fixed income fund	1	9,281,131	N/A	N/A	Daily	N/A
Alternative investment - Open-ended Interval Fund	Seeks long-term growth of capital by investing primarily in equity securities of issuers in developing countries.	1	1,002,569	N/A	N/A	30 days written notice with a monthly frequency.	N/A
		<u>3</u>	<u>\$ 11,784,854</u>				

**11. LOAN PAYABLE**

During the year ended June 30, 2012, Audubon borrowed \$7.175 million from a lender under a note and security agreement. The note and security agreement states an interest rate of 0.46% per annum and is secured by certain collectibles ("Collectibles"). The principal balance of the note payable is due and payable on June 30, 2014. In conjunction with the note and security agreement, the parties entered into an option agreement, consideration for which was the waiver of the 0.46% annual interest due on the note payable. Under the option agreement, the lender has an option to purchase the Collectibles at a purchase price of \$7.175 million through August 11, 2014 under certain terms and conditions.

During the year ended June 30, 2013, Audubon borrowed \$100,000 from a lender. The principal balance of the note payable is due and payable on or prior to May 21, 2016. No interest is due on this note.

**12. CHARITABLE TRUST AGREEMENTS**

Beneficial interests in charitable trusts consisted of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Held by third-party trustees	<u>\$ 42,151,503</u>	<u>\$ 39,402,611</u>
Held by Audubon as trustee:		
Charitable gift annuities	\$ 10,797,113	\$ 8,660,177
Pooled income fund	<u>1,574,697</u>	<u>1,669,170</u>
	<u>\$ 12,371,810</u>	<u>\$ 10,329,347</u>

**NATIONAL AUDUBON SOCIETY, INC.**  
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Most assets held by third-party trustees are invested in diversified portfolios.

Assets held by Audubon as trustee are invested in diversified portfolios and are included within Audubon's investment portfolio as further described in Note 5 to the accompanying consolidated financial statements. The assets held by Audubon as trustee include additional amounts set aside by Audubon for state-mandated insurance reserves, which are maintained at the required level.

As trustee of certain trusts, Audubon has an obligation to make periodic payments to beneficiaries. Obligations under charitable trusts amounted to approximately \$6,610,000 and \$5,548,000 as of June 30, 2013 and 2012, respectively.