
LINDLEY AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

SEATTLE AUDUBON SOCIETY



FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2012 AND 2011

SEATTLE AUDUBON SOCIETY

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LINDLEY AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

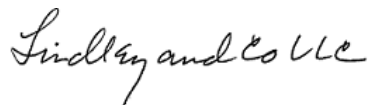
INDEPENDENT AUDITORS' REPORT

Board of Directors
Seattle Audubon Society
Seattle, Washington

We have audited the accompanying statement of financial position of Seattle Audubon Society (a nonprofit corporation) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Seattle Audubon Society. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Seattle Audubon Society as of June 30, 2011, were audited by other auditors and whose report dated November 7, 2011, expressed an unqualified opinion on those statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle Audubon Society as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Lindley and Company LLC
November 20, 2012

SEATTLE AUDUBON SOCIETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 154,542	\$ 248,244
Short-term investments	51,495	177,600
Accounts and other receivables	1,318	1,409
Grants and contributions receivable	11,690	30,692
Pledges receivable, current portion	20,000	-
Inventory	173,044	139,451
Prepaid expenses	20,424	12,863
Total current assets	432,513	610,259
Property and equipment		
Land	469,354	469,354
Building and leasehold improvements	259,681	193,946
Furniture and equipment	63,898	63,390
Construction in progress	-	65,735
	792,933	792,425
Accumulated depreciation	(168,201)	(158,013)
	624,732	634,412
Pledges receivable, restricted for long term purposes	37,320	-
Long-term investments	2,298,584	2,218,441
Total assets	\$ 3,393,149	\$ 3,463,112
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 39,280	\$ 43,378
Accrued payroll expense	37,598	38,445
Deferred revenue	63,845	72,030
Total current liabilities	140,723	153,853
Net assets		
Unrestricted	879,989	883,681
Temporarily restricted	1,202,998	1,256,139
Permanently restricted	1,169,439	1,169,439
Total net assets	3,252,426	3,309,259
Total liabilities and net assets	\$ 3,393,149	\$ 3,463,112

See accompanying notes to financial statements.

SEATTLE AUDUBON SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support				
Contributions	\$ 156,083	\$ 101,901	\$ -	\$ 257,984
Membership dues	77,497			77,497
Grants	4,714	63,036		67,750
In-kind donations	16,000			16,000
Net assets released from restriction	267,938	(267,938)		-
Total support	522,232	(103,001)	-	419,231
Revenue				
Retail sales	523,690			523,690
Cost of good sold	(329,411)			(329,411)
Program fees	44,098	71,508		115,606
Investment income (loss), net	81,605	(21,648)		59,957
Miscellaneous	4,662			4,662
Total revenue	324,644	49,860	-	374,504
Total support and revenue	846,876	(53,141)	-	793,735
Expenses				
Environmental education	214,505			214,505
Conservation advocacy	124,836			124,836
Membership, volunteers and newsletter	91,152			91,152
Habitat preservation	105,500			105,500
Nature store and appreciation of nature	124,390			124,390
Management and general	123,089			123,089
Fund raising	67,096			67,096
Total expenses	850,568	-	-	850,568
Change in net assets	(3,692)	(53,141)	-	(56,833)
Net assets - beginning of year	883,681	1,256,139	1,169,439	3,309,259
Net assets - end of year	\$ 879,989	\$ 1,202,998	\$ 1,169,439	\$ 3,252,426

See accompanying notes to financial statements.

SEATTLE AUDUBON SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support				
Contributions	\$ 196,582	\$ 107,420	\$ -	\$ 304,002
Membership dues	71,894			71,894
Grants	18,400	49,720		68,120
In-kind donations	39,142			39,142
Net assets released from restriction	203,741	(203,741)		-
Total support	<u>529,759</u>	<u>(46,601)</u>	<u>-</u>	<u>483,158</u>
Revenue				
Retail sales	447,686			447,686
Cost of good sold	(283,530)			(283,530)
Program fees	38,466	72,030		110,496
Investment income, net	135,488	126,863		262,351
Miscellaneous	1,026			1,026
Total revenue	<u>339,136</u>	<u>198,893</u>	<u>-</u>	<u>538,029</u>
Total support and revenue	868,895	152,292	-	1,021,187
Expenses				
Environmental education conservation advocacy, including contribution of habitat land to King County	215,033			215,033
Membership, volunteers and newsletter	433,476			433,476
Habitat preservation	111,665			111,665
Habitat preservation	655			655
Nature store and appreciation of nature	125,937			125,937
Management and general	97,107			97,107
Fund raising	89,622			89,622
Total expenses	<u>1,073,495</u>	<u>-</u>	<u>-</u>	<u>1,073,495</u>
Change in net assets	(204,600)	152,292	-	(52,308)
Net assets - beginning of year	1,088,281	1,103,847	1,169,439	3,361,567
Net assets - end of year	<u>\$ 883,681</u>	<u>\$ 1,256,139</u>	<u>\$ 1,169,439</u>	<u>\$ 3,309,259</u>

See accompanying notes to financial statements.

SEATTLE AUDUBON SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ (56,833)	\$ (52,308)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	10,188	9,618
Contribution of habitat land to King County and other adjustments to land	-	270,582
Realized gains (losses) on investments	7,606	(8,831)
Unrealized gains (losses) on investments	(5,018)	(202,395)
Change in operating assets and liabilities:		
Accounts and other receivables	91	2,760
Grants and contributions receivable	19,002	(27,292)
Pledges receivable, current	(20,000)	-
Inventory	(33,593)	62,255
Prepaid expenses	(7,561)	4,854
Accounts payable	(4,098)	10,063
Accrued payroll expense	(847)	-
Deferred revenue	(8,185)	(8,121)
Net cash from operating activities	<u>(99,248)</u>	<u>61,185</u>
Cash flows from investing activities		
Purchase of property and equipment	(508)	(2,017)
Purchase/sale of long-term investments	43,374	(48,530)
Net cash from investing activities	<u>42,866</u>	<u>(50,547)</u>
Cash flows from financing activities		
Principal payments on note payable	-	(19,596)
Contributions restricted for long term purposes	(37,320)	-
Net cash from financing activities	<u>(37,320)</u>	<u>(19,596)</u>
Net change in cash and cash equivalents	(93,702)	(8,958)
Cash and cash equivalents at beginning of period	248,244	257,202
Cash and cash equivalents at end of period	<u>\$ 154,542</u>	<u>\$ 248,244</u>

See accompanying notes to financial statements.

SEATTLE AUDUBON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 1. Organization and Significant Accounting Policies

The Seattle Audubon Society (the Society), a Washington nonprofit corporation, was founded in 1916. Society members and volunteers have continually worked for the protection, restoration and preservation of natural habitat for birds and other wildlife. These years of experience have never been more important than today as the growth in our region stresses many habitats and their inhabitants.

Faithful volunteers work hand-in-hand with dedicated staff to provide education programs to children and adults, to engage neighborhoods in citizen science projects, and to protect birds and nature through conservation activities. Field trips give members the opportunity to enjoy birding from waters of Puget Sound to the shrub-steppe of Eastern Washington. Volunteers at the Seattle Audubon Nature Center staff a bird question hotline and sell quality backyard bird supplies and gifts through the Nature Shop.

- ***Environmental Education*** – The Society inspires people of all ages to learn about and enjoy birds and the natural environment.
 - They provide an environmental education programs to over 1,200 elementary school students in the Seattle Public School system. With the help of nearly 200 volunteers these programs use a “hands on, discovery” model. Volunteers lead classes on birds and their related habitats; conduct youth summer camps; offer teen leadership sessions focusing on birds and the natural world.
 - Volunteers hold monthly programs for both members and the public; provide sessions for communities interested in improving habitat for wildlife; and trains adults to become master ornithologists.

- ***Conservation Advocacy*** – The Society actively promotes public policies (local, state, and federal), encouraging private practices that protect and restore habitat for birds and other wildlife. They lead the effort protecting habitat for at-risk bird species, including the Northern Spotted Owl and the Marbled Murrelet; empowering Seattle neighborhood residents to become pro-active advocates to:
 - Preserve and restore the urban tree canopy and developed additional urban green spaces;
 - Advocate for development of renewable energy resources that take into account potential impacts to at-risk bird species; and
 - Empower individuals to collect vital scientific data measuring the health of regional bird populations through multiple bird survey and monitoring projects.
 - Contribute land to government agencies to promote conservation.

- ***Membership, Volunteers and Newsletter*** – The Society has a membership of over 2,900 members who support the objectives of the Society. The Society places a premium on making the volunteer experience a satisfying and rewarding one for the approximately 700 active volunteers. Volunteers are encouraged to assume leadership roles and to be involved in the activities throughout the organization. The Society writes and publishes an environmental issues newsletter educating members and the general public. Other topics include nature articles and enjoyment activities.

SEATTLE AUDUBON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011 (continued)

Note 1. Organization and Significant Accounting Policies (continued)

- **Habitat Preservation** – Dedicated to the preservation of lands with exceptional habitats for birds, the Society maintains selected sites for wildlife sanctuary lands and assists in the maintenance and protection of these sites as wildlife sanctuaries. The Martin Miller permanent endowment provides funds for the purchase of land with significant habitat value.
- **Nature Store and Appreciation of Nature** – Stimulating environmental awareness and nature appreciation, the Society hosts tours and field trips to outdoor destinations for both members and the general public. To support an appreciation of nature, the Society maintains a nature store supplied with books, field guides and other environmental publications, wild bird paraphernalia, and other nature-related items of interest to its members and the general public.

Basis of presentation: The Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of the Society are classified as follows:

Unrestricted net assets are available without restriction for support of the Society's operations.

Temporarily restricted net assets are restricted by the donors to be used for certain purposes or future periods by the Society.

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity.

Revenues earned on permanently restricted net assets are reported as increases in temporarily restricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and on the disposition of other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and cash equivalent: Cash and cash equivalents consist of checking and money market accounts and certificates of deposit with initial maturities of 90 days or less. The Society has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk. While the Society has not incurred any losses in the past due to this excess, changing economic conditions increase the risk of losses in the future.

Accounts receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances within the next year. Management does not provide for uncollectible accounts as they believe all accounts are collectible.

Contributions and contributions receivable: When a donor makes an unconditional promise to give (pledge), the contribution revenue is recognized at the time the pledge is made. When a contribution is not preceded by a pledge to give, the revenue is recognized when the contribution is received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that restrict the use of the support.

SEATTLE AUDUBON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011 (continued)

Note 1. Organization and Significant Accounting Policies (continued)

Fair value measurements: In accordance with accounting principles generally accepted in the United States of America (GAAP), certain assets and liabilities are valued using a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. Level 1 inputs are given the highest priority and are based on unadjusted quoted market prices within active markets. Assets and liabilities are valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Assets and liabilities using Level 3 inputs are given the lowest priority and are primarily valued using unobservable inputs such as management's assumptions about assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Inventories: Inventories, which consists of books, educational materials and promotional clothing items such as shirts, are stated at lower of cost or market determined by the average cost method, and reduces the cost of inventory under the lower of cost or market rule on an annual basis.

Property and equipment: Property and equipment are stated at cost; or if donated, at estimated fair value at date of donation. Long-lived assets with original purchase price greater than \$500 are capitalized and depreciated using the straight-line method over the estimated useful lives of the asset of 5 to 7 years.

Deferred revenue: Deferred revenue consists of program fees collected in advance of program events, primarily youth camps. Program revenue is recognized when earned, when the related program takes place.

Restricted and unrestricted support: Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (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 statements of activities as net assets released from restrictions. If the Society receives a temporarily restricted grant or contribution and the restricted are met in the same year the grant or contribution is received, it is then recorded as unrestricted revenue.

Sales revenue recognition: The Society recognizes revenue when products are sold at point of sale or shipped to the customer and title and risk of loss for products has passed to the customer.

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

Functional allocation of expenses: The costs of providing the various program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

SEATTLE AUDUBON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011 (continued)

Note 1. Organization and Significant Accounting Policies (continued)

Federal income taxes: The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for federal income taxes has been made in the accompanying financial statements. They qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Society files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Society is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

Subsequent events: Management of the Society has evaluated events and transactions occurring after June 30, 2012 through the date of this report, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that require recognition and disclosures in the financial statements.

Note 2. Pledges

Pledges, both restricted and unrestricted, expected to be collected within one year, are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated cash flows. The present value of estimated future cash flows has been measured utilizing a discount rate of 4.75%. Pledges are expected to be realized in the following time frame:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 20,000	\$ -
Receivable in one to five years	40,000	-
	<u>60,000</u>	<u>-</u>
Less discounts to present value	(2,680)	-
	<u>\$ 57,320</u>	<u>\$ -</u>

The following are the net assets restrictions; unrestricted, temporarily and permanently; for pledges receivable at June 30:

	<u>2012</u>	<u>2011</u>
Pledges receivable, current		
Unrestricted	\$ -	\$ -
Temporarily restricted	20,000	-
	<u>\$ 20,000</u>	<u>\$ -</u>
Pledges receivable, noncurrent		
Unrestricted	\$ -	\$ -
Temporarily restricted	37,320	-
	<u>\$ 37,320</u>	<u>\$ -</u>

SEATTLE AUDUBON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011 (continued)

Note 3. Investments

Investments consisted of the following at June 30, 2012 and 2011:

	2012	2011
Cash and cash equivalents	\$ 59,015	\$ 119,807
Certificates of deposit	-	110,122
Corporate bonds in financial institutions	125,445	122,267
Notes from government-sponsored organizations	669,790	476,245
Notes from domestic corporations	52,480	99,365
Real estate investment trusts portfolio	57,396	76,352
United States equity securities	200,223	248,489
Mutual funds - bond income	474,485	447,937
Mutual funds - equity income	431,088	409,669
Mutual funds - equity sustainable growth	183,483	181,915
Mutual funds - equity appreciation	96,674	103,873
	\$ 2,350,079	\$ 2,396,041
Short-term investments	\$ 51,495	\$ 177,600
Long-term investments	2,298,584	2,218,441
	\$ 2,350,079	\$ 2,396,041

Short- term investments are projected to be used in the following year. Long-term investments are not projected to be used in the following year. These investments are subject to market fluctuations and changes in economic conditions. These investments may experience significant fluctuations in market price.

Components of investment return are summarized as follows for the years ended June 30, 2012 and 2011:

	2012	2011
Realized gains (losses)	\$ 7,606	\$ 8,831
Unrealized gains (losses)	(5,018)	202,395
Interest and dividends	69,163	62,868
	71,751	274,094
Management fees	(11,794)	(11,743)
	\$ 59,957	\$ 262,351

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SEATTLE AUDUBON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011 (continued)

Note 3. Investments (continued)

The following table summarizes the valuation of the Society's financial investments and interests under the fair value hierarchy as of June 30, 2012 and 2011:

	2012			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 59,015	\$ -	\$ -	\$ 59,015
Certificates of deposit	-			-
Corporate bonds in financial institutions		125,445		125,445
Notes from government-sponsored organizations	669,790	-		669,790
Notes from domestic corporations		52,480		52,480
Real estate investment trusts portfolio		57,396		57,396
United States equity securities		200,223		200,223
Mutual funds - bond income	474,485			474,485
Mutual funds - equity income	431,088			431,088
Mutual funds - equity sustainable growth	183,483			183,483
Mutual funds - equity appreciation	96,674			96,674
	<u>\$ 1,914,535</u>	<u>\$ 435,544</u>	<u>\$ -</u>	<u>\$ 2,350,079</u>

	2011			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 119,807	\$ -	\$ -	\$ 119,807
Certificates of deposit	110,122			110,122
Corporate bonds in financial institutions		122,267		122,267
Notes from government-sponsored organizations	476,245			476,245
Notes from domestic corporations		99,365		99,365
Real estate investment trusts portfolio		76,352		76,352
United States equity securities		248,489		248,489
Mutual funds - bond income	447,937			447,937
Mutual funds - equity income	409,669			409,669
Mutual funds - equity sustainable growth	181,915			181,915
Mutual funds - equity appreciation	103,873			103,873
	<u>\$ 1,849,568</u>	<u>\$ 546,473</u>	<u>\$ -</u>	<u>\$ 2,396,041</u>

SEATTLE AUDUBON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011 (continued)

Note 4. Inventory

Inventory consists of optical equipment, publications and multimedia videos, bird feeders and food, and other related items.

Inventory consisted of the following at June 30:

	2012	2011
Optics	\$ 83,916	\$ 45,418
Publications	26,860	25,722
General habitat supplies	17,944	26,807
Paper products	4,944	8,493
Feeders	4,702	5,340
Other	34,678	27,671
	\$ 173,044	\$ 139,451

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2012 and 2011:

	2012	2011
Environmental education	\$ 138,252	\$ 107,859
Conservation advocacy	414,818	407,250
Habitat preservation	53,120	180,198
Volunteer involvement	23,325	25,820
Preservation of habitat endowment purchasing power	573,483	535,012
	\$ 1,202,998	\$ 1,256,139

Unappropriated endowment earnings are considered temporarily restricted under the requirements of the Uniform Prudent management of Institutional Funds Act (UPMIFA) until appropriated, and have been allocated based on endowment requirements into the temporarily restricted programs above.

SEATTLE AUDUBON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011 (continued)

Note 6. Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at June 30:

	2012	2011
Environmental education	\$ 625,821	\$ 625,821
Habitat preservation	527,618	527,618
Legal	16,000	16,000
	\$ 1,169,439	\$ 1,169,439

Note 7. In-kind Contributions

Contributed goods and services are recorded at rates that would have been paid for similar goods and services of purchased. During the years ended June 30, 2012 and 2011, the Society received in-kind donations of \$16,000 and \$39,142 in technical support services.

In accordance with financial accounting standards, the financial statements reflect only those donated services requiring specific expertise that the Organization would otherwise need to purchase. However, a substantial number of unpaid volunteers have made significant contributions of their time to the Society.

Note 8. Permanent Endowments

The Society's endowment consists of six individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds (permanently restricted) and funds designated by the Board of Directors (board designated) to function as endowments ("quasi-endowments"). As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Society Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, they classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, plus (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 in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Trustees consider the following factors in making a determination to appropriate or accumulate donor-restricted funds:

SEATTLE AUDUBON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011 (continued)

Note 8. Permanent Endowments (continued)

- The duration and preservation of the endowment fund
- The purposes of Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- The investment policies and other resources of the Organization

Endowment net assets consist of the following at June 30, 2012 and 2011:

	June 30, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 695,243	\$ 1,169,439	\$ 1,864,682
Board-designated quasi-endowment funds	485,397	-	-	485,397
	<u>\$ 485,397</u>	<u>\$ 695,243</u>	<u>\$ 1,169,439</u>	<u>\$ 2,350,079</u>
	June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 716,891	\$ 1,169,439	\$ 1,886,330
Board-designated quasi-endowment funds	509,711	-	-	509,711
	<u>\$ 509,711</u>	<u>\$ 716,891</u>	<u>\$ 1,169,439</u>	<u>\$ 2,396,041</u>

Changes in endowment net assets are as follows for the years ended June 30, 2012 and 2011:

	June 30, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, June 30, 2010	\$ 376,819	\$ 590,028	\$ 1,169,439	\$ 2,136,286
Investment income	19,926	31,200		51,126
Net appreciation (realized and unrealized)	82,323	128,902		211,225
Appropriation of endowment assets for expenditure	33,239	(33,239)		-
Withdrawal of unrestricted investments	(2,596)			(2,596)
Endowment net assets, June 30, 2011	<u>\$ 509,711</u>	<u>\$ 716,891</u>	<u>\$ 1,169,439</u>	<u>\$ 2,396,041</u>
Investment income	25,222	32,147		57,369
Net appreciation (realized and unrealized)	17,913	(15,324)		2,589
Appropriation of endowment assets for expenditure	38,471	(38,471)		-
Contributions	-			-
Withdrawal of unrestricted investments	(105,920)			(105,920)
Endowment net assets, June 30, 2012	<u>\$ 485,397</u>	<u>\$ 695,243</u>	<u>\$ 1,169,439</u>	<u>\$ 2,350,079</u>

SEATTLE AUDUBON SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011 (continued)

Note 8. Permanent Endowments (continued)

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 endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as quasi-endowments funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed general market averages while assuming a prudent level of investment risk.

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). They target a diversified asset allocation that places a greater emphasis on equity-based 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 up to five percent (5%) of a moving three (3) year average of the portfolio value. If the Board of Directors elects not to appropriate the entire allowable distribution amount, the investment gains or losses, by default, are included as positive or negative change to temporarily restrict net assets. Any losses incurred which reduce the investment value below the original endowment are included in unrestricted losses on investments. As discussed below, there were no endowments where the fair value of the investment had fallen below the original basis, as of June 30, 2012 and 2011. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to maintain its historical value.

Funds with Deficiencies: On occasion, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature are to be reported in unrestricted net assets. There were no such deficiencies as of June 30, 2012 and 2011.

Note 9. Preservation of Habitat Endowment Purchasing Power

The Board of Directors adopted a policy providing for the preservation of the habitat purchasing power (real value) of the Martin Miller permanent endowment. Endowment earnings are externally restricted for habitat preservation. To meet purchasing power objective(s), the policy requires a portion of the net endowment appreciation be retained in an amount necessary to adjust the historical dollar value of the original endowment gifts by the change in Consumer Price Index. The total amount required to be retained to preserve the purchasing power as of June 30, 2012 and 2011, was \$573,483 and \$535,012, respectively, and is included in temporarily restricted net assets in the statements of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
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Note 10. Benefit Plan

The Society has a Simple IRA plan for employees who meet Plan eligibility requirements. The Society matches a portion of employee contributions. Matching contributions amounted to \$8,055 and \$6,571 the years ended June 30, 2012 and 2011, respectively.