



**NEW JERSEY
AUDUBON
SOCIETY**

www.njaudubon.org

Financial Statements

August 31, 2010 and 2009

With Independent Auditors' Reports

New Jersey Audubon Society
Table of Contents
August 31, 2010 and 2009

Independent Auditors' Report1

Financial Statements

Statements of Financial Position.....2

Statements of Activities and Changes in Net Assets.....3

Statements of Cash Flows4

Statements of Functional Expenses 5-6

Notes to Financial Statements 7-17



WithumSmith+Brown, PC
A Professional Corporation
Certified Public Accountants and Consultants

One Spring Street
New Brunswick, NJ 08901
732.828.1615 fax 732.828.5156

www.withum.com

Additional Offices in New Jersey, New York,
Pennsylvania, Maryland, Colorado and Florida

Independent Auditors' Report

To the Board of Directors,
New Jersey Audubon Society:

We have audited the accompanying statements of financial position of New Jersey Audubon Society as of August 31, 2010 and 2009 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of New Jersey Audubon Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts 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 audits provide 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 New Jersey Audubon Society as of August 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

January 10, 2011

New Jersey Audubon Society
Statements of Financial Position
August 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 402,715	\$ 987,450
Grants and contracts receivable	510,472	600,609
Loans receivable	33,003	50,900
Settlement receivable, current	--	8,007
Pledges receivable	110,000	20,000
Bequest receivable	76,111	--
Other receivables and prepaid expenses	49,178	53,124
Merchandise inventory	794,980	846,339
Total current assets	<u>1,976,459</u>	<u>2,566,429</u>
Construction in progress	--	1,207,666
Property and equipment, net	4,561,006	3,029,425
Other assets		
Investments	3,008,546	2,904,523
Pledges receivable, net	205,967	76,458
Beneficial interest in remainder trust	609,000	406,000
Cash surrender value, officer's life insurance	51,393	48,503
Land held in perpetuity	17,135,829	16,150,603
Total other assets	<u>21,010,735</u>	<u>19,586,087</u>
	<u>\$ 27,548,200</u>	<u>\$ 26,389,607</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 494,778	\$ 592,501
Deferred membership dues	75,038	55,749
Deferred revenue	64,244	170,248
Total current liabilities	<u>634,060</u>	<u>818,498</u>
Deferred revenue	--	727
Total liabilities	<u>634,060</u>	<u>819,225</u>
Net assets		
Unrestricted	4,789,836	4,512,855
Temporarily restricted	2,164,164	2,285,613
Permanently restricted	19,960,140	18,771,914
Total net assets	<u>26,914,140</u>	<u>25,570,382</u>
	<u>\$ 27,548,200</u>	<u>\$ 26,389,607</u>

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

New Jersey Audubon Society
Statements of Activities and Changes in Net Assets
Years Ended August 31, 2010 and 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Sale of merchandise	\$ 1,089,747	\$ --	\$ --	\$ 1,089,747	\$ 1,125,440	\$ --	\$ --	\$ 1,125,440
Less: Cost of goods sold	(790,515)	--	--	(790,515)	(785,310)	--	--	(785,310)
Net sales of merchandise	299,232	--	--	299,232	340,130	--	--	340,130
Contributions	1,265,167	1,700,582	1,185,226	4,150,975	1,817,515	1,685,495	200,020	3,703,030
Grants and contracts	1,770,607	--	--	1,770,607	1,045,760	--	--	1,045,760
Program fees	758,363	--	--	758,363	736,746	--	--	736,746
Membership dues	126,560	--	--	126,560	144,482	--	--	144,482
Event income	375,275	--	--	375,275	403,434	--	--	403,434
Change in value of beneficial interest in residual trust	--	--	3,000	3,000	--	--	4,000	4,000
Gain on sale or disposal of property and equipment	--	--	--	--	365,376	--	--	365,376
Investment gain (loss)	237,600	--	--	237,600	(93,599)	--	--	(93,599)
	4,832,804	1,700,582	1,188,226	7,721,612	4,759,844	1,685,495	204,020	6,649,359
Net assets released from restrictions	1,822,031	(1,822,031)	--	--	1,742,056	(1,742,056)	--	--
	6,654,835	(121,449)	1,188,226	7,721,612	6,501,900	(56,561)	204,020	6,649,359
Expenses								
Program services								
Education and sanctuaries	2,874,946	--	--	2,874,946	2,934,515	--	--	2,934,515
Conservation	1,567,311	--	--	1,567,311	1,315,913	--	--	1,315,913
Research	1,027,035	--	--	1,027,035	1,026,701	--	--	1,026,701
	5,469,292	--	--	5,469,292	5,277,129	--	--	5,277,129
Supporting services								
Management and general	272,742	--	--	272,742	345,123	--	--	345,123
Development	635,820	--	--	635,820	557,199	--	--	557,199
	908,562	--	--	908,562	902,322	--	--	902,322
	6,377,854	--	--	6,377,854	6,179,451	--	--	6,179,451
Changes in net assets	276,981	(121,449)	1,188,226	1,343,758	322,449	(56,561)	204,020	469,908
Net assets, beginning of year	4,512,855	2,285,613	18,771,914	25,570,382	4,190,406	2,342,174	18,567,894	25,100,474
Net assets, end of year	\$ 4,789,836	\$ 2,164,164	\$ 19,960,140	\$ 26,914,140	\$ 4,512,855	\$ 2,285,613	\$ 18,771,914	\$ 25,570,382

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

New Jersey Audubon Society
Statements of Cash Flows
Years Ended August 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Changes in net assets	\$ 1,343,758	\$ 469,908
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation	452,879	452,354
Change in value of remainder trust	(203,000)	(4,000)
Gain on disposal of assets	--	(365,376)
Unrealized (gains) losses on investments	(126,908)	134,670
Realized (gains) losses on investments	(25,262)	46,038
Adjustment to present value	10,491	13,542
Permanently restricted contributions	(1,185,226)	(200,020)
Changes in assets and liabilities		
Grants and contracts receivable	90,137	(133,952)
Settlement receivable	8,007	7,281
Pledges receivable	(230,000)	(57,500)
Bequest receivable	(76,111)	70,071
Other receivables and prepaid expenses	3,946	(17,060)
Merchandise inventory	51,359	107,647
Accounts payable and accrued expenses	(97,723)	110,207
Deferred membership dues	19,289	(16,284)
Deferred revenue	(106,731)	50,248
Net cash (used) provided by operating activities	<u>(71,095)</u>	<u>667,774</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,762,020)	(128,366)
Proceeds from sale of property	--	795,376
Loan receivable	17,897	(50,900)
Construction in progress	--	(198,296)
(Decrease) increase in cash surrender value, officer's life insurance	(2,890)	5,672
Purchase of investments	(296,804)	(618,427)
Proceeds from the sale of investments	344,951	377,844
Net cash (used) provided by investing activities	<u>(1,698,866)</u>	<u>182,903</u>
Cash flows from financing activities		
Payment on line of credit	--	(475,000)
Contributions permanently restricted	1,185,226	200,020
Net cash provided (used) by financing activities	<u>1,185,226</u>	<u>(274,980)</u>
Net (decrease) increase in cash and cash equivalents	(584,735)	575,697
Cash and cash equivalents		
Beginning of year	<u>987,450</u>	<u>411,753</u>
End of year	<u>\$ 402,715</u>	<u>\$ 987,450</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ --</u>	<u>\$ 13,329</u>

No amounts were paid for income taxes for the years ended August 31, 2010 and 2009.

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

New Jersey Audubon Society
Statements of Functional Expenses
Year Ended August 31, 2010 with Comparative Totals for 2009

	Program Services			Total Program Services	Management and General	Development	Total	2009
	Education and Sanctuaries	Conservation	Research					
Salaries	\$ 1,354,447	\$ 682,680	\$ 562,663	\$ 2,599,790	\$ 142,818	\$ 310,874	\$ 3,053,482	\$ 2,924,165
Fringe benefits	240,687	135,897	112,803	489,387	24,212	50,320	563,919	601,054
Supplies	41,341	26,953	30,829	99,123	4,526	8,388	112,037	128,820
Insurance	49,599	21,244	8,769	79,612	4,138	7,658	91,408	84,977
Telephone	39,339	11,980	6,356	57,675	1,567	3,366	62,608	73,489
Printing	159,554	48,698	2,869	211,121	3,175	28,571	242,867	271,845
Postage	42,068	3,356	498	45,922	6,641	26,565	79,128	98,558
Advertising	73,612	17,350	--	90,962	--	--	90,962	46,221
Equipment	24,465	19,862	2,594	46,921	179	331	47,431	29,251
Occupancy	127,595	29,813	29,613	187,021	7,028	1,757	195,806	200,730
Travel	18,744	28,540	44,669	91,953	1,948	10,060	103,961	132,434
Professional fees and contracts	106,407	253,049	73,184	432,640	23,817	86,911	543,368	574,225
Program accommodations	246,886	36,062	116,248	399,196	540	5,266	405,002	354,882
Repairs and maintenance	74,526	8,256	4,777	87,559	2,152	3,227	92,938	77,101
Depreciation	180,599	98,590	31,163	310,352	50,001	92,526	452,879	452,354
Special events expense	72,468	50	--	72,518	--	--	72,518	88,093
Land grant expense	--	144,162	--	144,162	--	--	144,162	--
World series of birding expenses	22,609	769	--	23,378	--	--	23,378	28,676
Miscellaneous	--	--	--	--	--	--	--	12,576
	<u>\$ 2,874,946</u>	<u>\$ 1,567,311</u>	<u>\$ 1,027,035</u>	<u>\$ 5,469,292</u>	<u>\$ 272,742</u>	<u>\$ 635,820</u>	<u>\$ 6,377,854</u>	<u>\$ 6,179,451</u>

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

**New Jersey Audubon Society
Statements of Functional Expenses
Year Ended August 31, 2009**

	Program Services			Total Program Services	Management and General	Development	Total
	Education and Sanctuaries	Conservation	Research				
Salaries	\$ 1,280,641	\$ 687,385	\$ 539,445	\$ 2,507,471	\$ 154,193	\$ 262,501	\$ 2,924,165
Fringe benefits	258,800	150,009	110,483	519,292	30,255	51,507	601,054
Supplies	38,679	36,763	36,831	112,273	16,547	--	128,820
Insurance	48,423	15,335	11,737	75,495	3,268	6,214	84,977
Telephone	46,969	14,037	6,240	67,246	2,143	4,100	73,489
Printing	147,323	66,566	14,464	228,353	3,898	39,594	271,845
Postage	48,904	3,741	365	53,010	5,179	40,369	98,558
Advertising	34,448	11,773	--	46,221	--	--	46,221
Equipment	23,470	3,805	1,713	28,988	263	--	29,251
Occupancy	145,652	19,037	35,676	200,365	365	--	200,730
Travel	27,024	43,221	56,110	126,355	1,885	4,194	132,434
Professional fees and contracts	190,893	144,698	132,347	467,938	55,081	51,206	574,225
Program accommodations	261,780	49,744	40,814	352,338	1,116	1,428	354,882
Repairs and maintenance	62,808	4,909	6,467	74,184	1,005	1,912	77,101
Depreciation	202,611	64,317	33,480	300,408	57,958	93,988	452,354
Special event expense	87,844	63	--	87,907	--	186	88,093
World sereies of birding expenses	28,166	510	--	28,676	--	--	28,676
Miscellaneous	80	--	529	609	11,967	--	12,576
	<u>\$ 2,934,515</u>	<u>\$ 1,315,913</u>	<u>\$ 1,026,701</u>	<u>\$ 5,277,129</u>	<u>\$ 345,123</u>	<u>\$ 557,199</u>	<u>\$ 6,179,451</u>

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

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009**

1. The Society and Purpose

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

2. Summary of Significant Accounting Policies

Basis of Presentation

External financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions and the permanently restricted net asset category represents net assets that are subject to donor imposed restrictions that cannot be satisfied by either time or by actions of the Society. During the years ended August 31, 2010 and 2009 the Society had accounting transactions in all three net asset categories.

Revenue and Support Recognition

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

Membership dues are collected annually. The portion of the dues which represents a contribution to the Society is recognized as revenue when received; the remaining portion of the dues, which represents the cost of benefits to be provided to the members, is recognized over the applicable membership period.

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

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

Investments

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

Merchandise Inventory

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009

Advertising

Advertising is expensed in the period incurred. Advertising amounted to \$90,962 and \$46,221 at August 31, 2010 and 2009, respectively.

Property and Equipment

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

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

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

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

Permanently Restricted Land

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

Expense Classification

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

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

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

Cash and Cash Equivalents

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

Valuation of Long-Lived Assets

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

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009**

Income Taxes

New Jersey Audubon Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for Federal income taxes. The Society adopted the pronouncement related to income taxes effective September 1, 2009 and there were no uncertain tax positions at the date of adoption or at August 31, 2010. There are no open tax years prior to 2006.

Fair Value of Financial Instruments

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

Reclassifications

Certain items at August 31, 2009 have been reclassified to conform to the presentation at August 31, 2010. There was no effect on the changes in net assets.

3. Pledges Receivable

At August 31, pledges receivable consisted of the following:

	2010	2009
Total pledges receivable	\$ 340,000	\$ 110,000
Less: Discount to net present value	<u>(24,033)</u>	<u>(13,542)</u>
Net pledges receivable	315,967	96,458
Less: Current portion	<u>110,000</u>	<u>20,000</u>
Pledges receivable, long term	<u>\$ 205,967</u>	<u>\$ 76,458</u>

Maturities of pledges receivable at August 31: 2011 - \$110,000; 2012 - \$76,190; 2013 - \$54,422; 2014 - \$51,830; 2015 - \$8,227; 2016 and thereafter - \$15,298.

4. Settlement Receivable

The Society was selected as a co-beneficiary of a settlement from an environmental lawsuit. The settlement is to be used to fund environmental research studies. Final payment was received during the year ended August 31, 2010.

5. Loans Receivable

The Society operates a revolving loan program that provides low interest, short term loans to assist with equipment purchases, improvements or supplies for approved farmers that are participating in an assistance program operated by an outside federal agency. Once the project has been approved by the federal agency, a loan is made from the revolving loan account. Repayments are made directly to the Society from the state program once the project has been completed. The loans bear interest at 1 percent and normally are for terms ranging from 30 to 90 days. At August 31, 2010 and 2009, the loans receivable outstanding were \$33,003 and \$50,900, respectively, and were all current.

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009

6. Grants and Contracts Receivable

The Society operates under various grants and contracts. At August 31, the Society was due certain amounts from funding sources which resulted from expenditures incurred in excess of payments received. The following details the amounts due to the Society by contract:

Grants and Contracts Receivable		
Funding Agency and Program	2010	2009
City of Linden	\$ 23,168	\$ --
Cumberland County Improvement Authority	3,910	--
Conservation Wildlife Foundation of New Jersey	8,250	--
Delaware Dept of Nat Res & Env. Cont.		
Division of Fish & Wildlife	25,534	25,534
National Fish & Wildlife Foundation	10,000	--
U.S. Department of Environmental Protection	880	--
U.S. Department of Agriculture		
Natural Resources Conservation Service	13,184	58,505
U.S. Army Corps of Engineers	18,889	92,009
NAVFAC	--	31,487
New York City Audubon	--	4,480
New York State Energy Research and Development Authority – Maple Ridge Wind Farm	--	18,566
New York State Department of Env. Conservation		
Nongame and Habitat Unit	--	26,518
University of Rhode Island	5,764	60,886
University of Maine	64,111	--
N.J. Department of State		
Division of Travel & Tourism	1,364	--
U.S. Fish and Wildlife Service, Nongame	27,060	4,760
N.J. Board of Public Utilities	17,000	7,450
State of New Jersey – Department of Environmental Protection – Division of Fish and Wildlife	2,000	60,550
State of New Jersey – Department of Transportation	12,088	3,708
State of New Jersey – Department of Transportation Landowner Incentive Program	139,663	97,526
Parsons Brinkerhoff	39,770	45,429
Leica Camera	--	15,000
Aqua Trails Kayak	1,800	--
NOAA	17,261	--
Nikon Camera	--	15,000
Honeywell Institute for Ecosystem Education	40,830	23,655
Duke Farms	35,104	4,245
Other	2,842	5,301
	<u>\$ 510,472</u>	<u>\$ 600,609</u>

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009

7. Investments

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

	2010		2009	
	Cost	Market	Cost	Market
Mutual funds	\$ 2,656,967	\$ 2,918,207	\$ 2,703,305	\$ 2,828,404
Certificates of deposit	89,000	90,339	75,000	76,119
	<u>\$ 2,745,967</u>	<u>\$ 3,008,546</u>	<u>\$ 2,778,305</u>	<u>\$ 2,904,523</u>

The annual return (loss) on total investments at August 31, 2010 and 2009, based on market value, was approximately 8.0 percent and (3.2) percent, respectively.

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

	2010	2009
Interest and dividend income	\$ 85,430	\$ 87,109
Realized gain (loss)	25,262	(46,038)
Unrealized gain (loss)	126,908	(134,670)
	<u>\$ 237,600</u>	<u>\$ (93,599)</u>

8. Recurring Fair Value Measurements

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

	2010			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Mutual funds - bonds	\$ 1,491,204	\$ 1,491,204	\$ --	\$ --
Mutual funds - stocks	1,427,003	1,427,003	--	--
Certificate of deposits	90,339	--	90,339	--
	<u>\$ 3,008,546</u>	<u>\$ 2,918,207</u>	<u>\$ 90,339</u>	<u>\$ --</u>
	2009			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Mutual funds - bonds	\$ 1,470,770	\$ 1,470,770	\$ --	\$ --
Mutual funds - stocks	1,357,634	1,357,634	--	--
Certificate of deposits	76,119	--	76,119	--
	<u>\$ 2,904,523</u>	<u>\$ 2,828,404</u>	<u>\$ 76,119</u>	<u>\$ --</u>

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009

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

9. Beneficial Interest

The Society is the remainder beneficiary of an interest in a charitable remainder annuity trust held by an outside trustee. The fair value of the trust at August 31, 2010 and 2009 was \$609,000 and \$406,000, respectively. The change in value of the beneficial interest in funds held by others of \$3,000 and \$4,000 has been reflected in the statements of activities and changes in net assets at August 31, 2010 and 2009, respectively.

10. Property and Equipment

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

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Land	\$ 92,055	\$ --	\$ 92,055	\$ 92,055	\$ --	\$ 92,055
Buildings and improvements	4,982,242	2,159,442	7,141,684	3,054,662	2,159,442	5,214,104
Furniture and equipment	743,622	935,723	1,679,345	686,742	935,723	1,622,465
	5,817,919	3,095,165	8,913,084	3,833,459	3,095,165	6,928,624
Less: Accumulated depreciation	(2,214,251)	(2,137,827)	(4,352,078)	(1,761,372)	(2,137,827)	(3,899,199)
	<u>\$ 3,603,668</u>	<u>\$ 957,338</u>	<u>\$ 4,561,006</u>	<u>\$ 2,072,087</u>	<u>\$ 957,338</u>	<u>\$ 3,029,425</u>

Depreciation expense charged to operations amounted to \$452,879 and \$452,354 for the years ended August 31, 2010 and 2009, respectively.

11. Construction in Progress

The Society has an ongoing construction in progress at one of their sanctuaries that includes the renovation and improvement of the program and administrative facilities at the site. Construction was completed during the year ended August 31, 2010.

12. Cost of Goods Sold

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

	2010	2009
Beginning inventory	\$ 846,339	\$ 953,986
Purchases	739,156	677,663
Goods available for sale	1,585,495	1,631,649
Less ending inventory	794,980	846,339
Cost of goods sold	<u>\$ 790,515</u>	<u>\$ 785,310</u>

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009

13. Leases

Operating Lease

The Society leases land from the Federal government and the City of Plainsboro to operate sanctuary programs. These leases expire in 2022 and 2019. The Society also rents properties from the State of New Jersey and the City of Cape May under month to month arrangements for some of the sanctuaries. In exchange for the cost of maintaining these properties, rental payments have been waived.

14. Deferred Revenue

The Society has deferred revenue of \$64,244 and \$170,975 at August 31, 2010 and 2009, respectively. Deferred revenues have been recorded for program fees that are associated with programs occurring in the next fiscal year and for grants that extend into the next fiscal year as follows:

	2010	2009
Deferred grant revenue	\$ 13,095	\$ 107,005
Deferred program fees	51,149	63,970
	<u>\$ 64,244</u>	<u>\$ 170,975</u>

15. Net Assets

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

	2010	2009
Temporarily restricted - restricted by donor for programmatic use as follows:		
Capital improvement and equipment	\$ 26,335	\$ 173,754
Conservation	617,828	467,011
Research	94,343	188,210
Education	78,037	136,495
Sanctuaries	234,679	126,953
Land acquisition	196,196	90,674
	<u>1,247,418</u>	<u>1,183,097</u>
Time restricted	447,610	519,466
Building on restricted site or sanctuary	469,136	583,050
Total temporarily restricted net assets	<u>\$ 2,164,164</u>	<u>\$ 2,285,613</u>
Permanently restricted - donor endowed principal	\$ 2,218,311	\$ 2,215,311
Beneficial interest in residual trust	606,000	406,000
Land restricted as site or sanctuary	17,135,829	16,150,603
Total permanently restricted net assets	<u>\$ 19,960,140</u>	<u>\$ 18,771,914</u>

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009**

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

	2010	2009
Capital improvement and equipment	\$ 141,224	\$ 86,271
Conservation	712,503	813,313
Research	477,404	324,186
Education	182,724	166,045
Sanctuaries	36,924	12,698
Land acquisition	141,161	30,246
	<u>1,691,940</u>	<u>1,432,759</u>
Satisfaction of time restrictions	130,091	309,297
Total temporarily restricted net assets	<u>\$ 1,822,031</u>	<u>\$ 1,742,056</u>

16. Employee Retirement Plan

All employees of the Society who have completed minimum service requirements are eligible to participate in the New Jersey Audubon Society's Retirement Plan (the "Plan"), a defined contribution plan. Participants in the Plan are eligible to contribute amounts up to the maximum allowed by law on an annual basis. The Society makes contributions to each participant's account equal to 100 percent of the participant's contribution up to a maximum of 7 percent of the participant's compensation. The Society's expense for the Plan was \$-0- and \$62,665 for the years ended August 31, 2010 and 2009, respectively. As of March 1, 2009 the Society temporarily suspended the employers' contributions to the Plan.

17. Concentrations of Credit Risk

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

18. Commitments

The Society entered into a deferred compensation agreement with an employee of the Society during June 1996 that guarantees an additional compensation of a minimum of \$100,000 after ten years employment. Vesting began in June 2001, at 50 percent with 10 percent increases each year. During the year ended August 31, 2009, the final accrual was made in accordance with the agreement. The Society has purchased a key man life insurance policy to fund the liability.

19. Line of Credit

The Society has a \$1,000,000 line of credit, bearing interest at the prevailing prime rate which expires in January 2011, secured by the investments of the Society. For each of the years ended August 31, 2010 and 2009, there were no drawdown on the line of credit.

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009**

20. Endowment Funds

Endowment Funds

The Society's endowment consists of approximately 11 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment funds are included in permanently restricted net assets with land that has been restricted by donors and a beneficial interest in a residual trust. These other components of permanently restricted net assets are not included in the information below related to endowment funds as they are not subject to investment management practices by the Society.

Interpretation of Relevant Law

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

The Society has interpreted state law as requiring the preservation of the value of the endowment fund with primary consideration given to the donor intent expressed in the gift instrument. For those donations subject to UPMIFA, the Society has followed the donor instruments in classifying as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by state law. The Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to minimize risk and maximize current income. The Society expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year 5.5 percent, which is planned to reduce by .25 percent annually until reaching 5.0 percent, of its endowment fund's average fair value. 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 grow at an average of 4 percent annually. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The following table provides information regarding the change in the endowment net assets for the years ended 2010 and 2009:

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning	\$ 774,348	\$ --	\$ 2,215,311	\$ 2,989,659
Investment return				
Investment income (net of fees)	--	--	3,000	3,000
Realized loss	25,262	--	--	25,262
Unrealized loss	126,908	--	--	126,908
	<u>926,518</u>	<u>-</u>	<u>2,218,311</u>	<u>3,144,829</u>
Contributions received	--	--	--	--
Appropriated for expenditure	--	--	--	--
Endowment net assets, ending	<u>\$ 926,518</u>	<u>\$ --</u>	<u>\$ 2,218,311</u>	<u>\$ 3,144,829</u>
Permanently restricted net assets required to be maintained in perpetuity			<u>\$ 2,218,311</u>	

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning	\$ 905,418	\$ --	\$ 2,215,311	\$ 3,120,729
Investment return				
Investment income (net of fees)	77,604	--	--	77,604
Realized loss	(46,038)	--	--	(46,038)
Unrealized loss	(134,670)	--	--	(134,670)
	<u>802,314</u>	<u>--</u>	<u>2,215,311</u>	<u>3,017,625</u>
Contributions received	--	--	100,000	100,000
Appropriated for expenditure	(27,966)	--	--	(27,966)
Endowment net assets, ending	<u>\$ 774,348</u>	<u>\$ --</u>	<u>\$ 2,315,311</u>	<u>\$ 3,089,659</u>
Permanently restricted net assets required to be maintained in perpetuity			<u>\$ 2,315,311</u>	

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

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

**New Jersey Audubon Society
Notes to Financial Statements
August 31, 2010 and 2009**

21. Subsequent Events

The Society has evaluated subsequent events occurring after the statement of financial position date through the date of January 10, 2011, the date the financial statements were available for release. Based upon this evaluation, the Society has determined that no subsequent events have occurred, which require disclosure in the financial statements.