

Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

NATIONAL AUDUBON SOCIETY, INC.

For the years ended June 30, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014, and the changes in their net assets and their 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 6, 2015

NATIONAL AUDUBON SOCIETY, INC.
Consolidated Statements of Financial Position
As of June 30, 2015 and 2014

ASSETS	2015	2014
Cash and cash equivalents	\$ 33,482,773	\$ 33,351,688
Other receivables, net (Note 4)	6,731,229	5,806,159
Prepaid expenses and other assets (Note 9)	3,062,390	2,732,607
Pledges receivable, net (Note 4)	6,817,026	5,446,434
Investments (Note 5)	231,977,976	231,337,336
Beneficial interest in charitable trusts (Notes 5 and 12)	40,895,798	43,481,649
Building and equipment, net (Note 6)	48,917,243	48,361,791
Land (Note 6)	99,135,000	98,379,782
Total assets	<u>\$ 471,019,435</u>	<u>\$ 468,897,446</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 8,958,445	\$ 8,042,590
Deferred rent, tuition and other (Note 9)	6,587,925	6,539,124
Funds held for others	2,291,265	1,576,016
Loans payable (Note 11)	120,785	100,000
Obligations under charitable trusts (Notes 5 and 12)	6,256,537	6,296,638
Pension and postretirement benefit liability (Note 10)	12,014,452	12,047,381
Total liabilities	<u>36,229,409</u>	<u>34,601,749</u>
 COMMITMENTS AND CONTINGENCIES (Notes 5 and 9)		
NET ASSETS		
Unrestricted (Note 2)	188,527,972	190,195,314
Temporarily restricted (Notes 2 and 3)	143,794,227	142,531,048
Permanently restricted (Note 3)	102,467,827	101,569,335
Total net assets	<u>434,790,026</u>	<u>434,295,697</u>
Total liabilities and net assets	<u>\$ 471,019,435</u>	<u>\$ 468,897,446</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING ACTIVITIES				
REVENUES, GAINS AND OTHER SUPPORT				
Contributions and grants (Note 8)	\$ 50,079,887	\$ 17,664,440	\$ 1,134,455	\$ 68,878,782
Bequests	7,341,249	4,808,397	481,673	12,631,319
Earned income	11,023,641	-	-	11,023,641
Investment earnings on non-pooled funds, net (Note 5)	1,431,238	422	-	1,431,660
Investment earnings on pooled funds - appropriated, net (Note 5)	7,614,299	221,045	-	7,835,344
Royalties, net and other revenue	1,157,291	-	-	1,157,291
Net assets released from restrictions (Note 7)	16,495,725	(16,449,326)	(46,399)	-
Total revenues, gains and other support	<u>95,143,330</u>	<u>6,244,978</u>	<u>1,569,729</u>	<u>102,958,037</u>
EXPENSES				
Conservation programs:				
Field conservation programs	50,503,783	-	-	50,503,783
National conservation programs	25,611,494	-	-	25,611,494
	<u>76,115,277</u>	<u>-</u>	<u>-</u>	<u>76,115,277</u>
Fundraising:				
Membership development	3,589,922	-	-	3,589,922
Other development	8,316,476	-	-	8,316,476
	<u>11,906,398</u>	<u>-</u>	<u>-</u>	<u>11,906,398</u>
Management and general				
Total expenses	5,761,402	-	-	5,761,402
	<u>93,783,077</u>	<u>-</u>	<u>-</u>	<u>93,783,077</u>
Changes in net assets from operations	1,360,253	6,244,978	1,569,729	9,174,960
NON-OPERATING ACTIVITIES				
Gain on sales of property	211,311	2,500	-	213,811
Investment loss on pooled funds not appropriated, net (Note 5)	(2,350,633)	(3,386,683)	-	(5,737,316)
Charitable trust additions	-	375,754	-	375,754
Change in value of charitable trusts (Notes 3 and 5)	-	(1,973,370)	(671,237)	(2,644,607)
Changes in net assets before pension and postretirement related changes other than net periodic costs	(779,069)	1,263,179	898,492	1,382,602
Pension and postretirement related changes other than net periodic costs (Note 10)	(888,273)	-	-	(888,273)
Changes in net assets	(1,667,342)	1,263,179	898,492	494,329
Net assets, beginning of year	<u>190,195,314</u>	<u>142,531,048</u>	<u>101,569,335</u>	<u>434,295,697</u>
Net assets, end of year	<u>\$ 188,527,972</u>	<u>\$ 143,794,227</u>	<u>\$ 102,467,827</u>	<u>\$ 434,790,026</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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING ACTIVITIES				
REVENUES, GAINS AND OTHER SUPPORT				
Contributions and grants (Note 8)	\$ 48,370,978	\$ 13,160,720	\$ 945,126	\$ 62,476,824
Bequests	6,367,635	740,716	1,302,177	8,410,528
Earned income	11,363,849	-	-	11,363,849
Investment earnings on non-pooled funds, net (Note 5)	1,715,960	1,990	-	1,717,950
Investment earnings on pooled funds - appropriated, net (Note 5)	7,270,660	303,192	-	7,573,852
Royalties, net and other revenue	453,854	-	-	453,854
Net assets released from restrictions (Note 7)	17,464,458	(17,464,458)	-	-
Total revenues, gains and other support	<u>93,007,394</u>	<u>(3,257,840)</u>	<u>2,247,303</u>	<u>91,996,857</u>
EXPENSES				
Conservation programs:				
Field conservation programs	49,829,615	-	-	49,829,615
National conservation programs	24,050,855	-	-	24,050,855
	<u>73,880,470</u>	<u>-</u>	<u>-</u>	<u>73,880,470</u>
Fundraising:				
Membership development	3,747,578	-	-	3,747,578
Other development	6,751,709	-	-	6,751,709
	<u>10,499,287</u>	<u>-</u>	<u>-</u>	<u>10,499,287</u>
Management and general				
	<u>4,860,090</u>	<u>-</u>	<u>-</u>	<u>4,860,090</u>
Total expenses	<u>89,239,847</u>	<u>-</u>	<u>-</u>	<u>89,239,847</u>
Changes in net assets from operations	3,767,547	(3,257,840)	2,247,303	2,757,010
NON-OPERATING ACTIVITIES				
Gain on sales of property (Note 11)	6,758,909	5,802	361,186	7,125,897
Transfers of net assets (Note 3)	584,677	(396,021)	(188,656)	-
Investment income on pooled funds not appropriated, net (Note 5)	2,835,039	13,682,901	-	16,517,940
Charitable trust additions	-	195,830	-	195,830
Change in value of charitable trusts (Notes 3 and 5)	-	(517,015)	3,318,320	2,801,305
Changes in net assets before pension and postretirement related changes other than net periodic costs	13,946,172	9,713,657	5,738,153	29,397,982
Pension and postretirement related changes other than net periodic costs (Note 10)				
	<u>982,331</u>	<u>-</u>	<u>-</u>	<u>982,331</u>
Changes in net assets	14,928,503	9,713,657	5,738,153	30,380,313
Net assets, beginning of year	<u>134,662,490</u>	<u>173,421,712</u>	<u>95,831,182</u>	<u>403,915,384</u>
Change in accounting principle (Note 2)	<u>40,604,321</u>	<u>(40,604,321)</u>	<u>-</u>	<u>-</u>
Adjusted net assets, beginning of year	<u>175,266,811</u>	<u>132,817,391</u>	<u>95,831,182</u>	<u>403,915,384</u>
Net assets, end of year	<u>\$ 190,195,314</u>	<u>\$ 142,531,048</u>	<u>\$ 101,569,335</u>	<u>\$ 434,295,697</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, 2015

	<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	\$ 22,841,623	\$ 7,901,588	\$ 30,743,211	\$ 251,781	\$ 4,082,637	\$ 4,334,418	\$ 2,192,905	\$ 37,270,534
Payroll taxes and fringe benefits (Note 10)	6,326,796	2,188,624	8,515,420	69,740	1,130,831	1,200,571	607,403	10,323,394
Travel and meetings	1,856,189	951,243	2,807,432	27,385	545,806	573,191	257,409	3,638,032
Postage and mailing	181,646	3,570,650	3,752,296	1,449,084	119,484	1,568,568	17,306	5,338,170
Grants and scholarships	1,110,529	1,370,594	2,481,123	150	20,512	20,662	17,246	2,519,031
Chapter grants and support	996,662	2,500	999,162	-	-	-	-	999,162
Professional services	5,427,418	3,308,528	8,735,946	327,339	1,200,927	1,528,266	486,998	10,751,210
Occupancy (Note 9)	2,237,041	650,627	2,887,668	15,842	124,276	140,118	669,205	3,696,991
Telephone and telecommunications	476,684	90,843	567,527	877	26,640	27,517	101,052	696,096
Maintenance and equipment rental	1,588,253	64,470	1,652,723	623	44,822	45,445	71,849	1,770,017
Supplies	1,822,513	880,265	2,702,778	5,303	140,587	145,890	410,595	3,259,263
Printing and promotion	379,064	1,764,473	2,143,537	837,227	123,142	960,369	2,636	3,106,542
Membership fulfillment	307,973	627,126	935,099	267,352	54,458	321,810	291,448	1,548,357
Magazine printing	-	705,151	705,151	-	-	-	-	705,151
Commissions	-	187,033	187,033	37,573	-	37,573	-	224,606
Service bureaus	519,006	366,704	885,710	54,477	190,740	245,217	280,665	1,411,592
Insurance	899,762	112,999	1,012,761	1,958	67,150	69,108	153,945	1,235,814
Taxes	196,909	8,079	204,988	32	31	63	-	205,051
Advertising	292,566	200,801	493,367	81,322	85,657	166,979	4,129	664,475
Licenses and fees	86,723	103,445	190,168	3,037	8,415	11,452	7,724	209,344
Depreciation and amortization	2,725,133	99,833	2,824,966	1,346	29,276	30,622	155,102	3,010,690
Other	231,293	455,918	687,211	157,474	321,085	478,559	33,785	1,199,555
Total expenses	<u>\$ 50,503,783</u>	<u>\$ 25,611,494</u>	<u>\$ 76,115,277</u>	<u>\$ 3,589,922</u>	<u>\$ 8,316,476</u>	<u>\$ 11,906,398</u>	<u>\$ 5,761,402</u>	<u>\$ 93,783,077</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, 2014

	Conservation Program Expenses			Fundraising Expenses			Management and General	Total
	Field Programs	National Programs	Total Program Expenses	Membership Development	Other Development	Total Development Expenses		
Salaries	\$ 22,694,490	\$ 6,985,339	\$ 29,679,829	\$ 134,046	\$ 3,277,696	\$ 3,411,742	\$ 1,851,748	\$ 34,943,319
Payroll taxes and fringe benefits (Note 10)	6,019,872	1,852,910	7,872,782	35,557	869,432	904,989	491,189	9,268,960
Travel and meetings	2,033,076	860,282	2,893,358	13,125	436,182	449,307	189,877	3,532,542
Postage and mailing	180,754	3,186,910	3,367,664	1,347,470	141,936	1,489,406	15,977	4,873,047
Grants and scholarships	1,355,371	1,841,825	3,197,196	58	16,656	16,714	8,767	3,222,677
Chapter grants and support	971,236	6,000	977,236	-	-	-	-	977,236
Professional services	4,595,350	2,485,831	7,081,181	387,428	946,617	1,334,045	416,530	8,831,756
Occupancy (Note 9)	2,297,003	675,406	2,972,409	14,028	166,406	180,434	603,200	3,756,043
Telephone and telecommunications	455,111	111,335	566,446	658	27,584	28,242	99,627	694,315
Maintenance and equipment rental	1,798,198	111,247	1,909,445	446	38,256	38,702	67,509	2,015,656
Supplies	1,415,688	823,618	2,239,306	3,563	92,983	96,546	271,278	2,607,130
Printing and promotion	336,311	2,262,066	2,598,377	1,167,634	148,633	1,316,267	171	3,914,815
Membership fulfillment	318,450	660,689	979,139	307,915	52,326	360,241	265,337	1,604,717
Magazine printing	-	793,313	793,313	-	-	-	-	793,313
Commissions	-	256,006	256,006	49,221	-	49,221	-	305,227
Service bureaus	644,587	391,320	1,035,907	82,875	121,664	204,539	307,402	1,547,848
Insurance	856,487	91,123	947,610	769	42,104	42,873	79,349	1,069,832
Taxes	252,158	9,355	261,513	48	-	48	-	261,561
Advertising	153,341	34,777	188,118	8,197	88,435	96,632	3,604	288,354
Licenses and fees	92,819	39,440	132,259	7,623	11,529	19,152	6,513	157,924
Depreciation and amortization	2,600,123	102,074	2,702,197	1,049	30,374	31,423	158,776	2,892,396
Other	759,190	469,989	1,229,179	185,868	242,896	428,764	23,236	1,681,179
Total expenses	<u>\$ 49,829,615</u>	<u>\$ 24,050,855</u>	<u>\$ 73,880,470</u>	<u>\$ 3,747,578</u>	<u>\$ 6,751,709</u>	<u>\$ 10,499,287</u>	<u>\$ 4,860,090</u>	<u>\$ 89,239,847</u>

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 494,329	\$ 30,380,313
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,010,690	2,893,518
Net realized and unrealized losses (gains) on investments	860,202	(21,283,319)
Decrease (increase) in beneficial interests in charitable trusts	2,585,851	(1,330,146)
Gains on sales of land, buildings and equipment	(213,811)	(7,125,897)
Donated land	-	(24,000)
Increase in estimate of allowance for uncollectible pledges, and other receivables	21,203	13,986
Long-term contributions, bequests and additions to charitable trusts	(7,004,742)	(5,424,962)
Change in operating assets and liabilities:		
(Increase) in pledges and other receivables	(2,316,865)	(2,025,585)
(Increase) decrease in prepaid expenses and other assets	(329,783)	617,110
Increase (decrease) in accounts payable, accrued expenses, funds held for others and obligations under charitable trusts	1,591,003	(3,557,903)
Increase in deferred rent, tuition and other	48,801	617,247
Decrease in pension and postretirement benefit liability	(32,929)	(1,702,002)
Net cash used in operating activities	<u>(1,286,051)</u>	<u>(7,951,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(379,759,852)	(8,193,694)
Proceeds from sales of investments	378,259,010	12,999,360
Additions to land, buildings and equipment	(4,324,989)	(4,034,057)
Proceeds from sales of land, buildings and equipment	217,440	1,031,866
Net cash (used in) provided by investing activities	<u>(5,608,391)</u>	<u>1,803,475</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	20,785	-
Proceeds from contributions, bequests and charitable trusts restricted for:		
Endowment	1,569,728	2,182,647
Capital projects	5,059,259	3,046,485
Charitable trust additions	375,755	195,830
Net cash provided by financing activities	<u>7,025,527</u>	<u>5,424,962</u>
Net increase (decrease) in cash and cash equivalents	131,085	(723,203)
Cash and cash equivalents, beginning of the year	<u>33,351,688</u>	<u>34,074,891</u>
Cash and cash equivalents, end of the year	<u>\$ 33,482,773</u>	<u>\$ 33,351,688</u>
Supplemental disclosure of cash flow information:		
Settlement of loan payable through sale of property (Note 11)	<u>\$ -</u>	<u>\$ 7,175,000</u>

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

NATIONAL AUDUBON SOCIETY, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

1. ORGANIZATION AND NATURE OF ACTIVITIES

National Audubon Society, Inc. (“Audubon”) 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.

Audubon’s 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, Audubon has greater impact. And by coordinating resources and expertise, Audubon increases 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 conservation professionals, assisting 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 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. In September 2014, Audubon announced the results of compelling, groundbreaking science that reveals the existential threat to birds caused by climate change. The report, which has been extensively peer reviewed, is

NATIONAL AUDUBON SOCIETY, INC.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

- the culmination of six years of research utilizing more than 100 years of observations from our citizen scientists to examine the climatic conditions that 588 North American bird species need to survive, and considers how each will fare in a warming world. The results indicate that 314 species, more than half of America's birds are in peril.
- ***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, and the Mississippi River Delta; protection of 2,838 Important Bird Areas covering approximately 400 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, Audubon is laying the foundation for future conservation. Audubon nature centers are one of the principle elements of Audubon's education work reaching two million visitors each year. Programs like Bird-Friendly Communities, 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.
 - ***Audubon's Climate Initiative*** launched in September 2014 with the release of the scientific study of the impact of climate change on birds. The goal of Audubon's climate initiative is to create far greater demand for change on the climate issue. We will build a sustained grassroots influence among our 1 million members and supporters, and the 47 million birdwatchers in this country to spur action to protect and monitor climate strongholds, places where birds will have the best chance to survive, and influence local, state and federal policies and regulation that reduce greenhouse gases, and pass legislation to combat climate change.

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 approximately 1.53 million readers. In April 2015, Audubon acquired the assets of digital applications bearing the Audubon branded nature guides. The guides have been downloaded more than 1 million times, and advance Audubon's mission of educating people about birds. The goal of Audubon's 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 include fundraising staff efforts associated with raising contributed income to fund operations and capital projects, all costs associated with Membership Development. During the years

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ended June 30, 2015 and 2014, Audubon incurred joint costs of approximately \$9,625,000 and \$9,494,000, respectively, for informational material and activities that included development appeals. Of those costs approximately \$2,849,000 and \$3,159,000 were allocated to fundraising and approximately \$6,776,000 and \$6,335,000 were allocated to program for the years ended June 30, 2015 and 2014, 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.

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. (collectively, the "Subsidiaries"). 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.

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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 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 \$338,000 and \$326,000 as of June 30, 2015 and 2014, 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. Audubon's interest in charitable remainder trusts, charitable remainder unitrusts, and other charitable trusts held by third-party trustees is reported at present value reflecting the fair value of the amounts Audubon expects to receive using discount rates ranging from 1.2% to 11.0%.

For the years ended June 30, 2015 and 2014, the discount rates used to value the charitable gift annuity agreements and the pooled life income fund ranged from 1.20% to 10.60% for both fiscal years 2015 and 2014.

Buildings and Equipment

In 1978, Audubon adopted the policy of capitalizing, depreciating and amortizing buildings 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.

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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. Average estimated useful lives are as follows.

	<u>Estimated Useful Lives</u>
Buildings and building improvements	10 - 40 years
Equipment	3 - 10 years
Land improvements	10 - 40 years
Leasehold improvements	5 - 40 years

Change in Accounting Principle

Prior to fiscal 2015, Audubon accounted for any contributions restricted to the purchase of fixed assets as temporarily restricted net assets, and released the restriction over the useful life of the assets acquired as they were depreciated. Audubon management concluded that this policy complicated reporting on capital projects and created impediments in capital budgeting. Audubon elected a more preferable industry standard, which is allowable under U.S. GAAP, resulting in a change in accounting principle which permits recognition of contributions for fixed assets as temporarily restricted until the fixed asset is placed in service. Upon placing the asset into service, the net assets are released from temporarily restricted net asset to unrestricted net assets. Net assets as of the beginning of fiscal 2014 were retrospectively adjusted to reflect this change in accounting principle, resulting in an increase of unrestricted net assets and decrease of temporarily restricted net assets of approximately \$40,604,000.

Land

Land consists of approximately 104,809 acres on which some of Audubon's nature centers, state offices, and sanctuaries 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, 2015 and 2014 (see Note 3). Included in unrestricted net assets is land of approximately \$88,800,000 and \$88,100,000 as of June 30, 2015 and 2014, 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, 2015 and 2014 totaled approximately \$700,000 and \$2,700,000, respectively. Land sold or donated to other organizations during the year ended June 30, 2014 totaled approximately \$900,000. No land was sold during the year ended June 30, 2015.

Chapters

Audubon has 462 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

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released to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily 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 and amounts are determined to be uncontested.

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 temporarily 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 (using credit adjusted discount rates for receivables expected to be collected in more than one year). Receivables are stated net of an allowance for uncollectible amounts of approximately \$744,000 and \$723,000 as of June 30, 2015 and 2014, 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.

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

Funds Held for Others

As of June 30, 2015 and 2014, funds held for others included approximately \$2,170,000 and \$1,015,000, respectively, in agency funds held for other organizations and independent Audubon chapters and \$122,000 and \$561,000, respectively, and 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.

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

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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.

Income Taxes

Audubon follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements 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.

Audubon is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Audubon has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ended June 30, 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes. Audubon has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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.

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.

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Allocation of Functional Expenses

The costs associated with conducting Audubon's programs and activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

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.

Reclassifications

Certain reclassifications were made to the fiscal 2014 consolidated financial statements in order to conform to the fiscal 2015 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the fiscal 2015 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, 2015 through November 6, 2015, 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.

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

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- 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, 2015, there were three donor endowment funds whose fair value of approximately \$35,000 was below the original gift amount of approximately \$36,000 by approximately \$1,000. As of June 30, 2014, there were no donor endowment funds whose fair value was below the original gift amount.

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Changes in endowment net assets, excluding permanently restricted land of \$10,295,373 for the years ended June 30, 2015 and 2014 were as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 52,669,139	\$ 91,273,962	\$ 143,943,101
Investment activity:				
Interest, dividends and realized gains	-	11,925,013	-	11,925,013
Unrealized losses on investments	-	(10,785,915)	-	(10,785,915)
Change in value of charitable trusts	-	-	(671,237)	(671,237)
Total investment activity	-	1,139,098	(671,237)	467,861
Amounts appropriated for expenditure	-	(3,442,543)	-	(3,442,543)
Contributions to endowments	-	150	1,616,128	1,616,278
Bequests	-	-	-	-
Transfers of net assets	-	-	(46,399)	(46,399)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 50,365,844</u>	<u>\$ 92,172,454</u>	<u>\$ 142,538,298</u>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (804)	\$ 42,168,823	\$ 85,535,809	\$ 127,703,828
Investment activity:				
Interest, dividends and realized gains	-	4,374,447	-	4,374,447
Unrealized gains on investments	804	9,488,315	-	9,489,119
Change in value of charitable trusts	-	-	3,318,320	3,318,320
Total investment activity	804	13,862,762	3,318,320	17,181,886
Amounts appropriated for expenditure	-	(3,362,446)	-	(3,362,446)
Contributions to endowments	-	-	1,306,312	1,306,312
Bequests	-	-	1,302,177	1,302,177
Transfers of net assets	-	-	(188,656)	(188,656)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 52,669,139</u>	<u>\$ 91,273,962</u>	<u>\$ 143,943,101</u>

Endowment net assets of \$142,538,298 and \$143,943,101 as of June 30, 2015 and 2014, 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, 2015 and 2014 are available for the following:

	<u>2015</u>	<u>2014</u>
Purpose restrictions:		
Field Conservation Programs	\$ 130,439,361	\$ 127,457,719
National Conservation Programs	6,486,760	8,331,012
Time Restrictions	<u>6,868,106</u>	<u>6,742,317</u>
	<u>\$ 143,794,227</u>	<u>\$ 142,531,048</u>

Temporarily restricted net assets above are further characterized by Audubon in the following manner as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Accumulated earnings on endowment funds	\$ 50,365,846	\$ 52,669,139
Funds restricted for property	9,919,610	7,301,643
Charitable trusts, net of obligations	6,868,106	6,742,317
Other time restricted funds	8,216,645	10,266,983
Other purpose restricted funds	<u>68,424,020</u>	<u>65,550,966</u>
	<u>\$ 143,794,227</u>	<u>\$ 142,531,048</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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Purpose restrictions:		
Field conservation programs	\$ 57,561,580	\$ 57,065,677
National conservation programs	10,200,132	9,512,497
General purposes	<u>24,410,742</u>	<u>24,695,788</u>
	<u>\$ 92,172,454</u>	<u>\$ 91,273,962</u>

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4. RECEIVABLES

Receivables consist of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Unconditional pledges receivable:		
Less than one year	\$ 6,900,226	\$ 4,726,764
One to five years	<u>88,800</u>	<u>839,670</u>
	6,989,026	5,566,434
Less: Allowance for uncollectible pledges	<u>(172,000)</u>	<u>(120,000)</u>
Total pledges receivable, net	6,817,026	5,446,434
Other receivables (net of allowance of \$572,050 and \$602,847)	<u>6,731,229</u>	<u>5,806,159</u>
	<u>\$ 13,548,255</u>	<u>\$ 11,252,593</u>

Audubon received new conditional pledges of approximately \$2,550,000 and \$8,843,000 during the years ended June 30, 2015 and 2014, respectively. Audubon has recorded revenue of approximately \$6,410,000 and \$2,234,000 for the years ended June 30, 2015 and 2014, respectively, the extent to which the conditions on the pledges have been met. As of June 30, 2015 and 2014, Audubon had conditional pledges outstanding of \$4,751,000 and \$8,611,000, respectively. Pledge payments due over the ensuing one to two 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 17,929,904	\$ 42,236,627
U.S. government and agency obligations	1,470,140	1,760,884
Equities	-	5,767,997
Bonds	2,700,564	2,865,010
Mutual funds - equity	87,272,903	4,137,253
Mutual funds - fixed income	45,234,330	10,703,048
Exchange traded funds - equity	236,421	32,901,548
Exchange traded funds - international equity	267,409	32,452,172
Exchange traded funds - fixed income	80,807	83,497
Collective trust funds - fixed income	-	40,463,646
Common trust funds	8,962,728	8,283,301
Alternative investments	<u>67,822,770</u>	<u>49,682,353</u>
	<u>\$ 231,977,976</u>	<u>\$ 231,337,336</u>

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As of June 30, 2014, concentrations of Audubon's investments in excess of 10% of the fair value of its portfolio included approximately 17% invested in the BGI Government Bond Index Fund, approximately 13% in the iShares MSCI EAFE Index Fund, and approximately 10% in Standard & Poor's Depository Receipts "SPDR." As of June 30, 2015, concentrations included approximately 11% invested in the Janus Flexible Bond Fund, and approximately 10% in the Vanguard Institutional Index Fund.

Investments are subject to market volatility that could change their carrying values substantially in the near term.

Investment income consists of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 5,358,626	\$ 6,710,268
Net realized gains	17,331,141	3,317,368
Net unrealized gains	(18,191,343)	17,965,951
Investment fees	<u>(719,651)</u>	<u>(461,126)</u>
	<u>\$ 3,778,773</u>	<u>\$ 27,532,461</u>

Investment income is reported as follows in the accompanying consolidated statements of activities for the years ended June 30, 2015 and 2014:

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and support:			
Investment earnings on non-pooled funds, net	\$ 1,431,238	\$ 422	\$ 1,431,660
Investment earnings on pooled funds – appropriated, net	7,614,299	221,045	7,835,344
Nonoperating items:			
Investment gains on pooled funds not appropriated, net	(2,350,633)	(3,386,683)	(5,737,316)
Unrealized gains included in change in value of charitable trusts	<u>-</u>	<u>249,085</u>	<u>249,085</u>
	<u>\$ 6,694,904</u>	<u>\$ (2,916,131)</u>	<u>\$ 3,778,773</u>
	<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and support:			
Investment earnings on non-pooled funds, net	\$ 1,715,960	\$ 1,990	\$ 1,717,950
Investment earnings on pooled funds – appropriated, net	7,270,660	303,192	7,573,852
Nonoperating items:			
Investment gains on pooled funds not appropriated, net	2,835,039	13,682,901	16,517,940
Unrealized gains included in change in value of charitable trusts	<u>-</u>	<u>1,722,719</u>	<u>1,722,719</u>
	<u>\$ 11,821,659</u>	<u>\$ 15,710,802</u>	<u>\$ 27,532,461</u>

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Included in investment income for the years ended June 30, 2015 and 2014 is approximately \$1,425,000 and \$1,433,000 related to assets held in trust, respectively, where Audubon is a designated income beneficiary.

Assets and liabilities measured at fair value at June 30, 2015 and 2014 are classified in the tables below in one of the three levels as follows:

	2015			Total
	Level 1	Level 2	Level 3	
Assets Carried at Fair Value:				
Investments:				
Cash and cash equivalents	\$ 17,929,904	\$ -	\$ -	\$ 17,929,904
U.S. government and agency obligations	1,470,140	-	-	1,470,140
Bonds	-	2,700,564	-	2,700,564
Mutual funds - equity	87,272,903	-	-	87,272,903
Mutual funds - fixed income	45,234,330	-	-	45,234,330
Exchange traded funds - equity	236,421	-	-	236,421
Exchange traded funds - international equity	267,409	-	-	267,409
Exchange traded funds - fixed income	80,807	-	-	80,807
Common trust funds	-	8,962,728	-	8,962,728
Alternative investments	-	36,707,640	31,115,130	67,822,770
Total investments	<u>152,491,914</u>	<u>48,370,932</u>	<u>31,115,130</u>	<u>231,977,976</u>
Beneficial interest in charitable trusts	<u>-</u>	<u>-</u>	<u>40,895,798</u>	<u>40,895,798</u>
Total Assets Carried at Fair Value	<u>\$ 152,491,914</u>	<u>\$ 48,370,932</u>	<u>\$ 72,010,928</u>	<u>\$ 272,873,774</u>
Liabilities Carried at Fair Value:				
Obligations under charitable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,256,537</u>	<u>\$ 6,256,537</u>
Total Liabilities Carried at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,256,537</u>	<u>\$ 6,256,537</u>

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	2014			
	Level 1	Level 2	Level 3	Total
Assets Carried at Fair Value:				
Investments:				
Cash and cash equivalents	\$ 42,236,627	\$ -	\$ -	\$ 42,236,627
U.S. government and agency obligations	1,760,884	-	-	1,760,884
Equities	5,767,997	-	-	5,767,997
Bonds	-	2,865,010	-	2,865,010
Mutual funds - equity	4,137,253	-	-	4,137,253
Mutual funds - fixed income	10,703,048	-	-	10,703,048
Exchange traded funds - equity	32,901,548	-	-	32,901,548
Exchange traded funds - international equity	32,452,172	-	-	32,452,172
Exchange traded funds - fixed income	83,497	-	-	83,497
Collective trust fund - fixed income	-	40,463,646	-	40,463,646
Common trust funds	-	8,283,301	-	8,283,301
Alternative investments	-	42,044,305	7,638,048	49,682,353
Total investments	<u>130,043,026</u>	<u>93,656,262</u>	<u>7,638,048</u>	<u>231,337,336</u>
Beneficial interest in charitable trusts	-	-	43,481,649	43,481,649
Total Assets Carried at Fair Value	<u>\$ 130,043,026</u>	<u>\$ 93,656,262</u>	<u>\$ 51,119,697</u>	<u>\$ 274,818,985</u>
Liabilities Carried at Fair Value:				
Obligations under charitable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,296,638</u>	<u>\$ 6,296,638</u>
Total Liabilities Carried at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,296,638</u>	<u>\$ 6,296,638</u>

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

Equity Securities, Mutual Funds and Exchange Traded Funds

Valued at the closing price reported on the active market on which the individual securities are traded at year end.

Alternative Investments

Alternative investments in hedge funds, fund of funds, and limited partnerships 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, 2015 and 2014:

2015							
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 emerging markets.	1	\$ 20,113,281	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 - Fixed Income Hedge Funds	Seeks to exploit structural and technical inefficiencies in the market, especially in the short-end of the yield curve, and to enhance returns through the use of hedging, modest leverage and select longer-term return investments.	1	12,111,612	N/A	N/A	Shares may be redeemed semi-annually with 90 days notice.	Soft lock expires on 03/31/2016.
Alternative investment - Fixed Income Hedge Funds	Seeks capital appreciation and current income by investing in financial instruments that are perceived to be inefficiently priced.	1	12,278,351	N/A	N/A	Shares may be redeemed semi-annually with 90 days notice.	N/A
Alternative investment - Limited Partnerships	Venture capital and private equity	5	5,658,605	1-3 years	\$ 1,384,143	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	16,018,484	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 lesser extent, equities.	1	1,066,562	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	575,875	N/A	N/A	Quarterly with 90 days prior written notice required.	Certain lock-up and redemption restrictions.
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	8,962,728	N/A	N/A	Daily/Monthly	N/A
		20	\$ 76,785,498		\$ 1,384,143		

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2014							
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 emerging markets.	1	\$ 20,129,808	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	5,585,670	N/A	N/A	30 days written notice with a monthly frequency.	N/A
Alternative investment - Limited Partnerships	Venture capital and private equity	5	6,531,085	1-3 years	\$ 1,643,208	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 managed accounts.	1	14,966,788	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 lesser extent, equities.	1	1,362,039	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	1,106,963	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	40,463,646	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	8,283,301	N/A	N/A	Daily/Monthly	N/A
		<u>20</u>	<u>\$ 98,429,300</u>		<u>\$ 1,643,208</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, 2015 and 2014:

Balance at June 30, 2013	\$ 7,572,825
Purchases	310,000
Redemptions	(122,754)
Unrealized losses	(122,023)
Balance at June 30, 2014	7,638,048
Purchases	24,199,065
Redemptions	(744,308)
Unrealized gains	22,325
Balance at June 30, 2015	<u>\$ 31,115,130</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, 2015 and 2014.

	<u>Beneficial Interest in Charitable Trusts</u>	<u>Obligations Under Charitable Trusts</u>
Balance at June 30, 2013	\$ 42,151,503	\$ 6,609,687
New agreements	-	169,784
Payments to annuitants	-	(786,256)
Trust distributions	(961,214)	-
Change in fair value of trust assets	4,404,916	-
Change in value due to actuarial valuations	(2,113,556)	303,423
Balance at June 30, 2014	43,481,649	6,296,638
New agreements	671,871	436,380
Payments to annuitants	-	(838,491)
Trust distributions	(1,565,672)	-
Change in fair value of trust assets	(1,372,141)	-
Change in value due to actuarial valuations	(319,909)	362,010
Balance at June 30, 2015	<u>\$ 40,895,798</u>	<u>\$ 6,256,537</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.

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6. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Buildings and building improvements	\$ 43,503,893	\$ 43,470,230
Equipment	11,218,468	10,350,338
Land improvements	91,936	91,936
Leasehold improvements	<u>24,943,674</u>	<u>23,674,665</u>
	79,757,971	77,587,169
Less: Accumulated depreciation and amortization	<u>(34,233,254)</u>	<u>(31,664,705)</u>
Buildings and equipment, net	45,524,717	45,922,464
Assets not subject to depreciation:		
Construction in progress (see Note 9)	3,008,773	2,055,574
Artwork	383,753	383,753
Land available for sale	1,500	186,500
Land - Sanctuaries	<u>99,133,500</u>	<u>98,193,282</u>
Total land, buildings and equipment, net	<u>\$ 148,052,243</u>	<u>\$ 146,741,573</u>

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>2015</u>	<u>2014</u>
Program restrictions:		
Field Conservation programs	\$ 12,056,239	\$ 14,326,388
National Conservation programs	4,345,843	4,892,820
Time restrictions	<u>93,643</u>	<u>421,280</u>
	<u>\$ 16,495,725</u>	<u>\$ 19,640,488</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 \$387,174 and \$234,000 for the years ended June 30, 2015 and 2014, 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, 2015:

	<u>Base Rent</u>	<u>Operating Expenses</u>	<u>Total</u>
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
2019	1,310,000	425,000	1,735,000
2020	1,310,000	477,000	1,787,000
Thereafter	<u>10,294,000</u>	<u>5,351,000</u>	<u>15,645,000</u>
	<u>\$ 16,566,000</u>	<u>\$ 7,245,000</u>	<u>\$ 23,811,000</u>

As of June 30, 2015 and 2014, 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 \$290,417 and \$290,080 as of June 30, 2015 and 2014, 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, 2015:

2016	\$ 1,126,000
2017	904,000
2018	698,000
2019	652,000
2020	382,000
Thereafter	<u>872,000</u>
	<u>\$ 4,634,000</u>

Rent credits and charges are accounted for on a straight-line basis over the life of the lease. Included in deferred rent, tuition, and other on the accompanying consolidated statements of financial position as of June 30, 2015 and 2014 is a liability of approximately \$4,595,000 and \$4,463,000, 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, 2015 and 2014 amounted to approximately \$2,810,000 and \$2,804,000, 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 \$335,000 and \$230,000 as of June 30, 2015 and 2014, 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.

Audubon is in the process of developing and improving several nature centers, which are in various stages of completion. As of June 30, 2015 and 2014, Audubon had remaining commitments on construction and related agreements amounting to approximately \$767,000 and \$1,826,000, respectively.

Audubon is invested in several limited partnerships under which Audubon is committed to make capital contributions in future periods totaling approximately \$1,384,000 and \$1,643,000 as of June 30, 2015 and 2014, 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, 2015 and 2014, Audubon contributed approximately \$2,313,000 and \$2,143,000, respectively, to this retirement plan. All contributions vest immediately and are held in accounts owned by the employees.

457(b) Plan

Audubon maintains a deferred compensation plan to provide certain employees with the benefit of additional tax-deferred retirement savings opportunities. The annual 457(b) deferral limitation for calendar year 2015 and 2014 were \$18,000 and \$17,500. This plan is entirely funded by employee salary deferrals. Plan assets and liabilities pertaining to the 457(b) plan, which are immaterial to the accompanying consolidated financial statements, have not been recognized.

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.

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The following table sets forth the plan's funded status and benefit obligation at June 30, 2015 and 2014:

	2015		2014	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Change in benefit obligation:				
Benefit obligation-beginning of year	\$ 39,617,740	\$ 2,475,950	\$ 39,462,944	\$ 2,529,503
Service cost	-	166,809	-	153,413
Interest cost	1,552,257	72,496	1,679,182	99,346
Participant contributions and retiree drug subsidy	-	107,166	-	110,498
Actuarial loss (gain)	676,196	(656,861)	1,224,657	(293,872)
Benefits paid and expenses	(1,188,550)	(120,857)	(2,749,043)	(122,938)
Settlements	(2,855,945)	-	-	-
Benefit obligation – end of year	<u>37,801,698</u>	<u>2,044,703</u>	<u>39,617,740</u>	<u>2,475,950</u>
Change in plan assets:				
Fair value of plan assets – beginning of year	30,046,309	-	28,243,064	-
Actual return	208,277	-	3,729,288	-
Employer contributions	1,205,599	13,691	823,000	12,440
Participant contributions and retiree drug subsidy	-	107,166	-	110,498
Benefits paid	(1,188,550)	(120,857)	(2,749,043)	(122,938)
Administrative expenses	-	-	-	-
Settlements	(2,439,686)	-	-	-
Fair value of plan assets – end of year	<u>27,831,949</u>	<u>-</u>	<u>30,046,309</u>	<u>-</u>
Funded status	<u>\$ (9,969,749)</u>	<u>\$ (2,044,703)</u>	<u>\$ (9,571,431)</u>	<u>\$ (2,475,950)</u>
Accumulated benefit obligation	<u>\$ 37,801,698</u>	<u>\$ 2,044,703</u>	<u>\$ 39,617,740</u>	<u>\$ 2,475,950</u>

Amounts recognized as a liability in the accompanying consolidated statements of financial position consisted of the following as of June 30, 2015 and 2014:

	2015		
	Cash Balance Plan	Retiree Medical and Life Plan	Total
Accrued benefit liability	<u>\$ (9,969,749)</u>	<u>\$ (2,044,703)</u>	<u>\$ (12,014,452)</u>
	2014		
	Cash Balance Plan	Retiree Medical and Life Plan	Total
Accrued benefit liability	<u>\$ (9,571,431)</u>	<u>\$ (2,475,950)</u>	<u>\$ (12,047,381)</u>

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The following table provides the components of net periodic benefit cost for the plans for the years ended June 30, 2015 and 2014:

	2015		2014	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Service cost	\$ 216,613	\$ 166,809	\$ 388,000	\$ 153,413
Interest cost	1,552,257	72,496	1,679,182	99,346
Expected return on plan assets	(1,928,513)	-	(1,776,540)	-
Amortization of prior service credit	-	(1,452,359)	-	(1,452,359)
Amortization of net loss	1,023,603	-	991,431	33,296
Settlement loss	647,182	-	-	-
Net periodic benefit cost (credit)	<u>\$ 1,511,142</u>	<u>\$ (1,213,054)</u>	<u>\$ 1,282,073</u>	<u>\$ (1,166,304)</u>

The components of the unfunded liability as of June 30, 2015 and 2014 but not yet reflected in net periodic benefit cost consisted of the following:

	2015		2014	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Prior service credit	\$ -	\$ 2,596,603	\$ -	\$ 4,048,962
Accumulated (loss)/gain	<u>(10,032,393)</u>	<u>189,769</u>	<u>(9,939,618)</u>	<u>(467,092)</u>
Amounts recognized in unrestricted net assets	(10,032,393)	2,786,372	(9,939,618)	3,581,870
Cumulative employer contributions in excess of net periodic benefit cost	<u>62,644</u>	<u>(4,831,075)</u>	<u>368,187</u>	<u>(6,057,820)</u>
Net amount recognized in the statement of financial position	<u>\$ (9,969,749)</u>	<u>\$ (2,044,703)</u>	<u>\$ (9,571,431)</u>	<u>\$ (2,475,950)</u>

For the years ended June 30, 2015 and 2014, Audubon recognized pension and postretirement related changes other than net periodic costs of \$(888,273) and \$982,331, respectively. Such amounts represent the change in the amounts reflected in unrestricted net assets for the years ended June 30, 2015 and 2014 and consist of \$(92,775) and \$2,107,522 for the Cash Balance Plan, respectively, and \$(795,498) and \$(1,125,191) for the Retiree Medical and Life plan, respectively.

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Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2015 and 2014 are as follows:

	2015		2014	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Net loss/(gain) arising during period	\$ 1,116,378	\$ (656,861)	\$ (1,116,091)	\$ (293,872)
Amortization of prior service credit	-	1,452,359	-	1,452,359
Amortization of actuarial loss	<u>(1,023,603)</u>	<u>-</u>	<u>(991,431)</u>	<u>(33,296)</u>
Change in unrestricted net assets	<u>\$ 92,775</u>	<u>\$ 795,498</u>	<u>\$ (2,107,522)</u>	<u>\$ 1,125,191</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ (1,418,367)</u>	<u>\$ (417,556)</u>	<u>\$ (825,449)</u>	<u>\$ (41,113)</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 \$1,077,969 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 \$0 and \$1,452,359, respectively.

The weighted average assumptions used to determine benefit obligations as of June 30, 2015 and 2014 consisted of the following:

	2015		2014	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plans
Discount rate	4.17 %	3.71 %	4.01 %	3.51 %
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, 2015 and 2014 consisted of the following:

	2015		2014	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plans
Discount rate	4.01 %	3.51 %	4.50 %	4.50 %
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	7.28 %	N/A	7.52 %

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The assumed health care cost trend rate at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>		<u>2014</u>	
	<u>Cash Balance Plan</u>	<u>Retiree Medical and Life Plan</u>	<u>Cash Balance Plan</u>	<u>Retiree Medical and Life Plan</u>
Health care cost trend rate assumed for next year	N/A	7.28 %	N/A	7.52 %
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 \$988,000 to its Cash Balance Plan and \$76,850 to its Retiree Medical and Life Plan during the year ending June 30, 2016.

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>
2016	\$ 1,731,000	\$ 77,000
2017	1,863,000	117,000
2018	1,909,000	144,000
2019	1,946,000	156,000
2020	2,049,000	145,000
2021 through 2025	10,652,000	1,027,000
Total	<u>\$ 20,150,000</u>	<u>\$ 1,666,000</u>

The weighted average asset allocation of the Cash Balance Plan as of June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Equities - domestic	35.72 %	30.76 %
Equities - international	26.88	27.16
Debt securities	24.28	25.39
Cash and cash equivalents	2.32	6.80
Alternative investments	10.80	9.89
	<u>100.00 %</u>	<u>100.00 %</u>

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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.

The fair value hierarchy defines three levels, as further described in Note 2. Cash Balance Plan assets measured at fair value at June 30, 2015 and 2014 are classified within the fair value hierarchy in the table as follows:

	2015		
	Level 1	Level 2	Total
Investments:			
Equities - domestic	\$ 9,942,673	\$ -	\$ 9,942,673
Equities - international	7,480,961	-	7,480,961
Collective trust fund	-	6,756,442	6,756,442
Cash and cash equivalents	645,243	-	645,243
Alternative investments	-	3,006,630	3,006,630
Total assets carried at fair value	<u>\$ 18,068,877</u>	<u>\$ 9,763,072</u>	<u>\$ 27,831,949</u>
	2014		
	Level 1	Level 2	Total
Investments:			
Equities - domestic	\$ 9,243,663	\$ -	\$ 9,243,663
Equities - international	8,160,202	-	8,160,202
Collective trust fund	-	7,629,349	7,629,349
Cash and cash equivalents	2,042,115	-	2,042,115
Alternative investments	-	2,970,980	2,970,980
Total assets carried at fair value	<u>\$ 19,445,980</u>	<u>\$ 10,600,329</u>	<u>\$ 30,046,309</u>

The Cash Balance Plan did not have any investments classified as Level 3 as of June 30, 2015 and 2014.

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The following table lists Audubon's Cash Balance Plan investments by major category, which are valued at NAV as of June 30, 2015 and 2014:

		2015					
Type	Strategy	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 man	1	\$ 1,922,860	17	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	6,756,442	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.	<u>1</u>	<u>1,083,770</u>	N/A	N/A	30 days written notice with a	N/A
		<u>3</u>	<u>\$ 9,763,072</u>				
		2014					
Type	Strategy	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 man	1	\$ 1,796,614	17	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	7,629,349	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.	<u>1</u>	<u>1,174,366</u>	N/A	N/A	30 days written notice with a	N/A
		<u>3</u>	<u>\$ 10,600,329</u>				

11. LOANS 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 stated an interest rate of 0.46% per annum and was secured by certain collectibles ("Collectibles"). The principal balance of the note payable was due and payable on May 21, 2016. 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 had the option to purchase the Collectibles at a purchase price of \$7.175 million through August 11, 2014 under certain terms and conditions. On December 18, 2013, the lender exercised its option to purchase the Collectibles and no amounts are due under the agreement as of June 30, 2014. The book value associated with the Collectibles was \$440,000 and a gain of

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\$6,735,000 was recognized during the year ended June 30, 2014, which is included in gain on sales of property on the accompanying consolidated statements of activities.

Loans payable as of June 30, 2015 and June 30, 2014, amounted to \$120,785 and \$100,000, respectively.

12. CHARITABLE TRUST AGREEMENTS

Beneficial interests in charitable trusts consisted of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Held by third-party trustees	\$ 40,895,798	\$ 43,481,649
Held by Audubon as trustee:		
Charitable gift annuities	\$ 11,536,856	\$ 11,355,462
Pooled income fund	<u>1,587,787</u>	<u>1,683,493</u>
	<u>\$ 13,124,643</u>	<u>\$ 13,038,955</u>

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 \$6,257,000 and \$6,297,000 as of June 30, 2015 and 2014, respectively.