

MASSACHUSETTS AUDUBON SOCIETY, INC.

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

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Certified Public Accountants & Consultants

MASSACHUSETTS AUDUBON SOCIETY, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION JUNE 30, 2012 AND 2011	2
STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2012 AND 2011	3
STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2012 AND 2011	4
STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2012 AND 2011	5
NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011	6-16
INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION	17
ACCOMPANYING INFORMATION	
SCHEDULE OF FUNCTIONAL REVENUES (UNRESTRICTED OPERATING FUND ONLY) YEAR ENDED JUNE 30, 2012 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)	18
SCHEDULE OF FUNCTIONAL EXPENSES (UNRESTRICTED OPERATING FUND ONLY) YEAR ENDED JUNE 30, 2012 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)	19

INDEPENDENT AUDITORS' REPORT

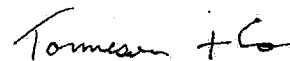
Board of Directors and Auditing Committee
Massachusetts Audubon Society, Inc.
Lincoln, Massachusetts

We have audited the accompanying statements of financial position of Massachusetts Audubon Society, Inc. (a Massachusetts non-profit organization) as of June 30, 2012 and 2011, and the related statements of activities, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Massachusetts Audubon Society, Inc. management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the 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.

Massachusetts Audubon Society, Inc. has consistently followed the practice of recording donated land at a nominal amount because management does not believe the cost and difficulties of obtaining appraisals would be beneficial, given that the organization generally does not sell donated properties. U.S. generally accepted accounting principles require that such donated property be recorded at its fair value at the date of receipt. It was not practicable to determine the effects of this departure from U.S. generally accepted accounting principles on the financial statements.

In our opinion, except for the effects of recording donated land at a nominal amount as discussed in the third paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Massachusetts Audubon Society, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.



Tonneson + Co

November 12, 2012

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MASSACHUSETTS AUDUBON SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

2012

2011

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	\$ 1,422,935	\$ 2,396,666	\$ -	\$ 3,819,601	\$ 1,870,048	\$ 1,972,276	\$ -	\$ 3,842,324
Investments	4,422,700	49,225,280	57,823,190	111,471,170	6,771,113	56,283,279	56,730,173	119,784,565
Accounts receivable	638,447	-	-	638,447	830,676	-	-	830,676
Pledges receivable	162,324	952,546	48,432	1,163,302	407,642	2,016,991	204,549	2,629,182
Inventory	335,168	-	-	335,168	343,602	-	-	343,602
Prepaid expenses	238,789	-	-	238,789	297,861	-	-	297,861
Fine arts collection	1,368,422	-	25,000	1,393,422	1,368,422	-	25,000	1,393,422
Property and equipment, net	51,862,430	-	45,384,721	97,247,151	48,774,837	-	45,384,721	94,159,558
Interfund balances	(2,337,033)	2,460,071	(123,038)	-	(3,085,636)	3,255,621	(169,985)	-
TOTAL ASSETS	\$ 58,114,182	\$ 55,034,563	\$ 103,158,305	\$ 216,307,050	\$ 57,578,565	\$ 63,528,167	\$ 102,174,458	\$ 223,281,190

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 1,429,515	\$ -	\$ -	\$ 1,429,515	\$ 1,777,370	\$ -	\$ -	\$ 1,777,370
Deferred grants	-	192,415	-	192,415	-	202,025	-	202,025
Amount received in advance for future services	2,749,112	-	-	2,749,112	2,469,642	-	-	2,469,642
Reserve for unemployment benefits	124,348	-	-	124,348	163,430	-	-	163,430
Split-interest agreements liabilities	-	5,051,902	-	5,051,902	-	4,769,066	-	4,769,066
Long-term debt	180,055	-	-	180,055	180,055	-	-	180,055
Total liabilities	4,483,030	5,244,317	-	9,727,347	4,590,497	4,971,091	-	9,561,588
Total net assets	53,631,152	49,790,246	103,158,305	206,579,703	52,988,068	58,557,076	102,174,458	213,719,602
TOTAL LIABILITIES AND NET ASSETS	\$ 58,114,182	\$ 55,034,563	\$ 103,158,305	\$ 216,307,050	\$ 57,578,565	\$ 63,528,167	\$ 102,174,458	\$ 223,281,190

MASSACHUSETTS AUDUBON SOCIETY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2012 AND 2011

	2012				2011			
	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Total	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Public Support:								
Gifts and grants	\$ 2,655,098	\$ 4,572,211	\$ 304,271	\$ 7,531,580	\$ 2,471,904	\$ 3,194,684	\$ 329,020	\$ 5,995,608
Government contracts	670,465	289,711	-	960,176	704,551	124,316	-	828,867
Legacies and bequests	356,491	-	484,005	840,496	234,155	-	-	234,155
Total public support	3,682,054	4,861,922	788,276	9,332,252	3,410,610	3,319,000	329,020	7,058,630
Revenue:								
Membership dues	3,269,928	-	-	3,269,928	3,172,859	-	-	3,172,859
Program income	7,052,026	546,081	-	7,598,107	6,888,743	331,968	-	7,220,711
Gain (loss) on investments	-	(3,176,118)	(71,142)	(4,027,014)	-	15,643,252	5,485	18,019,741
Interest and dividends	1,171,114	108,626	-	1,279,740	1,413,604	78,241	-	1,491,845
Contributed services	283,233	-	-	283,233	278,238	-	-	278,238
Other revenue	-	23,706	-	23,706	-	55,876	-	55,876
Withdrawal for spending rate	3,910,166	(3,600,510)	-	3,710,743	3,710,743	(287,766)	-	(3,422,977)
Fund special projects	25,270	555,397	266,713	847,380	23,113	(1,085,277)	95,715	-
Net other interfund transfers	758,718	(661,937)	-	96,781	172,170	354,069	22,498	558,737
Net assets released from restrictions:								
Satisfaction of program restrictions	447,344	(7,141,161)	-	(6,693,817)	573,326	(7,057,062)	-	(6,483,736)
Total revenue	16,917,799	(13,345,916)	195,571	8,427,700	16,232,796	6,047,010	123,698	30,239,270
Total public support and revenue	20,599,853	(8,483,994)	983,847	17,759,952	19,643,406	9,366,010	452,718	37,297,900
Expenses								
Program and member services expenses	17,538,282	-	-	20,374,587	16,711,484	-	-	18,404,754
Administration and general expenses	2,164,867	-	-	2,927,987	2,157,778	-	-	3,100,476
Development expenses	1,310,101	-	-	1,314,441	1,075,129	-	-	1,128,325
Fund depreciation	(106,387)	-	-	(106,387)	(108,147)	-	-	-
Net interfund transfers	(397,236)	-	-	(397,236)	(193,128)	-	-	-
Total expenses	20,509,627	-	-	24,617,015	19,643,116	2,990,439	-	22,633,555
Changes in split-interest agreements	-	(282,836)	-	(282,836)	-	(565,201)	-	(565,201)
Add surplus unrestricted bequests to endowment	-	-	-	-	(946)	-	-	-
Change in net assets	\$ 90,226	\$ 552,858	\$ 983,847	\$ (7,139,899)	\$ (656)	\$ 4,846,273	\$ 452,718	\$ 14,099,144

MASSACHUSETTS AUDUBON SOCIETY, INC.

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Permanently</u>	
	<u>Operating</u>	<u>Other</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
BALANCE AT JULY 1, 2010	\$ 400,003	\$ 47,742,448	\$ 49,756,267	\$ 101,721,740	\$ 199,620,458
Change in net assets	<u>(656)</u>	<u>4,846,273</u>	<u>8,800,809</u>	<u>452,718</u>	<u>14,099,144</u>
BALANCE AT JUNE 30, 2011	\$ 399,347	\$ 52,588,721	\$ 58,557,076	\$ 102,174,458	\$ 213,719,602
Change in net assets	<u>90,226</u>	<u>552,858</u>	<u>(8,766,830)</u>	<u>983,847</u>	<u>(7,139,899)</u>
BALANCE AT JUNE 30, 2012	\$ <u>489,573</u>	\$ <u>53,141,579</u>	\$ <u>49,790,246</u>	\$ <u>103,158,305</u>	\$ <u>206,579,703</u>

MASSACHUSETTS AUDUBON SOCIETY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (7,139,899)	\$ 14,099,144
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,649,406	1,138,687
Loss (gain) on investments	4,027,014	(18,019,741)
Changes in split-interest agreements	282,836	594,280
Allowance for uncollectible pledges	(77,153)	(48,871)
Amortization of pledge discount	(218,701)	(127,172)
Change in certain assets and liabilities:		
Accounts receivable	192,229	1,016,782
Pledges receivable	1,761,734	1,104,589
Inventory	8,434	(51,319)
Prepaid expenses	59,072	(96,937)
Accounts payable and accrued expenses	(347,855)	204,747
Deferred grants	(9,610)	(64,182)
Amounts received in advance for future services	279,470	20,956
Reserve for unemployment benefits	(39,082)	(38,818)
	<u>1,427,895</u>	<u>(267,855)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,736,999)	(4,988,613)
Proceeds from sale of investments	27,964,968	45,568,708
Purchase of investments	(23,678,587)	(41,759,544)
	<u>(1,450,618)</u>	<u>(1,179,449)</u>
Net cash used in investing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,723)	(1,447,304)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,842,324</u>	<u>5,289,628</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,819,601</u>	<u>\$ 3,842,324</u>

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies

Organization - Massachusetts Audubon Society, Inc. (Mass Audubon) was established in 1896 and is a state-wide environmental organization working in the areas of land conservation, education, research and advocacy.

The Internal Revenue Service has recognized Mass Audubon as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code which provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes and whose net earnings do not inure to the benefit of any private shareholder or individual. Gifts to Mass Audubon are tax deductible.

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

Financial Statement Presentation - In accordance with U.S. generally accepted accounting principles, Mass Audubon is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Certain reclassifications have been made to the 2011 financial statements in order to conform to the presentation for 2012.

Contributions - In accordance with U.S. generally accepted accounting principles, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period. All other donor-restricted support is reported as an increase in temporarily restricted net assets or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Fine Arts Collection - Mass Audubon capitalizes fine arts collection items acquired by purchase or contribution in accordance with U.S. generally accepted accounting principles. Collection items that are acquired by purchase are capitalized at cost. Donated collection items are capitalized at fair market value at time of contribution.

Contributed Services - In accordance with U.S. generally accepted accounting principles, contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services of volunteers which do not meet these criteria are not recorded in the financial statements.

Cash Equivalents - Cash equivalents consist of highly liquid investments with original maturities of 90 days or less. Cash equivalents are carried at cost which approximates market.

Concentration of Credit Risk - Financial instruments which potentially subject Mass Audubon to concentration of credit risk consist principally of temporary cash investments. Mass Audubon places its temporary cash investments in high quality financial institutions. Mass Audubon's non-interest bearing operating cash account is fully insured by the Federal Deposit Insurance Corporation ("FDIC") through December 31, 2012. Amounts held in interest bearing money market accounts are not covered by FDIC insurance.

Accounts Receivable - Management has reviewed accounts receivable as of June 30, 2012 and 2011, and considers accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Pledges Receivable - Unconditional promises to give are recognized as revenue or gains in the period received and as assets or decreases of liabilities, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The allowance for doubtful accounts is determined by applying a percentage against total pledges receivable, based upon management's judgment concerning the future collectability of the receivables.

Inventory - Inventory is stated at the lower of cost or market. Cost is determined on the weighted-average method and market is generally based on net realizable value.

Investments - Investments in stocks, bonds, mutual funds, money market funds and limited partnerships are accounted for in accordance with U.S generally accepted accounting principles. Such investments are stated at fair market value. Investments in life income funds, gift annuities funds and charitable remainder unitrusts are stated at the fair market value of the underlying investments. Unless specific prohibitive clauses are contained in the gift instruments, funds for investment have been combined into one of two investment pools, general investment and life income trusts. All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets and unrealized gains and losses on investments are reflected in the statements of activities.

Endowment Funds with Deficiencies - 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 the Uniform Prudent Management of Institutional Funds Act requires Mass Audubon to retain as a fund for perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and amount to \$1,158,255 and \$513,710 as of June 30, 2012 and 2011, respectively.

Property and Equipment - Buildings, furniture, equipment and motor vehicles are carried at cost less depreciation. Mass Audubon computes depreciation using the straight-line method calculated to amortize the cost of the assets over their estimated useful lives. Depreciation expense amounted to \$2,649,406 and \$1,138,687 for the years ended June 30, 2012 and 2011, respectively.

Purchased land is recorded at acquisition cost. Donated land is recorded at a nominal amount because management does not believe the cost and difficulties of obtaining appraisals would be beneficial, given that Mass Audubon generally does not sell donated properties. The cost of purchasing conservation restrictions and easements is not capitalized but is expensed. For the years ended June 30, 2012 and 2011, no such expenditures related to conservation restrictions and easements were incurred.

Donated buildings and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Mass Audubon reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Mass Audubon reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Advertising - Mass Audubon expenses advertising costs as incurred. For the years ending June 30, 2012 and 2011, advertising costs amounted to \$69,497 and \$61,683 respectively.

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounting for Uncertain Tax Positions - U.S. generally accepted accounting principles provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. U.S. generally accepted accounting principles require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination by a tax authority.

These determinations have been reviewed according to guidance in U.S. generally accepted accounting principles related to accounting for uncertainty in income taxes. As of June 30, 2012, Mass Audubon has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Subsequent Events - The date to which events occurring after June 30, 2012 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Note 2 - Restrictions on Assets

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

	<u>2012</u>		<u>2011</u>
Accumulated appreciation on permanently restricted net assets	\$ 36,162,213	\$	41,757,759
Funds for future operations of specific Mass Audubon programs	<u>13,628,033</u>		<u>16,799,317</u>
	\$ <u>49,790,246</u>	\$	<u>58,557,076</u>

Permanently restricted net assets consist of property required to be held for conservation purposes and the original gift value of investments to be held indefinitely as endowment, the income from which is available to support certain operations of Mass Audubon.

Note 3 - Pledges Receivable

Pledges receivable scheduled to be received over future periods consist of the following amounts as of June 30, 2012 and 2011:

	<u>2012</u>		<u>2011</u>
Within one year	\$ 766,438	\$	1,679,625
One to two years	365,917		771,567
Two to three years	176,369		326,534
Three to four year	55,200		177,618
Four to five years	5,000		165,000
Thereafter	<u>22,686</u>		<u>33,000</u>
	1,391,610		3,153,344
Less: discounts to net present value	(167,083)		(385,784)
Less: allowance for uncollectible pledges	<u>(61,225)</u>		<u>(138,378)</u>
	\$ <u>1,163,302</u>	\$	<u>2,629,182</u>

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 3 - Pledges Receivable (Continued)

Pledges receivable are primarily from foundations, corporations and individuals located throughout Massachusetts. A discount rate of 5% was used to calculate the net present value of pledges receivable at June 30, 2012 and 2011.

Note 4 - Inventory

Inventory as of June 30, 2012 and 2011 consists of the following:

	<u>2012</u>		<u>2011</u>
Retail merchandise at Lincoln shop	\$ 175,090	\$	167,192
Publications	50,004		56,757
Mailroom supplies and prepaid postage	30,212		37,086
Information technology equipment	32,611		31,998
Other retail merchandise	29,484		29,425
Field dress	17,767		21,144
	<u>\$ 335,168</u>	\$	<u>343,602</u>

Note 5 - Property and Equipment, Net

Property and equipment, at cost less accumulated depreciation as of June 30, 2012 and 2011 is as follows:

	<u>2012</u>		<u>2011</u>
Land	\$ 54,444,367	\$	54,444,367
Buildings and improvements	34,409,310		33,974,136
Capital assets in progress	21,189,190		16,105,235
Office furniture and computer equipment	2,428,796		2,355,288
Maintenance and program equipment	845,174		781,559
Motor vehicles	1,869,794		1,789,047
	<u>115,186,631</u>		<u>109,449,632</u>
Less accumulated depreciation	<u>(17,939,480)</u>		<u>(15,290,074)</u>
	<u>\$ 97,247,151</u>	\$	<u>94,159,558</u>

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 6 - Investments

Investments as of June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
U.S. corporate stocks and mutual funds	\$ 35,507,614	\$ 40,758,244
Mutual funds - U.S. corporate and government bonds	7,341,128	8,970,369
Mutual funds - international	31,388,372	26,754,863
Common stock - privately held company	974,500	1,045,642
Limited partnerships	27,070,377	21,919,488
Money market funds	750,272	11,485,546
Life income funds	1,214,445	1,164,626
Gift annuities	2,675,240	2,878,095
Charitable remainder trusts	4,549,222	4,807,692
	<u>\$ 111,471,170</u>	<u>\$ 119,784,565</u>

Life income funds were contributed to Mass Audubon subject to the requirement that Mass Audubon periodically pay the income earned on these funds to the donor or other designated individuals. Payments terminate at a time specified in the life income agreements, usually upon death of the donor or designated individual. Gift Annuities were given to Mass Audubon on the condition that Mass Audubon bind itself to make periodic stipulated payments to the donor or other designated individuals. Charitable remainder trusts were given to Mass Audubon on the condition that Mass Audubon bind itself to make periodic stipulated payments to the donor or other designated individuals at a stated percentage of the fair value of the trust. Payments on gift annuity and charitable remainder trust agreements terminate at a time specified in the agreements. The aforementioned planned giving instruments are invested in international equity funds, U.S. large, mid and small cap equity funds, real estate investment trusts and corporate and government fixed income funds. A related liability on planned giving agreements, based upon future payments, is adjusted based upon donor life expectancies and on prevailing interest rates.

Included in investments is an investment in a privately held company acquired by bequest. Because no market price is available, this investment is carried at the donor's estate tax value as annually adjusted based on the equity of the company. The value at June 30, 2012 and 2011 was \$974,500 and \$1,045,642 respectively.

U.S. generally accepted accounting principles defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. Further, U.S. generally accepted accounting principles requires Mass Audubon to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements. U.S. generally accepted accounting principles specifies a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Mass Audubon's market assumptions.

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 6 - Investments (Continued)

This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

The following table summarizes Mass Audubon's financial assets and liabilities measured at fair value on a recurring basis in accordance with U.S. generally accepted accounting principles as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Large cap	\$ 11,829,245	\$ -	\$ -	\$ 11,829,245
Large/Mid cap	4,816,749	-	-	4,816,749
Mid cap	15,348,029	-	-	15,348,029
Small cap	3,513,591	-	-	3,513,591
International	31,388,372	-	-	31,388,372
Fixed income	7,341,128	-	-	7,341,128
Private equities:				
Common stock - privately held company	-	-	974,500	974,500
Short-term investments:				
Money market funds	750,272	-	-	750,272
Alternative investments:				
Limited partnerships	-	-	27,070,377	27,070,377
Other investments				
Planned giving assets	8,438,907	-	-	8,438,907
Total investments	\$ 83,426,293	\$ -	\$ 28,044,877	111,471,170
Planned giving liabilities	\$ -	\$ 5,051,902	\$ -	5,051,902
Total liabilities	\$ -	\$ 5,051,902	\$ -	5,051,902

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 6 - Investments (Continued)

The following table summarizes Mass Audubon's financial assets and liabilities measured at fair value on a recurring basis in accordance with U.S. generally accepted accounting principles as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Large cap	\$ 13,875,330	\$ -	\$ -	\$ 13,875,330
Large/Mid cap	5,712,245	-	-	5,712,245
Mid cap	17,612,015	-	-	17,612,015
Small cap	3,558,654	-	-	3,558,654
International	26,754,863	-	-	26,754,863
Fixed income	8,970,369	-	-	8,970,369
Private equities:				
Common stock - privately held company	-	-	1,045,642	1,045,642
Short-term investments:				
Money market funds	11,485,546	-	-	11,485,546
Alternative investments:				
Limited partnerships	-	-	21,919,488	21,919,488
Other investments				
Planned giving assets	<u>8,850,413</u>	<u>-</u>	<u>-</u>	<u>8,850,413</u>
Total investments	\$ 96,819,435	\$ -	\$ 22,965,130	119,784,565
Planned giving liabilities	\$ -	\$ 4,769,066	\$ -	4,769,066
Total liabilities	\$ -	\$ 4,769,066	\$ -	4,769,066

Alternative investments include investments valued at fair value based upon market prices and net asset values and other investments which values have been estimated by the general partner in absence of readily ascertainable fair market values. Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and differences could be material.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that Mass Audubon has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

The following is the changes in Level 3 assets measured at fair value for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 22,965,130	\$ 20,740,978
Purchase of investments	5,375,660	7,347,013
Sale of investments	-	(8,740,113)
Realized loss on sale of investments	-	(192,750)
Unrealized gain (loss) on investments	<u>(295,913)</u>	<u>3,810,002</u>
Balance, end of year	\$ <u>28,044,877</u>	\$ <u>22,965,130</u>

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 7 - Endowment

Mass Audubon's endowment consists of approximately two hundred seventy-nine individual funds established for a variety of purposes. Mass Audubon's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Mass Audubon classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the 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 net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Mass Audubon.

Mass Audubon 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 Mass Audubon 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 Mass Audubon
7. The investment policies of Mass Audubon

Investment Return Objectives, Risk Parameters and Strategies - The Mass Audubon Pooled Endowment Fund ("the Fund") has been established over many years by many generous contributors. The Fund provides, from its current income and capital, a substantial portion of the resources used to support Mass Audubon's environmental and conservation programs and activities. Preservation of that capital, measured by real spending power, is critical to the present as well as future ability of Mass Audubon to accomplish its mission. The overall risk tolerance parameters and objectives established by the Mass Audubon Investment Committee are as follows:

- The foremost responsibility of the Investment Committee is to preserve the purchasing power of the Fund. Preservation shall be measured in terms of real spending power after adjustment for additions to and withdrawals from the Fund.
- Consistency of performance is of paramount importance.
- Moderate volatility of investment return (risk) of the Fund's assets will be tolerated with the expectation that assets will grow at a rate commensurate with the level of risk.
- Capital appreciation is needed by the Fund to keep ahead of inflation over the long run (a real rate of return over inflation).
- Downside market protection is more important than maximizing returns on the upside of the market.

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 7 - Endowment (Continued)

The Investment Committee has established an asset allocation policy, investment guidelines and performance standards for the investment of the Fund's assets, in order to control risk and monitor investment performance. In recognition of the prudence required of fiduciaries, reasonable diversification will be sought where possible. Experience has shown that financial markets and inflation rates are cyclical and therefore, control of volatility is most likely to be achieved through diversification of asset classes and, where appropriate, selection of managers of diverse investment styles.

Spending Policy - Spending from every donor restricted endowment fund is governed by the Massachusetts' Uniform Prudent Management of Institutional Funds Act. In January of each year, the Mass Audubon Investment Committee reviews information showing the fair market value for Mass Audubon's Pooled Endowment Fund (less outstanding loans and deferred contributions) at December 31 of the preceding year and for the three preceding calendar quarters and also reviews the amount of spending from the Pooled Endowment Fund in the current fiscal year. The spending amount for the next fiscal year is calculated by: 1) multiplying the current fiscal year spending amount from the Pooled Endowment Fund by one plus the percentage increase in the Consumer Price Index (CPI-U) for the then-ended calendar year and then by seventy percent and 2) by adding to this amount a second amount which is determined by multiplying a trailing average of the market value of the Pooled Endowment Fund at December 31 and the preceding three quarters by a spending rate determined by the Investment Committee and then by thirty percent. In computing the average of the Pooled Endowment Fund to be used for the spending rate decision, net endowment additions for each of the four calendar quarters will be added back. The Investment Committee recommends the amount so calculated for the next fiscal year to the Board of Directors which then determines the spending rate. The Investment Committee determines details of this policy and monitors its implementation.

The endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (1,158,255)	\$ 36,162,213	\$ 57,823,190	\$ 92,827,148
Board designated endowment funds	1,434,910	-	-	1,434,910
	<u>\$ 276,655</u>	<u>\$ 36,162,213</u>	<u>\$ 57,823,190</u>	<u>\$ 94,262,058</u>

The endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (513,710)	\$ 41,757,759	\$ 56,730,173	\$ 97,974,222
Board designated endowment funds	1,485,540	-	-	1,485,540
	<u>\$ 971,830</u>	<u>\$ 41,757,759</u>	<u>\$ 56,730,173</u>	<u>\$ 99,459,762</u>

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 7 - Endowment (Continued)

The changes in endowment net assets for the year ended June 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 2010	(719,729)	32,965,183	55,933,169	\$ 88,178,623
Investment gain, net	1,352,843	13,199,179	5,485	14,557,507
Contributions	338,716	-	720,183	1,058,899
Appropriations of cumulative gains/losses	<u>-</u>	<u>(4,406,603)</u>	<u>71,336</u>	<u>(4,335,267)</u>
Endowment Net Assets, June 30, 2011	971,830	41,757,759	56,730,173	99,459,762
Investment loss, net	(896,827)	(2,512,388)	(71,143)	(3,480,358)
Contributions	201,652	-	944,392	1,146,044
Appropriations of cumulative gains/losses	<u>-</u>	<u>(3,083,158)</u>	<u>219,768</u>	<u>(2,863,390)</u>
Endowment Net Assets, June 30, 2012	<u>\$ 276,655</u>	<u>\$ 36,162,213</u>	<u>\$ 57,823,190</u>	<u>\$ 94,262,058</u>

Note 8 - Defined Contribution Retirement Plan

Mass Audubon has in place a 403(b) retirement plan in which eligible employees can elect to defer a percentage of their compensation. Mass Audubon also contributes 4% of an employee's salary if the employee meets certain requirements. In addition, Mass Audubon will match a portion of the employee's deferral up to 4% of eligible compensation. The employee's elective deferral and Mass Audubon's matching contribution are subject to Internal Revenue Service limitations. For the years ended June 30, 2012 and 2011, Mass Audubon's contributions to the plan amounted to approximately \$704,000 and \$663,000, respectively.

Note 9 - Note Payable, Bank

In May 2012, Mass Audubon entered into an unsecured line of credit agreement with a bank with an expiration date of May 29, 2013. The maximum borrowings available under the agreement are \$2,000,000, payable on demand and bear interest at the applicable LIBOR Advantage Interest Rate. The agreement contains certain financial and non-financial covenant requirements. Management is not aware of any violations of the covenants as of June 30, 2012. At June 30, 2012, no borrowings were outstanding under the line of credit agreement.

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Note 10 - Long-Term Debt

A summary of long-term debt at June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Non-interest bearing note payable due on July 1, 2024	\$ <u>180,055</u>	\$ <u>180,055</u>
Less current portion	<u>-</u>	<u>-</u>
Total long-term debt	\$ <u><u>180,055</u></u>	\$ <u><u>180,055</u></u>

Note 11 - Contributed Services

The value of donated services and the corresponding expenses included in the accompanying financial statements for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Volunteer hours at sanctuaries	\$ <u>283,233</u>	\$ <u>278,238</u>
Total contributed services	\$ <u><u>283,233</u></u>	\$ <u><u>278,238</u></u>

In addition, each year over eleven thousand volunteers donate a total of more than 152,000 hours of time to Mass Audubon's environmental education, advocacy, research and sanctuary program services. No amounts have been reflected in the financial statements for these volunteer services since the contributed services did not meet the criteria for recognition under U.S. generally accepted accounting principles, as discussed in Note 1 – Contributed Services.

Note 12 - Commitments

Employment and Consulting Agreements - On January 1, 2001, Massachusetts Audubon entered into a consulting agreement with its former president. The agreement provided for two phases: the first, through June 30, 2008, established a monthly consulting fee and reimbursement for certain expenses in return for the former president's services for a fixed number of days per year; the second, which commenced on July 1, 2008, continues until the former president's death, and provides a monthly consulting fee in return for the former president's services for a reduced number of days per year.

In June 2012, Mass Audubon entered into a separation agreement with its current president, effective December 31, 2012, or earlier should a successor assume the duties of the President prior to such date. The agreement provides for fifty-two weeks of pay at the base rate in effect at the time of separation, in addition to the continuance of other employee benefits. As per the agreement, the current President agrees to provide transition support for up to one day per week for fifty-two weeks.

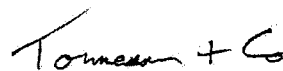
Note 13 - Statement of Cash Flows Supplemental Notes

Cash paid for interest during the years ended June 30, 2012 and 2011 amounted to \$809 and \$926, respectively.

INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Directors and Auditing Committee
Massachusetts Audubon Society, Inc.
Lincoln, Massachusetts

We have audited the financial statements of Massachusetts Audubon Society, Inc. as of and for the years ended June 30, 2012 and 2011, and our report thereon dated November 1, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information contained on pages 18 through 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Tomneson + Co

Wakefield, Massachusetts
November 12, 2012

tonneson + co

Certified Public Accountants & Consultants

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MASSACHUSETTS AUDUBON SOCIETY, INC.

SCHEDULE OF FUNCTIONAL REVENUE
(UNRESTRICTED OPERATING FUND ONLY)

YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Program Services				Support Services			Total Revenues		
	Sanctuary & Environmental Education	Science & Conservation	Advocacy	Member Services	Total Program Services	Administration and General	Development	Total Support Services	2012	2011
Admissions	\$ 351,517	\$ -	\$ -	\$ -	\$ 351,517	\$ -	\$ -	\$ -	\$ 351,517	\$ 308,024
Bird seed sales	11,504	-	-	-	11,504	-	-	-	11,504	11,945
Day and residential camp	2,944,117	-	-	-	2,944,117	-	-	-	2,944,117	2,817,853
Facility and camp rental	362,567	-	-	-	362,567	8,063	-	8,063	370,630	357,618
Gain on sale	5,466	-	-	-	5,466	-	-	-	5,466	615
Gifts and grants	1,957,636	104,258	2,650	2,100	2,066,644	1,027,335	8,462	1,035,797	3,102,441	3,045,230
Government contracts	620,465	-	-	-	620,465	50,000	-	50,000	670,465	704,551
Investment income	3,838,741	196,797	620	(16)	4,036,142	1,045,138	-	1,045,138	5,081,280	5,124,347
Legacies/bequests (unrestricted)	177,710	-	-	9,680	187,390	356,491	-	356,491	3,269,928	234,155
Memberships dues	352,527	(4)	-	218,549	571,072	3,082,538	(1,796)	(1,796)	569,276	3,172,859
Merchandise sales (margin)	-	-	-	-	-	-	65,899	65,899	65,899	83,526
Natural history tours (margin)	1,642,182	27,601	5,315	1,904	1,677,002	200	3,570	3,770	1,680,772	1,702,178
Non-school program revenues	5,329	5,729	-	7,413	18,471	-	-	-	18,471	21,797
Royalties and honoraria	752,368	-	-	-	752,368	-	-	-	752,368	731,778
School program revenues	253,009	18,603	-	-	271,612	1,925	-	1,925	273,537	310,821
Special events	8,470	-	-	-	8,470	-	-	-	8,470	6,381
Watercraft rental	273,919	5,658	3,056	600	283,233	-	-	-	283,233	278,238
Contributed services	664,765	19,501	96,643	(22,422)	758,487	25,703	(202)	25,501	783,988	195,283
Transfers										
Total revenues	\$ 14,222,292	\$ 378,143	\$ 108,284	\$ 217,808	\$ 14,926,527	\$ 5,597,393	\$ 75,933	\$ 5,673,326	\$ 20,599,853	\$ 19,643,406

MASSACHUSETTS AUDUBON SOCIETY, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES
(UNRESTRICTED OPERATING FUND ONLY)**

YEAR ENDED JUNE 30, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Program Services				Support Services			Total Expenses		
	Sanctuary & Environmental Education	Science & Conservation	Advocacy	Member Services	Total Program Services	Administration and General	Development	Total Support Services	2012	2011
Salary and wages	\$ 9,000,572	\$ 330,729	\$ 319,447	\$ 735,976	\$ 10,386,724	\$ 1,325,795	\$ 871,357	\$ 2,197,152	\$ 12,583,876	\$ 11,934,222
Fringe benefits	2,122,427	92,370	91,043	197,143	2,502,983	375,853	247,908	623,761	3,126,744	2,857,436
Change in accrued vacation	46,748	(28,474)	(7,638)	13,099	23,735	(3,100)	(3,415)	(6,515)	17,220	656
Total salaries and benefits	11,169,747	394,625	402,852	946,218	12,913,442	1,698,548	1,115,850	2,814,398	15,727,840	14,792,314
Advertising and promotion	34,818	-	-	30,992	65,810	111	3,376	3,687	69,497	61,683
Animal and bird feed	28,443	-	-	-	28,443	43	-	43	28,486	24,024
Automobile	168,269	-	-	-	168,269	10,550	(55)	10,495	178,764	174,794
Awards and scholarships	11,464	-	18	2,613	14,095	8,386	(100)	8,286	22,381	26,307
Bank charges	11,526	10	-	587	12,123	18,966	8,545	27,511	39,634	26,170
Building and grounds maintenance	509,371	-	-	4,595	514,154	13,426	53	13,479	527,633	478,529
Data processing	76,140	2,892	2,844	5,484	87,360	24,904	5,352	30,256	117,616	107,199
Depreciation	371,062	10,730	6,791	6,577	395,160	46,382	4,859	51,241	446,401	432,245
Electricity	116,590	-	1,315	562	118,467	15,852	86.00	15,938	134,405	144,158
Field dress	16,984	236	-	447	17,667	203	55	258	17,925	22,319
Food	185,431	980	1,148	3,410	190,969	25,387	17,938	43,325	234,294	204,425
General insurance	253,466	-	618	8,374	262,458	34,967	8,000	42,967	305,425	299,799
Heat	129,795	-	629	783	131,207	13,010	655.00	13,665	144,872	164,940
Interest	526	-	-	261	787	15	7	22	809	926
Meetings, conference and training	23,126	469	570	674	24,839	7,134	3,115	10,249	35,088	38,538
Membership premiums	1,257	-	-	55,709	56,966	-	776	776	57,742	64,466
Office supplies	52,879	1,750	1,696	10,419	66,744	20,436	6,728	27,164	93,908	93,243
Permits, licenses and taxes	40,916	35	-	-	40,951	1,873	15	1,888	42,839	37,261
Photographic supplies	1,687	-	-	739	2,426	-	-	-	2,426	3,212
Postage and freight	64,092	826	280	298,855	364,053	18,547	32,292	50,839	414,892	396,498
Printing and copies	133,192	1,121	2,103	309,804	446,220	(22,719)	45,178	22,459	468,679	446,106
Professional and consultant fees	245,113	25,897	556	188,358	459,924	132,654	27,110	159,764	619,688	621,587
Program supplies and materials	164,837	2,377	-	5,971	173,185	4,031	5,402	9,433	182,618	202,926
Rent	57,964	8,826	21,104	34,431	122,325	4,338	4,155	8,493	130,818	101,421
Rental of vehicles and watercraft	114,626	-	-	15,074	114,626	-	1,958	1,958	116,584	112,142
Service contracts	146,289	-	2,544	-	163,907	60,342	12,895	73,237	237,144	260,959
Subscription and library	10,554	453	7,341	4,571	22,919	4,937	1,989	6,926	29,845	38,648
Telephone	87,234	2,383	8,827	1,864	100,308	23,233	1,090	24,323	124,631	118,895
Travel	121,639	4,074	12,745	3,369	141,827	10,715	2,542	13,257	155,084	147,586
Water	32,648	34	35	701	33,418	2,267	35	2,304	35,722	35,098
Contributed services	273,919	5,658	3,056	600	283,233	-	-	-	283,233	278,238
Total salaries and benefits	14,655,604	463,376	477,260	1,942,042	17,538,282	2,178,538	1,310,101	3,488,639	21,026,921	19,956,656
Transfers and fund depreciation	(261,733)	(54,310)	(1,246)	(4,344)	(321,633)	(51,523)	(130,467)	(181,990)	(503,623)	(301,275)
Allocation of administration and general expense/(deduction)	2,518,504	77,739	86,507	340,123	3,022,873	(3,044,998)	8,454	(3,036,544)	(13,671)	(12,265)
Total expenses	\$ 16,912,375	\$ 486,805	\$ 562,521	\$ 2,277,821	\$ 20,239,522	\$ (917,983)	\$ 1,188,088	\$ 270,105	\$ 20,509,627	\$ 19,643,116