

MASSACHUSETTS AUDUBON SOCIETY, INC.

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

MASSACHUSETTS AUDUBON SOCIETY, INC.

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TONNESON & COMPANY CPAs PC

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITORS' REPORT

The Auditing Committee
Massachusetts Audubon Society, Inc.
Lincoln, Massachusetts

We have audited the accompanying statements of financial position of Massachusetts Audubon Society, Inc. (a non-profit organization) as of June 30, 2008 and 2007, 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, 2008 and 2007, 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 & Company CPAs PC
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November 11, 2008

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MASSACHUSETTS AUDUBON SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

2008

2007

	ASSETS			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	\$ 1,493,565	\$ 4,333,449	\$ -	\$ 5,827,014
Investments	6,258,594	65,197,670	54,322,038	125,778,302
Accounts receivable	572,640	-	-	572,640
Pledges receivable	467,736	2,280,892	970,879	3,719,507
Inventory	282,049	-	-	282,049
Prepaid expenses	149,692	-	-	149,692
Fine arts collection	1,068,422	-	25,000	1,093,422
Property and equipment, net	43,091,827	-	45,384,721	88,476,548
Interfund balances	(2,512,723)	2,656,249	(143,526)	-
TOTAL ASSETS	\$ 50,871,802	\$ 74,468,260	\$ 100,559,112	\$ 225,899,174

	ASSETS				LIABILITIES AND NET ASSETS			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	\$ 4,207,225	\$ 3,870,871	\$ -	\$ 8,078,096	\$ 4,207,225	\$ 3,870,871	\$ -	\$ 8,078,096
Investments	6,038,845	74,837,466	49,323,512	130,199,823	6,038,845	74,837,466	49,323,512	130,199,823
Accounts receivable	476,868	-	-	476,868	476,868	-	-	476,868
Pledges receivable	676,080	851,985	836,540	2,364,605	676,080	851,985	836,540	2,364,605
Inventory	300,571	-	-	300,571	300,571	-	-	300,571
Prepaid expenses	132,557	-	-	132,557	132,557	-	-	132,557
Fine arts collection	1,068,592	-	25,000	1,093,592	1,068,592	-	25,000	1,093,592
Property and equipment, net	38,657,113	-	45,384,721	84,041,834	38,657,113	-	45,384,721	84,041,834
Interfund balances	(2,301,349)	2,524,664	(223,315)	-	(2,301,349)	2,524,664	(223,315)	-
TOTAL ASSETS	\$ 49,256,502	\$ 82,084,986	\$ 95,346,458	\$ 226,687,946	\$ 49,256,502	\$ 82,084,986	\$ 95,346,458	\$ 226,687,946

	LIABILITIES AND NET ASSETS			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts payable and accrued expenses	\$ 1,288,408	\$ -	\$ -	\$ 1,288,408
Deferred grants	-	356,098	-	356,098
Accrued pension benefit liability	218,751	-	-	218,751
Amount received in advance for future services	2,085,061	-	-	2,085,061
Reserve for unemployment benefits	89,936	-	-	89,936
Split-interest agreement liabilities	-	4,936,845	-	4,936,845
Long-term debt	212,360	-	-	212,360
Total liabilities	3,894,516	5,292,943	-	9,187,459
Accumulated other comprehensive loss	(861,405)	-	-	(861,405)
Total net assets	47,838,691	69,175,317	100,559,112	217,573,120
TOTAL LIABILITIES AND NET ASSETS	\$ 50,871,802	\$ 74,468,260	\$ 100,559,112	\$ 225,899,174

MASSACHUSETTS AUDUBON SOCIETY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2008 AND 2007

	2008			2007		
	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Unrestricted Operating	Temporarily Restricted	Permanently Restricted
Public Support and Revenue						
Public Support:						
Gifts and grants	\$ 2,915,667	\$ 5,052,469	\$ 4,050,391	\$ 2,856,206	\$ 4,275,583	\$ 2,447,049
Government contracts	966,980	175,424	-	736,285	199,574	-
Legacies and bequests	1,532,795	-	-	764,490	-	1,521,555
Total public support	5,415,442	5,227,893	4,050,391	4,356,981	4,475,157	3,968,604
Revenue						
Membership dues	3,170,245	141,491	-	2,916,012	-	-
Program income	5,987,103	694,750	-	5,593,201	231,464	-
Gain (loss) on investments	-	(7,646,169)	23,272	-	16,179,112	29,070
Interest and dividends	2,708,189	73,706	-	2,586,616	193,739	-
Contributed services	119,135	-	-	128,605	-	-
Other revenue	-	34,943	-	-	23,751	-
Withdrawal for spending rate	2,117,777	(64,218)	-	2,097,989	(574,437)	-
Fund special projects	(81,991)	(724,395)	511,907	245,000	803,700	-
Net other interfund transfers	(38,473)	74,073	-	(205,654)	242,043	107,006
Net assets released from restrictions:						
Satisfaction of program restrictions	405,448	3,382,032	(4,414,564)	251,000	(5,744,928)	-
Total revenue	14,387,433	2,334,290	1,162,263	13,612,769	10,405,329	136,076
Total public support and revenue	19,802,875	2,334,290	5,212,654	17,969,750	14,880,486	4,104,680
Expenses						
Program and member services expenses	15,821,608	1,158,541	-	14,767,325	924,339	-
Administration and general expenses	1,914,256	359,384	-	1,864,279	395,077	-
Development expenses	1,261,289	480,605	-	1,130,655	402,562	-
Fund depreciation	(220,099)	220,099	-	(270,940)	270,940	-
Net interfund transfers	(180,040)	180,040	-	(31,266)	31,266	-
Total expenses	18,597,014	2,398,669	-	17,460,053	2,024,184	-
Changes in split-interest agreements	-	(910,541)	-	-	-	-
Add surplus unrestricted bequests to endowment	(1,282,828)	1,282,828	-	(515,334)	515,334	-
Change in net assets	\$ (76,967)	\$ 1,218,449	\$ (8,593,171)	\$ (5,637)	\$ 15,510,555	\$ 4,104,680
						\$ 22,431,351

MASSACHUSETTS AUDUBON SOCIETY, INC.

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2008 AND 2007

	<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, 2006	\$ 533,289	43,347,804	62,257,933	91,241,778	197,380,804
Change in net assets	<u>(5,637)</u>	<u>2,821,753</u>	<u>15,510,555</u>	<u>4,104,680</u>	<u>22,431,351</u>
BALANCE AT JUNE 30, 2007	527,652	46,169,557	77,768,488	95,346,458	219,812,155
Change in net assets	<u>(76,967)</u>	<u>1,218,449</u>	<u>(8,593,171)</u>	<u>5,212,654</u>	<u>(2,239,035)</u>
BALANCE AT JUNE 30, 2008	\$ <u>450,685</u>	\$ <u>47,388,006</u>	\$ <u>69,175,317</u>	\$ <u>100,559,112</u>	\$ <u>217,573,120</u>

See Notes to Financial Statements.

MASSACHUSETTS AUDUBON SOCIETY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,239,035)	\$ 22,431,351
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,454,138	1,409,166
(Gain) loss on investments	7,956,099	(16,811,389)
Changes in split-interest agreements	975,217	(630,069)
Forgiveness of long-term debt	(9,000)	2,836
Allowance for uncollectible pledges	589,850	406,673
Amortization of pledge discount	195,764	124,453
Change in certain assets and liabilities:		
Accounts receivable	(95,772)	3,889
Pledges receivable	(2,140,516)	(1,406,453)
Inventory	18,522	25,340
Prepaid expenses	(17,135)	(24,056)
Accounts payable and accrued expenses	713,641	(1,195,102)
Deferred grant revenue	1,228	33,000
Amounts received in advance for future services	269,177	89,269
Net cash provided by operating activities	<u>7,672,178</u>	<u>4,458,908</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,888,682)	(591,213)
Purchase of investments	<u>(3,534,578)</u>	<u>(1,076,360)</u>
Net cash used in investing activities	<u>(9,423,260)</u>	<u>(1,667,573)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	-	500,000
Repayment of long-term debt	<u>(500,000)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(500,000)</u>	<u>500,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,251,082)	3,291,335
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,078,096</u>	<u>4,786,761</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,827,014</u>	<u>\$ 8,078,096</u>

See Notes to Financial Statements.

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

Note 1 - Summary of Significant Accounting Policies

Organization - The Massachusetts Audubon Society, Inc. (Mass Audubon) was established in 1896 and is a state-wide environmental organization working in 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 Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations*," 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.

Contributions - In accordance with SFAS No. 116, "*Accounting for Contributions Received and Contributions Made*," 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 contribution in accordance with SFAS No. 116 at fair market value. Collection items acquired are capitalized at cost.

Contributed Services - In accordance with SFAS No. 116, 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.

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.

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.

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Investments - Investments in stocks, bonds, mutual funds and limited partnerships are accounted for in accordance with SFAS No. 124, "*Accounting for Certain Investments Held by Not-For-Profit Organizations.*" Such investments are stated at market value. Investments in life income funds, gift annuities funds and charitable remainder unitrusts are stated at the market value of the underlying investment. 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 statement of activities.

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.

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 \$1,454,138 and \$1,409,166 for the years ended June 30, 2008 and 2007, 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, 2008 and 2007, no such expenditures 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.

Financial State Presentation - Certain reclassifications have been made to the 2007 financial statements in order to conform with the presentation for 2008.

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

Note 2 - Restrictions on Assets

Temporarily restricted net assets consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>		<u>2007</u>
Accumulated appreciation on permanently restricted net assets	\$ 55,528,169	\$	63,197,108
Funds for future operations of specific Mass Audubon programs	<u>13,647,148</u>		<u>14,571,380</u>
	\$ <u>69,175,317</u>	\$	<u>77,768,488</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, 2008 and 2007:

<u>Fiscal Years</u>	<u>2008</u>		<u>2007</u>
2008	\$ 1,732,427	\$	1,092,103
2009	1,529,543		751,561
2010	842,145		530,783
2011 and thereafter	<u>401,006</u>		<u>521,284</u>
	4,505,121		2,895,731
Less: discounts to net present value	(589,850)		(406,673)
Less: allowance for uncollectible pledges	<u>(195,764)</u>		<u>(124,453)</u>
	\$ <u>3,719,507</u>	\$	<u>2,364,605</u>

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, 2008 and 2007.

Note 4 - Inventory

Inventory as of June 30, 2008 and 2007 consists of the following:

	<u>2008</u>		<u>2007</u>
Retail merchandise at Lincoln shop	\$ 125,681	\$	123,607
Other retail merchandise	30,947		32,661
Publications	66,322		83,677
Other inventory	<u>59,099</u>		<u>60,626</u>
	\$ <u>282,049</u>	\$	<u>300,571</u>

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

Note 5 - Property and Equipment

Property and equipment, at cost less accumulated depreciation as of June 30, 2008 and 2007 is as follows:

	<u>2008</u>		<u>2007</u>
Land	\$ 53,082,939	\$	50,363,989
Buildings and improvements	22,127,115		18,102,134
Capital assets in progress	19,544,292		20,783,421
Office furniture and computer equipment	2,041,624		1,944,482
Maintenance and program equipment	527,084		435,488
Motor vehicles	1,345,342		1,167,869
	<u>98,668,396</u>		<u>92,797,383</u>
Less accumulated depreciation	<u>(10,191,848)</u>		<u>(8,755,549)</u>
	<u>\$ 88,476,548</u>	\$	<u>84,041,834</u>

Note 6 - Investments

Investments of Mass Audubon's endowment funds at June 30, 2008 and 2007 consist of the following:

	<u>2008</u>		<u>2007</u>
Corporate stocks and mutual funds	\$ 54,836,189	\$	64,131,238
Corporate bonds	18,640,404		18,893,257
International mutual funds	16,999,484		19,163,853
Limited partnerships	23,868,030		15,446,447
Money market funds	2,546,873		924,669
Life income funds	1,095,410		1,696,871
Gift annuities	2,709,196		3,368,400
Charitable remainder trusts	5,082,716		6,575,088
	<u>\$ 125,778,302</u>	\$	<u>130,199,823</u>

The life income funds consist of corporate stocks, bonds and notes and U.S. government and agency bonds. These 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 consist of corporate stocks, bonds and notes and U.S. government and agency bonds. These gifts 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. Payments of such amounts terminate at a time specified in the annuity agreements.

Charitable remainder unitrusts consist of corporate and U.S. government and agency bonds. These gifts 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 market value of the trust. Payments of such amounts terminate at a time specified in the unitrust agreements.

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

Note 6 - Investments (Continued)

Included in U.S. corporate stocks, bonds, and mutual funds 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, 2008 and 2007 was \$1,265,092 and \$1,241,820 respectively.

The carrying value of each limited partnership interest is based on fair market value, as determined by the general partner of the respective partnership.

As of June 30, 2008 and 2007, the total value of permanently restricted endowments had appreciated by \$59,241,762 and \$67,874,763, respectively. As of June 30, 2008, the market value of 15 of these permanently restricted endowments was \$2,142,006, whereas the original gift value of these permanently restricted gifts was \$2,190,417. Therefore the deficiency between the market value of the investments and the original value of these gifts was \$48,411. As of June 30, 2007, there were no significant deficiencies between the market value and the original gift value of any permanently restricted endowment gifts. Under the Massachusetts Uniform Management of Institutional Funds Act, unless the governing instrument permits spending of the original gift, restricted endowments which are below the original value of the gifts can only spend dividend and interest income and no appreciation is available for expenditure.

Note 7 - Pension Plan

Mass Audubon has a non-contributory defined benefit pension plan covering substantially all of its employees. Mass Audubon amended the pension plan, effective August 31, 2004 to cease further benefit accruals ("benefit freeze") for all active participants; there will also be no new participants after that date. In February 2008, Mass Audubon voted to begin termination of the Plan effective July 1, 2008.

The following table sets forth the plan's funded status and amounts recognized in Mass Audubon's financial statements as of and for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Projected benefit obligation at June 30	\$ 12,246,955	\$ 12,354,495
Fair value of plan assets at June 30	<u>12,028,204</u>	<u>11,336,411</u>
Funded status of the plan	<u>(218,751)</u>	<u>(1,018,084)</u>
(Prepaid) accrued benefit cost	\$ <u>(642,654)</u>	\$ <u>(517,658)</u>
Amounts recognized in the statement of financial position consist of:		
Accrued benefit liability	218,751	1,018,084
Accumulated other comprehensive loss (AOCL)	<u>(861,405)</u>	<u>(1,535,742)</u>
Net amount recognized	\$ <u>(642,654)</u>	\$ <u>(517,658)</u>
Weighted average assumptions used to determine benefit obligations as of:		
Measurement date	June 30, 2008	June 30, 2007
Discount rate	5.00%	5.00%
Weighted average assumptions used to determine net periodic pension cost for year ended June 30:		
Measurement date	June 30, 2008	June 30, 2007
Discount rate	5.00%	5.00%

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

Note 7 - Pension Plan (continued)

A reconciliation of the projected benefit obligation and fair value of plan assets for the years ended June 30, 2008 and 2007, is as follows:

	<u>2008</u>		<u>2007</u>
Projected benefit obligation as of the beginning of the year	\$ 12,354,495	\$	12,003,980
Interest cost	606,536		590,396
Benefits paid	(402,588)		(380,253)
Actuarial (gain) or loss	<u>(311,488)</u>		<u>140,372</u>
Projected benefit obligation as of the end of the year	\$ <u>12,246,955</u>	\$	<u>12,354,495</u>
Fair value of plan assets as of the beginning of the year	\$ 11,336,411	\$	10,245,558
Actual return on plan assets	894,381		1,271,106
Employer contributions	200,000		200,000
Benefits paid	<u>(402,588)</u>		<u>(380,253)</u>
Fair value of plan assets as of the end of the year	\$ <u>12,028,204</u>	\$	<u>11,336,411</u>
Components of Net Periodic Pension Cost			
Interest cost	\$ 606,536	\$	590,396
Expected return on plan assets	(555,632)		(606,487)
Amortization of net (gain) or loss	<u>24,100</u>		<u>71,872</u>
Net Periodic Pension Cost	\$ <u>75,004</u>	\$	<u>55,781</u>

Plan Assets: <u>Asset Category</u>	Target Allocation <u>2008</u>	Percentage of Plan Assets at December 31	
		<u>2007</u>	<u>2006</u>
Equity securities	0%	0%	38%
Debt securities	95%-100%	96%	62%
Other	<u>0%-100%</u>	<u>4%</u>	<u>0%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Cash Flows:			
<u>Contributions</u>		<u>Employer</u>	<u>Participants</u>
2008	\$	200,000	\$ -
Expected 2009	\$	-	\$ -

<u>Benefit Payments</u>	
2008	\$ 402,588

<u>Estimated Future Benefit Payments</u>	
2009	\$ 521,136
2010	\$ 546,883
2011	\$ 580,743
2012	\$ 576,834
2013	\$ 596,432
Years 2014 - 2018	\$ 3,649,741

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

Note 8 - Retirement Plan

Mass Audubon has in place a 403(b) retirement plan in which 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 a certain percentage. The employee's elective deferral and Mass Audubon's matching contribution are subject to IRS limitations. For the years ended June 30, 2008 and 2007, Mass Audubon's contribution the plan amounted to approximately \$566,000 and \$498,000.

Note 9 - Long-Term Debt

A summary of long-term debt at June 30, 2008 and 2007 is as follows:

	<u>2008</u>		<u>2007</u>
Note payable, bearing interest at 3%, due September 22, 2008	\$ -	\$	500,000
Non-interest bearing note payable due on July 1, 2024	209,360		218,360
Non-interest bearing note payable	<u>3,000</u>		<u>3,000</u>
	212,360		721,360
Less current portion	<u>3,000</u>		<u>3,000</u>
Total long-term debt	\$ <u>209,360</u>	\$	<u>718,360</u>

The note payable due in September 2008 was paid in full, with accrued interest of \$11,875, in July 2007.

Note 10 - Contributed Services

The value of donated services and the corresponding expenses included in the accompanying financial statements for the years ended June 30, 2008 and 2007 are as follows:

	<u>2008</u>		<u>2007</u>
Volunteer hours at sanctuaries	\$ <u>119,135</u>	\$	<u>128,605</u>
Total contributed services	\$ <u>119,135</u>	\$	<u>128,605</u>

In addition, each year more than six thousand volunteers donate a total of approximately 100,000 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 SFAS No. 116. (Reference is made to Note 1 - Contributed Services.)

MASSACHUSETTS AUDUBON SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

Note 11 - Commitments

Employment and Consulting Agreements - On January 1, 2001, Massachusetts Audubon entered into a consulting agreement with its former president. The agreement provides for two phases: the first, through June 30, 2008, establishes 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, if the agreement has not been terminated previously, continues until the former president's death, and provides a monthly consulting fee, reduced by actual benefits received by the former president from certain retirement plans, in return for the former president's services for a reduced number of days per year.

Line-of-Credit Agreement - Mass Audubon has an unsecured line of credit agreement with a bank, which is subject to renewal on or before December 28, 2008. The maximum borrowings under the agreement are \$2,000,000. The agreement provides that any borrowings are due on or before the expiration date of the agreement and bear interest at the prevailing LIBOR rate. At June 30, 2008 and 2007, there were no outstanding borrowings under the agreement.

Note 12 - Statement of Cash Flows Supplemental Notes

Cash paid for interest during the years ended June 30, 2008 and 2007 amounted to \$5,336 and \$6,383, respectively.

INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

The Auditing Committee
Massachusetts Audubon Society, Inc.
Lincoln, Massachusetts

Our report on our audit of the basic financial statements of Massachusetts Audubon Society, Inc. as of June 30, 2008 and for the year then ended appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information contained on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have previously reported on the accompanying information presented by function for the preceding year.

Tonneson & Company CPAs PC
Tonneson & Company CPAs PC

Wakefield, Massachusetts
November 11, 2008

MASSACHUSETTS AUDUBON SOCIETY, INC.

SCHEDULE OF FUNCTIONAL REVENUE
(UNRESTRICTED OPERATING FUND ONLY)
YEAR ENDED JUNE 30, 2008 AND 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2007)

	Program Services				Support Services			Total Revenues		
	Sanctuary & Environmental Education	Science & Conservation	Advocacy	Member Services	Total Program Services	Administration and General	Development	Total Support Services	2008	2007
Admissions	\$ 288,908	\$ -	\$ -	\$ -	\$ 288,908	\$ 1,950	\$ -	\$ 1,950	\$ 290,858	\$ 260,351
Bird seed sales	10,052	-	-	-	10,052	-	-	-	10,052	13,816
Day and residential camp	2,230,948	-	-	-	2,230,948	-	-	-	2,230,948	1,956,332
Facility and camp rental	373,563	-	21,375	-	394,938	-	-	-	394,938	410,013
Gain on sale	5,844	-	-	-	5,844	(1,651)	-	(1,651)	4,193	12,685
Gifts and grants	1,737,901	301,271	105,993	-	2,145,165	1,167,950	8,000	1,175,950	3,321,115	3,107,206
Government contracts	705,166	186,395	12,920	-	904,481	62,500	-	62,500	966,981	736,285
Investment income	3,275,384	355,800	129,625	-	3,760,809	1,065,157	-	1,065,157	4,825,966	4,668,710
Legacies/bequests (unrestricted)	-	-	-	-	-	1,532,795	-	1,532,795	1,532,795	764,490
Membership dues	159,490	100	-	-	159,590	3,010,655	-	3,010,655	3,170,245	2,916,013
Merchandise sales (margin)	445,706	(234)	91	-	445,563	-	35	35	445,598	423,808
Natural history tours (margin)	74,703	-	-	-	74,703	-	-	-	74,703	119,784
Non-school program revenues	1,140,384	294,594	74,597	-	1,509,575	-	-	-	1,509,575	1,416,843
Royalties and honoraria	17,242	7,271	864	15,190	40,567	-	-	-	40,567	24,383
School program revenues	703,037	-	5,010	-	708,047	-	-	-	708,047	678,985
Special events	266,978	2,256	-	-	269,234	3,315	409	3,724	272,958	269,320
Watercraft rental	4,666	-	-	-	4,666	-	-	-	4,666	6,881
Contributed services	119,135	-	-	-	119,135	-	-	-	119,135	128,605
Transfers	(39,828)	147,671	(8,040)	-	99,803	(220,268)	-	(220,268)	(120,465)	55,240
Total revenues	\$ 11,519,279	\$ 1,295,124	\$ 342,435	\$ 15,190	\$ 13,172,028	\$ 6,622,403	\$ 8,444	\$ 6,630,847	\$ 19,802,875	\$ 17,969,750

MASSACHUSETTS AUDUBON SOCIETY, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
(UNRESTRICTED OPERATING FUND ONLY)
YEAR ENDED JUNE 30, 2008 AND 2007
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2007)

	Program Services				Support Services			Total Expenses		
	Sanctuary & Environmental Education	Science & Conservation	Advocacy	Member Services	Total Program Services	Administration and General	Development	Support Services	2008	2007
Salary and wages	\$ 7,571,227	\$ 852,962	\$ 364,769	\$ 240,080	\$ 9,029,038	\$ 1,151,871	\$ 787,115	\$ 1,938,986	\$ 10,968,024	\$ 10,135,541
Fringe benefits	1,681,921	201,801	97,179	63,002	2,043,903	303,379	209,686	513,065	2,556,968	2,368,738
Change in accrued vacation	45,586	3,044	5,245	4,427	58,302	11,572	7,093	18,665	76,967	5,637
Total salaries and benefits	9,298,734	1,057,807	467,193	307,509	11,131,243	1,466,822	1,003,894	2,470,716	13,601,959	12,509,916
Advertising and promotion	50,174	-	300	614	51,088	10	400	410	51,498	38,915
Animal and bird feed	19,855	-	-	-	19,855	-	-	-	19,855	15,190
Automobile	133,712	8,330	1,013	-	143,055	15,231	-	15,231	158,286	143,798
Awards and scholarships	8,841	4,057	1,198	1,069	15,165	6,685	401	7,086	22,251	30,653
Bank charges	3,694	750	-	21,927	26,371	21,914	94	22,008	48,379	53,383
Building and grounds maintenance	404,781	684	7,112	1,500	414,077	11,408	90	11,498	425,575	474,612
Data processing	70,596	6,670	5,348	1,730	84,344	15,520	4,490	20,010	104,354	103,482
Depreciation	302,417	30,237	11,474	3,047	347,175	44,501	93,510	138,011	485,186	476,122
Electricity	132,809	1,324	3,033	-	137,166	22,300	-	22,300	159,466	172,290
Field dress	17,507	710	150	8	18,375	159	79	238	18,613	15,525
Food	147,380	11,182	1,996	678	161,236	30,407	11,795	42,202	203,438	177,463
General insurance	286,162	9,823	6,518	-	302,503	28,916	8,000	36,916	339,419	337,219
Heat	150,699	866	4,552	-	156,117	8,083	-	8,083	164,200	154,070
Interest	5,307	-	29	-	5,336	-	-	-	5,336	6,384
Meetings, conference and training	24,242	577	777	28	25,624	14,454	2,142	16,596	42,220	33,786
Membership premiums	707	-	-	58,640	59,347	875	5,000	5,875	65,222	47,368
Office supplies	79,800	5,267	3,747	5,435	94,249	43,402	6,722	50,124	144,373	122,275
Permits, licenses and taxes	30,904	210	5,618	-	36,732	600	-	600	37,332	40,044
Photographic supplies	1,863	1,169	-	-	3,032	-	-	-	3,032	-
Postage and freight	189,438	2,171	1,922	190,501	384,032	20,289	32,065	52,354	436,386	423,283
Printing and copies	340,641	6,847	7,042	186,608	541,138	(26,035)	34,867	8,832	549,970	585,961
Professional and consultant fees	310,671	175,869	9,679	174,229	670,448	110,491	28,996	139,487	809,935	761,111
Program supplies and materials	169,992	29,658	7,415	-	207,065	755	6,604	7,359	214,424	168,546
Rent	86,135	5,838	20,539	-	112,512	700	4,209	4,909	117,421	100,460
Rental of vehicles and watercraft	106,779	7,900	1,320	-	115,999	-	396	396	116,395	110,610
Service contracts	133,726	730	13,329	18,157	165,942	45,961	13,016	58,977	224,919	203,735
Subscription and library	22,030	953	5,059	310	28,352	1,850	2,117	3,967	32,319	36,149
Telephone	69,832	8,908	12,096	98	90,934	25,493	40	25,533	116,467	131,462
Travel	82,365	28,425	14,553	313	125,656	12,568	2,362	14,930	140,586	132,472
Water	27,740	25	540	-	28,305	1,277	-	1,277	29,582	43,495
Contributed services	119,135	-	-	-	119,135	-	-	-	119,135	128,605
Transfers	(108,661)	(7,325)	(3,504)	(1,685)	(121,175)	(13,161)	(265,804)	(278,965)	(400,140)	(302,206)
	12,720,007	1,399,662	610,048	970,716	15,700,433	1,911,475	995,485	2,906,960	18,607,393	17,476,178
Allocation of administration and general expense/(deduction)	2,249,636	242,544	108,864	172,832	2,773,876	(2,784,255)	-	(2,784,255)	(10,379)	(16,125)
Total expenses	\$ 14,969,643	\$ 1,642,206	\$ 718,912	\$ 1,143,548	\$ 18,474,309	\$ (872,780)	\$ 995,485	\$ 122,705	\$ 18,597,014	\$ 17,460,053