



Financial Statements,
December 31, 2011

Rocky Mountain Bird Observatory

(With Comparative Totals for 2010)

Rocky Mountain Bird Observatory

Table of Contents

December 31, 2011

Independent Auditor's Report.....	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Cash Flows	4
Notes to Financial Statements.....	5



Independent Auditor's Report

The Board of Directors
Rocky Mountain Bird Observatory
Brighton, Colorado

We have audited the accompanying statement of financial position of Rocky Mountain Bird Observatory ("RMBO") as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of RMBO's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from RMBO's 2010 financial statements. Those statements were audited by other auditors whose report dated May 13, 2011, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RMBO's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain Bird Observatory as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Golden, Colorado
May 9, 2012

Rocky Mountain Bird Observatory
Statement of Financial Position
December 31, 2011
(with comparative totals for December 31, 2010)

	2011	2010
Assets		
Cash and cash equivalents	\$ 123,808	\$ 141,015
Contracts and grants receivable	557,682	461,517
Prepaid expenses and other assets	21,137	38,570
Restricted certificate of deposit	11,091	11,000
Property and equipment, net	499,405	401,326
Total assets	\$ 1,213,123	\$ 1,053,428
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 70,695	\$ 23,648
Accrued payroll and other expenses	207,486	147,003
Deferred revenue	92,815	88,050
Total liabilities	370,996	258,701
Commitments (Note 5)		
Net Assets		
Unrestricted		
Invested in property and equipment	499,405	401,326
Other unrestricted	341,896	392,315
	841,301	793,641
Temporarily restricted	826	1,086
Total net assets	842,127	794,727
Total liabilities and net assets	\$ 1,213,123	\$ 1,053,428

Rocky Mountain Bird Observatory
Statement of Activities
Year Ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Support and Revenue				
Contributions	\$ 77,392	\$ 575	\$ 77,967	\$ 65,878
Memberships	15,047	-	15,047	16,176
SCFD grant	169,041	-	169,041	132,041
Contracts and grants	3,223,735	-	3,223,735	2,848,426
Other	7,342	-	7,342	8,959
Net assets released from restriction	835	(835)	-	-
Total support and revenue	<u>3,493,392</u>	<u>(260)</u>	<u>3,493,132</u>	<u>3,071,480</u>
Expenses				
Program	3,019,259	-	3,019,259	2,659,271
General and administrative	403,069	-	403,069	347,057
Fundraising and development	23,404	-	23,404	17,232
Total expenses	<u>3,445,732</u>	<u>-</u>	<u>3,445,732</u>	<u>3,023,560</u>
Change in Net Assets	47,660	(260)	47,400	47,920
Total Net Assets, Beginning of Year	<u>793,641</u>	<u>1,086</u>	<u>794,727</u>	<u>746,807</u>
Total Net Assets, End of Year	<u>\$ 841,301</u>	<u>\$ 826</u>	<u>\$ 842,127</u>	<u>\$ 794,727</u>

Rocky Mountain Bird Observatory
Statement of Cash Flows
Year Ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ 47,400	\$ 47,920
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	18,931	16,223
Interest on certificate of deposit	(91)	-
(Increase) decrease in operating assets:		
Contracts and grants receivable	(96,165)	(183,526)
Prepaid expenses and other assets	17,433	(20,310)
Increase (decrease) in operating liabilities:		
Accounts payable	47,047	3,392
Accrued payroll	60,483	40,235
Deferred revenue	4,765	(72,807)
Net Cash Provided by (Used in) Operating Activities	99,803	(168,873)
Cash Flows from Investing Activities		
Purchases of property and equipment	(117,010)	(37,451)
Purchase of certificate of deposit	-	(11,000)
Net Cash (Used in) Investing Activities	(117,010)	(48,451)
Cash Flows from Financing Activities		
Proceeds from line of credit	25,000	-
Repayments on line of credit	(25,000)	-
Net Cash Provided by Financing Activities	-	-
Net Decrease in Cash and Cash Equivalents	(17,207)	(217,324)
Cash and Cash Equivalents at Beginning of the Year	141,015	358,339
Cash and Cash Equivalents at End of the Year	\$ 123,808	\$ 141,015

Note 1 - Summary of Significant Accounting Policies

General

Rocky Mountain Bird Observatory ("RMBO") was founded in 1988, and its mission is to conserve birds and their habitats. RMBO works throughout the western United States and Mexico to accomplish its mission through science, education, and stewardship programs designed to increase the public's understanding of birds - how they interact with humans, what habitats they use, and what factors threaten their survival.

RMBO promotes a broad, balanced approach to bird conservation and accomplishes its work through partnership and daily cooperation with other nonprofits, schools, private landowners, and state and federal natural resource agencies. RMBO accomplishes its mission by working in three areas:

SCIENCE - A strong scientific approach distinguishes RMBO from other environmental organizations that focus on policy or political action. The expertise and knowledge of scientists at RMBO provide partners with the information necessary to make intelligent and informed decisions about bird conservation.

RMBO's bird monitoring programs serve as "early warning" systems that can identify negative trends in populations, enabling interested citizens and land managers to rapidly intervene with conservation practices that support the long-term viability of species.

To complement RMBO's broad-scale population-monitoring programs, focused research projects provide scientific insight into the effects of land management actions, ecological processes, and habitat conditions on the health of bird populations. Such information is vital to understanding the factors underlying population trends and for directing conservation actions. In addition, RMBO research projects provide land managers with feedback regarding the impact of habitat management decisions on the suitability of habitat for birds.

EDUCATION - RMBO instills an appreciation for birds by providing active, experiential opportunities to learn about birds. Every year, RMBO education programs introduce more than 15,000 students of all ages to the incredible birds of our region. RMBO's programs include classroom experiences, field excursions, and camps. These experiences help move students down a path from awareness to understanding to appreciation of birds; the ultimate goal is to guide students to a point at which they are committed to bird conservation.

STEWARDSHIP - The goal of RMBO's stewardship division is to build a coalition of landowners and resource professionals who are actively involved in the conservation of lands important to birds. Perhaps the best example of the stewardship division's efforts is Prairie Partners. Prairie Partners' outreach efforts include workshops, presentations, landowner visits, bird surveys, and the distribution of educational materials. The program has also expanded its efforts to helping private landowners find funding for, and implementing, on-the-ground habitat enhancement projects to benefit the conservation of birds and other at-risk wildlife species.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with RMBO's audited financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Basis of Accounting

The accompanying financial statements of RMBO have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

RMBO considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for long-term purposes nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Contracts and Grants Receivable

Contracts and grants receivable consist primarily of noninterest-bearing amounts due from cost-reimbursable contracts and grants. As of December 31, 2011, management has determined no allowance for doubtful amounts was necessary. Approximately 54% of outstanding contracts and grants receivable were due from two grantors.

Contributions and Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates applicable to the years in which the promises to give are received. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Conditional promises to give are not included as support until the conditions are substantially met. Management uses the allowance method to determine uncollectible amounts based upon historical experience, an assessment of current economic conditions, and an analysis of subsequent events. Promises to give are written off when determined to be uncollectible. At December 31, 2011 there were no outstanding promises to give.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of expenses paid in advance but not yet incurred.

Property and Equipment

Property and equipment additions exceeding \$1,000 are recorded at cost, or if donated, at estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of the asset ranging from three to forty years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Repairs and maintenance are charged to expense when incurred.

RMBO leases its headquarters (the "Old Stone House") located in Brighton, Colorado from Colorado Parks and Wildlife on a rent-free basis over a 99-year term. In exchange, RMBO refurbished and maintains the property at no cost to Colorado Parks and Wildlife during its occupation of the property. The condition of the property at the commencement of the lease was such that the fair value was considered to be zero. Accordingly, RMBO has not recorded the value of the use of the property located at 14500 Lark Bunting Lane in Brighton, Colorado in the accompanying financial statements.

Impairment of Long-Lived Assets

RMBO reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statement of activities, to its current fair value. Management determined there were no indicators of asset impairment during the year ended December 31, 2011.

Deferred Revenue

Deferred revenue consists of grant and contract payments received in advance, which will be recognized when the related expenditures are incurred.

Unrestricted Net Assets

Unrestricted net assets are available for use in general operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts that are subject to donor restrictions that may or will be met by expenditures or actions of RMBO and/or the passage of time.

RMBO 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 or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

A substantial percentage of RMBO's revenue is derived from cost-reimbursable contracts and grants. Amounts received are deemed to be earned and are reported as revenue when RMBO has incurred expenditures in compliance with specific contract or grant provisions. Amounts received but not yet earned are reported as deferred revenue. Claims for reimbursement filed by RMBO are subject to audit and possible retroactive adjustment or disallowance. To date, no claims for reimbursement have been adjusted or disallowed, and management does not anticipate this happening in the future. Contributions are recognized when cash, other assets, or an unconditional promise to give are received.

During 2011, RMBO received a significant portion of its funding from three different sources, as follows:

Colorado Parks and Wildlife	16%
U.S. Forest Service	14%
U.S. National Park Service	10%

Donated Services and Materials

Donated professional services are recorded at the estimated fair values of the services received. Donated materials are recorded at fair value at the date of donation. Volunteers contribute significant amounts of time to RMBO's program, administrative, and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP.

Expenses

Expenses are recognized when incurred. Expenses paid in advance, but not yet incurred, are deferred to the applicable period.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, expenses, and distributions during the reporting period. Actual results could differ from those estimates and such differences could be material.

Financial Instruments and Credit Risk

RMBO manages deposit concentration risk by placing its temporary cash accounts and money market accounts with various local, regional and national financial institutions. Amounts on deposit at any single financial institution are limited so as not to exceed Federal Deposit Insurance Corporation ("FDIC") and other insurance limits.

Credit risk associated with grants and contracts receivable is considered minimal as most charges are paid by a variety of state and federal government agencies, and historically, uncollected grants and contracts receivable have been minimal.

Accounting for Uncertain Tax Positions

RMBO is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from activities not directly related to RMBO's tax-exempt purpose is subject to taxation as unrelated business income. RMBO had no unrelated business income during the year ended December 31, 2011.

Management performs an annual analysis of RMBO's various tax positions, assessing the likelihood of those positions being upheld upon examination by relevant tax authorities. Management believes that RMBO has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. RMBO is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2008.

Scientific and Cultural Facilities District

RMBO receives an annual funding allocation from the Scientific and Cultural Facilities District ("SCFD"). In November, 1988, the voters of the Boulder-Denver metropolitan area approved formation of a special tax district to support the scientific and cultural institutions within the district. Beginning in 1989, revenues for the district were generated through a sales tax and distributed to various institutions in accordance with the provisions of the act. In 2004, the voters of the Boulder-Denver metropolitan area extended the expiration date of the special tax district to June 30, 2018.

Note 2 - Property and Equipment, Net

Property and equipment consisted of the following at December 31, 2011:

Restoration costs - the Old Stone House	\$ 523,664
Leasehold improvements	115,501
Furnishings and fixtures	26,003
Computers and software	70,508
	735,676
 Less accumulated depreciation	 <u>236,271</u>
	 <u>\$ 499,405</u>

Note 3 - Line of Credit

RMBO has a \$100,000 revolving line of credit with a bank, secured by all assets. Borrowings under the agreement bear interest at the Wall Street Journal Prime Rate (3.25% at December 31, 2011). Payment of all accrued interest and principal is due at maturity. At December 31, 2011, no balance was outstanding under the line of credit, which matures June 2, 2012. The line of credit requires RMBO to comply with certain financial and non-financial covenants. RMBO was in compliance with such covenants at December 31, 2011.

Note 4 - Temporarily Restricted Net Assets

In 2011, temporarily restricted net assets consisted of contributions restricted by donors for research projects related to special species of birds beyond the purview of other monitoring funds. Net assets of \$835 were released from restrictions during the year ended December 31, 2011.

Note 5 - Commitments

Leases

RMBO leases office space and office equipment under non-cancelable operating leases expiring over the next three years. Future minimum lease payments required under the agreements are as follows:

Year Ending December 31,		
2012	\$	53,755
2013		5,606
2014		750
	\$	60,111

Total rent expense during the year ended December 31, 2011 was \$68,352.

Retirement Plan

RMBO sponsors a Savings Incentive Match Plan (the "Plan") covering all full-time employees. Under the Plan, RMBO is required to match employee voluntary salary reductions up to 3% of each employee's gross compensation. During 2011, RMBO contributed \$33,537 to the plan.

Grant and Indirect Cost Allocations

In accordance with the terms of certain grant agreements, RMBO is permitted to allocate and receive reimbursement for certain indirect costs on a percentage-of-direct-costs basis. Indirect cost rates are approved by the various grantor agencies; however, reimbursement is limited to the lower of computed allowable indirect costs or actual indirect costs incurred.

Claims for reimbursement filed by RMBO, are subject to audit by federal funding agencies, and possible retroactive adjustment or disallowance. To date, there have been no instances of adjusted or disallowed claims, and management believes that the possibility of any such actions on claims filed is low.

Note 6 - Letter of Credit

On October 7, 2010, RMBO obtained an irrevocable letter of credit from a bank for \$11,000, with a third party as the named beneficiary. The letter was obtained as security for an unemployment insurance policy as required by the issuing state. Repayment of amounts drawn against the letter is due on demand with interest at 3.10%, or if no demand is made, on the expiration date of October 7, 2012. There were no draws against the letter of credit during the year ended December 31, 2011. The letter includes certain covenants, and RMBO was in compliance with such covenants as of December 31, 2011.

In order to obtain the letter of credit, RMBO was required to provide collateral in the form of an \$11,000 certificate of deposit at the bank, which expires on October 9, 2012. This certificate is reported as restricted on the statement of financial position.

Note 7 - Subsequent Events

RMBO has evaluated subsequent events through May 9, 2012, which is the date the financial statements were available to be issued.