



Financial Statements,
December 31, 2012

Rocky Mountain Bird Observatory

(With Comparative Totals for 2011)

Rocky Mountain Bird Observatory

Table of Contents

December 31, 2012

Independent Auditor's Report.....	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6



Independent Auditor's Report

The Board of Directors
Rocky Mountain Bird Observatory
Brighton, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Rocky Mountain Bird Observatory (RMBO), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain Bird Observatory as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited RMBO's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Golden, Colorado
May 22, 2013

Rocky Mountain Bird Observatory
Statement of Financial Position
December 31, 2012
(with comparative totals for 2011)

	2012	2011
Assets		
Cash and cash equivalents	\$ 144,032	\$ 123,808
Contracts and grants receivable	720,970	557,682
Prepaid expenses and other assets	34,168	32,228
Property and equipment, net	491,774	499,405
Total assets	\$ 1,390,944	\$ 1,213,123
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 51,064	\$ 70,695
Accrued payroll and other expenses	202,338	207,486
Deferred revenue	75,646	92,815
Total liabilities	329,048	370,996
Net Assets		
Unrestricted		
Undesignated	563,225	341,896
Invested in property and equipment	491,774	499,405
	1,054,999	841,301
Temporarily restricted	6,897	826
Total net assets	1,061,896	842,127
Total liabilities and net assets	\$ 1,390,944	\$ 1,213,123

Rocky Mountain Bird Observatory
Statement of Activities
Year Ended December 31, 2012
(with comparative totals for the year ended December 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012</u>	<u>2011</u>
Support and Revenue				
Contributions	\$ 75,174	\$ 95,657	\$ 170,831	\$ 93,014
SCFD grant	199,871	-	199,871	169,041
Contracts and grants	3,516,984	-	3,516,984	3,223,735
Interest and other income	21,111	-	21,111	7,342
Net assets released from restriction	89,586	(89,586)	-	-
Total support and revenue	<u>3,902,726</u>	<u>6,071</u>	<u>3,908,797</u>	<u>3,493,132</u>
Expenses				
Program	3,283,874	-	3,283,874	3,019,259
General and administrative	371,166	-	371,166	403,069
Fundraising and development	33,988	-	33,988	23,404
Total expenses	<u>3,689,028</u>	<u>-</u>	<u>3,689,028</u>	<u>3,445,732</u>
Change in Net Assets	213,698	6,071	219,769	47,400
Total Net Assets, Beginning of Year	<u>841,301</u>	<u>826</u>	<u>842,127</u>	<u>794,727</u>
Total Net Assets, End of Year	<u><u>\$ 1,054,999</u></u>	<u><u>\$ 6,897</u></u>	<u><u>\$1,061,896</u></u>	<u><u>\$ 842,127</u></u>

Rocky Mountain Bird Observatory
Statement of Cash Flows
Year Ended December 31, 2012
(with comparative totals for the year ended December 31, 2011)

	2012	2011
Cash Flows from (used for) Operating Activities		
Change in net assets	\$ 219,769	\$ 47,400
Adjustment to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	32,709	18,931
Changes in operating assets and liabilities		
Contracts and grants receivable	(163,288)	(96,165)
Prepaid expenses and other assets	(1,940)	17,342
Accounts payable	(19,631)	47,047
Accrued payroll and other expenses	(5,148)	60,483
Deferred revenue	(17,169)	4,765
Net Cash from (used for) Operating Activities	45,302	99,803
Cash Flows from Investing Activities		
Purchases of property and equipment	(25,078)	(117,010)
Net Cash from (used for) Investing Activities	(25,078)	(117,010)
Change in Cash and Cash Equivalents	20,224	(17,207)
Cash and Cash Equivalents, Beginning of Year	123,808	141,015
Cash and Cash Equivalents, End of Year	\$ 144,032	\$ 123,808

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Rocky Mountain Bird Observatory (RMBO) is a nonprofit organization established in 1988 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 16,000 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.

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 nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies

Contracts and grants receivable consist primarily of noninterest-bearing amounts due from cost-reimbursable contracts and grants. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contracts and grants receivable are written off when deemed uncollectible. As of December 31, 2012, management has determined no allowance for doubtful amounts was necessary. Approximately 52% of outstanding contracts and grants receivable were due from four grantors.

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 designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of current economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2012 there were no outstanding promises to give.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of expenses paid in advance.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expenses currently.

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.

RMBO reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2012.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of RMBO and/or the passage of time.

RMBO reports contributions as temporarily 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.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of RMBO. The restrictions stipulate that resources be maintained permanently but permit RMBO to expend the income generated in accordance with the provisions of the agreements. RMBO had no permanently restricted net assets as of December 31, 2012.

Revenue and 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, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

During 2012, RMBO received a significant portion of its funding from three different sources, as follows:

Colorado Parks and Wildlife	16%
U.S. Forest Service	13%
U.S. National Park Service	10%

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.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to RMBO's program services, administration, and fundraising 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 generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. RMBO records donated professional services at the respective fair values of the services received. RMBO received \$2,706 of donated materials, all of which were used in its program activities, during the year ended December 31, 2012.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$943 for the year ended December 31, 2012.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes

RMBO is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(I)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). RMBO is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. RMBO has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

RMBO believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entity would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

RMBO manages deposit concentration risk by placing its cash and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, RMBO has not experienced losses in any of these accounts.

Credit risk associated with grants and contracts receivable is considered minimal because substantial portions of the outstanding amounts are due from state and federal government agencies, and historically, uncollected grants and contracts receivable have been minimal.

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.

Subsequent Events

RMBO has evaluated subsequent events through May 22, 2013, the date the financial statements were available to be issued.

Note 2 - Property and Equipment

Property and equipment consists of the following at December 31, 2012:

Restoration costs - the Old Stone House	\$ 523,664
Leasehold improvements	140,579
Furnishings and fixtures	7,752
Computers and software	18,095
	690,090
Less accumulated depreciation	198,316
	\$ 491,774

Note 3 - Line of Credit

Subsequent to December 31, 2012 RMBO has entered into a \$200,000 revolving line of credit with a bank, secured by all accounts receivable now owned or acquired later. Borrowings under the agreement bear interest at the Wall Street Journal Prime Rate plus 1.5%, or a floor of 5%. Payment of accrued interest is due monthly, beginning March 15, 2013. Payment of all accrued unpaid interest and principal is due at maturity (February 15, 2014). The previous \$100,000 revolving line of credit expired on June 2, 2012 and was not renewed during the year ended December 31, 2012.

Note 4 - 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,	
2013	\$ 51,394
2014	50,700
2015	49,950
2016	4,163
	4,163
	\$ 156,207

Total rent expense during the year ended December 31, 2012 was \$53,007.

Note 5 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at December 31, 2012 consist of:

Restricted by donors for	
Memorial fund - black swift research	\$ 4,711
Education and outreach	1,706
Scientific programs	480
	480
	\$ 6,897

Net assets were released from restrictions as follows during the year ended December 31, 2012:

Satisfaction of purpose restrictions	
Memorial fund - black swift research	\$ 2,674
Education and outreach	82,217
Scientific programs	4,695
	4,695
	\$ 89,586

Note 6 - Employee Benefits

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 2012, RMBO contributed \$42,126 to the plan.