



Financial Statements
December 31, 2017

Rocky Mountain Bird Observatory d/b/a Bird Conservancy of the Rockies

(With Comparative Totals for 2016)

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Independent Auditor's Report

The Board of Directors
Bird Conservancy of the Rockies
Brighton, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Rocky Mountain Bird Observatory d/b/a Bird Conservancy of the Rockies, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, 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 d/b/a Bird Conservancy of the Rockies as of December 31, 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Rocky Mountain Bird Observatory d/b/a Bird Conservancy of the Rockies adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Rocky Mountain Bird Observatory d/b/a Bird Conservancy of the Rockies' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Denver, Colorado
May 16, 2018

Bird Conservancy of the Rockies
 Statement of Financial Position
 December 31, 2017
 (with comparative totals for 2016)

	2017	2016
Assets		
Cash and cash equivalents	\$ 560,220	\$ 409,630
Contracts and grants receivable	370,844	487,929
Receivable from Scientific Cultural Facilities District	89,075	88,673
Prepaid expenses and other assets	62,800	39,518
Property and equipment, net	546,594	536,696
Total assets	\$ 1,629,533	\$ 1,562,446
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 204,112	\$ 228,957
Deferred revenue	57,328	39,709
Total liabilities	261,440	268,666
Net Assets		
Without donor restrictions		
Undesignated	530,442	541,031
Invested in property and equipment, net	546,594	536,696
	1,077,036	1,077,727
With donor restrictions	291,057	216,053
Total net assets	1,368,093	1,293,780
Total liabilities and net assets	\$ 1,629,533	\$ 1,562,446

Bird Conservancy of the Rockies
Statement of Activities
Year Ended December 31, 2017
(with comparative totals for 2016)

	2017			2016
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Contracts and grants	\$ 4,158,912	\$ -	\$ 4,158,912	\$ 4,094,170
Scientific Cultural Facilities District	329,626	-	329,626	326,577
Educational program revenue	41,639	-	41,639	39,564
Contributions	213,922	291,491	505,413	454,284
Gross special event revenue	146,282	-	146,282	86,796
Less cost of direct benefits to donors	(29,103)	-	(29,103)	(25,300)
Net special event revenue	117,179	-	117,179	61,496
Interest and other income	12,340	-	12,340	22,047
Net assets released from restrictions	216,487	(216,487)	-	-
Total revenue and support	<u>5,090,105</u>	<u>75,004</u>	<u>5,165,109</u>	<u>4,998,138</u>
Expenses				
Program services	4,239,028	-	4,239,028	4,186,858
Management and general	683,780	-	683,780	772,069
Fundraising and development	167,988	-	167,988	124,106
Total expenses	<u>5,090,796</u>	<u>-</u>	<u>5,090,796</u>	<u>5,083,033</u>
Change in Net Assets	(691)	75,004	74,313	(84,895)
Net Assets, Beginning of Year	<u>1,077,727</u>	<u>216,053</u>	<u>1,293,780</u>	<u>1,378,675</u>
Net Assets, End of Year	<u>\$ 1,077,036</u>	<u>\$ 291,057</u>	<u>\$ 1,368,093</u>	<u>\$ 1,293,780</u>

Bird Conservancy of the Rockies
Statement of Functional Expenses
Year Ended December 31, 2017
(with comparative totals for 2016)

	Program Services	Management and General	Fundraising and Development	Cost of Goods Sold	2017 Total	2016 Total
Personnel costs						
Salaries	\$ 2,339,516	\$ 467,973	\$ 114,291	\$ -	\$ 2,921,780	\$ 2,909,596
Staff benefits and taxes	444,229	88,859	21,702	-	554,790	514,587
Temp agencies and interns	20,099	1,340	-	-	21,439	135,711
Total personnel costs	2,803,844	558,172	135,993	-	3,498,009	3,559,894
Expenses						
Professional services	658,566	27,440	6,416	-	692,422	531,143
Travel and meals	389,604	14,332	7,968	-	411,904	429,581
Meetings and dues	46,915	5,561	1,600	-	54,076	46,350
Supplies	140,514	24,847	6,054	-	171,415	270,405
Information technology	39,645	8,856	4,124	-	52,625	35,297
Occupancy and repairs	80,200	21,097	1,884	-	103,181	116,521
Depreciation and amortization	55,354	18,701	748	-	74,803	68,092
Bank and insurance	24,386	4,774	3,201	-	32,361	25,750
Cost of direct benefit to donors	-	-	-	29,103	29,103	25,300
Total expenses	1,435,184	125,608	31,995	29,103	1,621,890	1,548,439
Less expenses included with revenues on the statement of activities						
Cost of direct benefit to donors	-	-	-	(29,103)	(29,103)	(25,300)
Total expenses included in the expense section on the statement of activities	<u>\$ 4,239,028</u>	<u>\$ 683,780</u>	<u>\$ 167,988</u>	<u>\$ -</u>	<u>\$ 5,090,796</u>	<u>\$ 5,083,033</u>

Bird Conservancy of the Rockies
Statement of Cash Flows
Year Ended December 31, 2017
(with comparative totals for 2016)

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 74,313	\$ (84,895)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	74,803	68,092
Changes in operating assets and liabilities		
Contracts and grants receivable	117,085	286,835
Receivable from Scientific Cultural Facilities District	(402)	(16,735)
Prepaid expenses and other assets	(23,282)	(19,697)
Accounts payable and accrued expenses	(24,845)	(115,151)
Deferred revenue	17,619	(24,526)
Net Cash from Operating Activities	235,291	93,923
Cash Flows used for Investing Activities		
Purchases of property and equipment	(84,701)	(90,687)
Net Change in Cash and Cash Equivalents	150,590	3,236
Cash and Cash Equivalents, Beginning of Year	409,630	406,394
Cash and Cash Equivalents, End of Year	\$ 560,220	\$ 409,630

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Rocky Mountain Bird Observatory d/b/a Bird Conservancy of the Rockies (“we”, “us”, “our”, “the Organization”), is a nonprofit organization established in 1988. We conserve birds and their habitats through an integrated approach of science, education and land stewardship. Our work radiates from the Rockies to the Great Plains, Mexico and beyond. Our mission is advanced through sound science, achieved through empowering people, realized through stewardship and sustained through partnerships. Together, we are improving native bird populations, the land and the lives of people.

We promote a broad, balanced approach to bird conservation and accomplish our work through partnership and daily cooperation with other nonprofits, schools, private landowners, and state and federal natural resource agencies. We accomplish our mission by working in three overlapping and integrated areas:

Science

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

Our 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 our 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, our research projects provide land managers with feedback regarding the impact of habitat management decisions on the suitability of habitat for birds.

Education

We instill an appreciation for birds by providing active, experiential opportunities to learn about birds. Every year, our education programs introduce approximately 30,000 citizens of all ages to the incredible birds of our region. Our 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 our stewardship division is to build a coalition of landowners and resource professionals who are actively involved in the conservation of lands important to birds. Examples of our stewardship 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. Annually we enhance thousands of acres of habitat in the United States and Mexico for the benefit of people, birds and land.

Adoption of FASB Accounting Standards Update 2016-14

As of January 1, 2017, we early adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, because we believe the standard improves the usefulness and understandability of the Organization's financial statement reporting. Accordingly, the accompanying financial statements and related notes follow the net asset classification, presentation, and disclosure requirements prescribed by the ASU.

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 our audited financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash and Cash Equivalents

We consider 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. We determine the allowance for uncollectable contracts and grants 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 uncollectable. At December 31, 2017 and 2016, we determined no allowance for doubtful amounts was necessary. Approximately 45% of outstanding contracts and grants receivable were due from three grantors at December 31, 2017. Approximately 25% of outstanding contracts and grants receivable were due from two grantors at December 31, 2016.

In addition, we receive an annual funding allocation from the Scientific and Cultural Facilities District (SCFD). In November 1988, the voters of the seven-county Denver, Colorado 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 2016, voters from seven-county Denver, Colorado metropolitan area extended the expiration date of the special tax district through June 2030. At December 31, 2017 and 2016, \$89,075 and \$88,673, respectively, was due from SCFD representing amounts due but not yet distributed. We anticipate full collection of the outstanding amount; therefore no allowance was recorded at December 31, 2017 and 2016.

Property and Equipment

We record property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization 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 expensed currently. We lease our 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, we refurbished and agreed to maintain the property at no cost to Colorado Parks and Wildlife during our 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, we did not record any value for the use of the property.

We review 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 years ended December 31, 2017 and 2016.

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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

A substantial percentage of our revenue is derived from cost-reimbursable contracts and grants. Amounts received are recognized as earned and are reported as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received but not yet earned are reported as deferred revenue in the statement of financial position. Claims for reimbursement filed by us are subject to audit and possible retroactive adjustment or disallowance. To date, no claims for reimbursement have been adjusted or disallowed, and we do 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 2017 and 2016, we received significant portions of our contracts and grants revenue from the following:

	<u>2017</u>	<u>2016</u>
U.S. Forest Service	16%	17%
U.S. Fish and Wildlife Service	14%	13%
Colorado Parks and Wildlife	11%	10%

Grant and Indirect Cost Allocations

In accordance with the terms of certain grant agreements, we are permitted to allocate and receive reimbursement for allowable 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 our 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. Although no amounts have been reflected in the financial statements, we estimate that 4,156 volunteer hours valued at approximately \$108,000 were provided to us. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received in 2017 and 2016.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and repairs, information technology, depreciation and amortization, and bank and insurance, which are allocated on a square footage basis, as well as salaries, staff benefits and taxes, temp agencies and interns, professional services, travel and meals, meetings and dues, and supplies, which are allocated on the basis of time and effort.

Income Taxes

Bird Conservancy of the Rockies 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)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. We have determined the Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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

We manage deposit concentration risk by placing our cash and cash equivalents with financial institutions we believe to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, we have not experienced losses in any of these accounts. Credit risk associated with SCFD, contracts, and grants receivable is considered minimal because substantial portions of the outstanding amounts are due from state and federal government agencies, and historically, uncollected balances have been minimal.

Reclassifications

Educational program revenue of \$39,564 was reclassified from interest and other income reported in the accompanying statement of activities in the prior year to provide a better articulation of earned income. The reclassification was made to maintain consistency between periods presented and had no impact on previously reported net assets.

Subsequent Events

We have evaluated subsequent events through May 16, 2018, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 560,220
Contracts and grants receivable	370,844
Receivable from Scientific Cultural Facilities District	89,075
	<u>\$ 1,020,139</u>

Our *Cash and cash equivalents* balance includes donor-restricted funds of \$291,057, expected to be spent in the normal course of operations during the next fiscal year.

We follow a policy of operating with a balanced budget. As part of our liquidity management plan, we have a line of credit that provides for available borrowings of up to \$500,000.

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31, 2017 and 2016:

	2017	2016
Restoration costs - the Old Stone House	\$ 523,664	\$ 523,664
Building and improvements	209,769	208,184
Furnishings and fixtures	25,717	22,198
Computers and software	221,101	147,552
Vehicles	40,261	34,283
	1,020,512	935,881
Less accumulated depreciation and amortization	(473,918)	(399,185)
	\$ 546,594	\$ 536,696

Note 4 - Line of Credit

We have a \$500,000 revolving line of credit with a bank, secured by accounts receivable. Borrowings under the agreement bear interest at the Wall Street Journal Prime Rate plus 1.5%, or a floor of 5.00% (6.00% and 5.25% at December 31, 2017 and 2016). Accrued interest and principal are due June 15, 2018. The agreement requires us to comply with certain financial and non-financial covenants. There was no balance outstanding at December 31, 2017 and 2016 under the line.

Note 5 - Leases

We lease office space under a noncancelable operating lease expiring in January 2019. We also lease various equipment items through 2022. Future minimum lease payments are as follows:

Years Ending December 31,			
2018		\$	63,712
2019			8,961
2020			6,580
2021			6,580
2022			4,387
		\$	90,220

Rent expense for the years ended December 31, 2017 and 2016 totaled \$73,896 and \$76,282, respectively.

Note 6 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Old Stone House	\$ 7,250	\$ -
Science programs	209,389	158,620
Educational programs	42,071	24,860
Stewardship programs	32,347	32,573
	<u>\$ 291,057</u>	<u>\$ 216,053</u>

Net assets released from restrictions by incurring expenses satisfying the restricted purposes totaled \$216,487 and \$140,607 for the years ended December 31, 2017 and 2016, respectively.

Note 7 - Employee Benefits

We sponsor an IRA Savings Incentive Match Plan (the Plan) covering all full-time employees. Under the Plan, we match employee voluntary salary reductions up to 3% of each employee's gross compensation. During the years ended December 31, 2017 and 2016, we contributed \$63,688 and \$49,958 to the Plan, respectively.