



Financial Statements
December 31, 2022

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

(With Comparative Totals for 2021)

Bird Conservancy of the Rockies
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(with comparative totals for 2021)

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Independent Auditor's Report

The Board of Directors
Rocky Mountain Bird Observatory
d/b/a Bird Conservancy of the Rockies
Brighton, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bird Conservancy of the Rockies as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bird Conservancy of the Rockies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bird Conservancy of the Rockies' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bird Conservancy of the Rockies' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bird Conservancy of the Rockies' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the 2021 financial statements of Bird Conservancy of the Rockies, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2023 on our consideration of Bird Conservancy of the Rockies' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bird Conservancy of the Rockies' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bird Conservancy of the Rockies' internal control over financial reporting and compliance.

Eide Bailly LLP

Denver, Colorado
May 22, 2023

Bird Conservancy of the Rockies
Statement of Financial Position
December 31, 2022
(with comparative totals for 2021)

| | 2022 | 2021 |
|---|--------------|--------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,403,779 | \$ 1,760,967 |
| Contracts and grants receivable | 883,099 | 822,417 |
| Receivable from Scientific and Cultural Facilities District | 125,128 | 117,590 |
| Promise to give, net | 92,204 | - |
| Prepaid expenses and other assets | 32,797 | 41,067 |
| Property and equipment, net | 330,047 | 358,681 |
| Operating leases right of use assets | 26,265 | - |
| Beneficial interest in assets held by community foundation | 349,376 | 390,144 |
| Cash held for transfer to community foundation | 1,515 | 100 |
| | \$ 3,244,210 | \$ 3,490,966 |
| Liabilities and Net Assets | | |
| Accounts payable and accrued expenses | \$ 374,427 | \$ 369,090 |
| Refundable advances - grants | 4,194 | 30,986 |
| Deferred revenue | 8,783 | 6,052 |
| Operating lease liability | 29,105 | - |
| | 416,509 | 406,128 |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 1,491,746 | 1,239,869 |
| Invested in property and equipment, net | 330,047 | 358,681 |
| | 1,821,793 | 1,598,550 |
| With donor restrictions | 1,005,908 | 1,486,288 |
| | 2,827,701 | 3,084,838 |
| | \$ 3,244,210 | \$ 3,490,966 |

Bird Conservancy of the Rockies

Statement of Activities

Year Ended December 31, 2022

(with comparative totals for 2021)

| | 2022 | | | 2021 |
|--|----------------------------------|-------------------------------|--------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Revenue and Support | | | | |
| Contracts and grants | \$ 5,424,642 | \$ - | \$ 5,424,642 | \$ 4,403,458 |
| Government assistance - PPP loans | - | - | - | 1,305,898 |
| Scientific and Cultural Facilities District | 445,337 | - | 445,337 | 398,350 |
| Educational program revenue | 55,632 | - | 55,632 | 55,997 |
| Contributions | 240,364 | 513,426 | 753,790 | 828,276 |
| Gross special event revenue | | | | |
| Ticket sales and auction | 127,208 | - | 127,208 | 96,161 |
| In-kind contributions | 18,720 | - | 18,720 | 11,359 |
| Less cost of direct benefits to donors | (31,755) | - | (31,755) | (21,702) |
| Net special event revenue | 114,173 | - | 114,173 | 85,818 |
| Interest and other income | 5,493 | - | 5,493 | 12,512 |
| Change in value of beneficial interest in assets held by community foundation | - | (41,468) | (41,468) | 10,752 |
| Net assets released from restrictions | 952,338 | (952,338) | - | - |
| Total revenue and support | 7,237,979 | (480,380) | 6,757,599 | 7,101,061 |
| Expenses | | | | |
| Program services | 5,940,156 | - | 5,940,156 | 5,038,967 |
| Management and general | 900,480 | - | 900,480 | 722,477 |
| Fundraising and development | 174,100 | - | 174,100 | 151,510 |
| Total expenses | 7,014,736 | - | 7,014,736 | 5,912,954 |
| Change in Net Assets | 223,243 | (480,380) | (257,137) | 1,188,107 |
| Net Assets, Beginning of Year | 1,598,550 | 1,486,288 | 3,084,838 | 1,896,731 |
| Net Assets, End of Year | \$ 1,821,793 | \$ 1,005,908 | \$ 2,827,701 | \$ 3,084,838 |

Bird Conservancy of the Rockies
Statement of Functional Expenses
Year Ended December 31, 2022
(with comparative totals for 2021)

| | Program Services | Management and General | Fundraising and Development | Cost of Direct Benefits to Donors | 2022 | 2021 |
|--|---------------------|------------------------------|-----------------------------------|--------------------------------------|---------------------|---------------------|
| Personnel costs | | | | | | |
| Salaries | \$ 3,247,142 | \$ 566,786 | \$ 117,973 | \$ - | \$ 3,931,901 | \$ 3,476,220 |
| Staff benefits and taxes | 637,399 | 111,257 | 23,158 | - | 771,814 | 692,745 |
| Total personnel costs | <u>3,884,541</u> | <u>678,043</u> | <u>141,131</u> | <u>-</u> | <u>4,703,715</u> | <u>4,168,965</u> |
| Expenses | | | | | | |
| Professional services | 934,756 | 143,997 | 11,355 | - | 1,090,108 | 794,154 |
| Travel and meals | 528,423 | 10,360 | 4,975 | - | 543,758 | 295,552 |
| Supplies | 285,890 | 4,764 | 4,382 | - | 295,036 | 300,672 |
| Occupancy and repairs | 103,706 | 22,314 | 893 | - | 126,913 | 107,803 |
| Meetings and dues | 75,513 | 8,833 | 2,329 | - | 86,675 | 60,129 |
| Bank, insurance, and other | 41,764 | 11,980 | 4,099 | - | 57,843 | 45,884 |
| Information technology | 46,304 | 6,926 | 4,405 | - | 57,635 | 73,549 |
| Depreciation and amortization | 39,259 | 13,263 | 531 | - | 53,053 | 66,246 |
| Cost of direct benefits to donors | - | - | - | 31,755 | 31,755 | 21,702 |
| Total expenses | <u>2,055,615</u> | <u>222,437</u> | <u>32,969</u> | <u>31,755</u> | <u>2,342,776</u> | <u>1,765,691</u> |
| Total personnel costs and expenses | 5,940,156 | 900,480 | 174,100 | 31,755 | 7,046,491 | 5,934,656 |
| Less expenses included with revenues on the statement of activities | | | | | | |
| Cost of direct benefits to donors | - | - | - | (31,755) | (31,755) | (21,702) |
| Total expenses included in the expense section on the statement of activities | <u>\$ 5,940,156</u> | <u>\$ 900,480</u> | <u>\$ 174,100</u> | <u>\$ -</u> | <u>\$ 7,014,736</u> | <u>\$ 5,912,954</u> |

See Notes to Financial Statements

Bird Conservancy of the Rockies

Statement of Cash Flows

Year Ended December 31, 2022

(with comparative totals for 2021)

| | 2022 | 2021 |
|--|--------------|--------------|
| Operating Activities | | |
| Change in net assets | \$ (257,137) | \$ 1,188,107 |
| Adjustments to reconcile change in net assets to net cash from (used for) operating activities | | |
| Depreciation and amortization | 53,053 | 66,246 |
| Contributions restricted to endowment held at community foundation | (2,115) | (208,525) |
| Change in value of beneficial interest in assets held by community foundation | 41,468 | (10,752) |
| Forgiveness of PPP loans | - | (1,305,898) |
| Changes in operating assets and liabilities | | |
| Contracts and grants receivable | (60,682) | (306,522) |
| Receivable from Scientific and Cultural Facilities District | (7,538) | (19,343) |
| Promise to give, net | (92,204) | - |
| Prepaid expenses and other assets | 8,270 | (2,671) |
| Accounts payable and accrued expenses | 10,163 | 71,577 |
| Refundable advance - PPP loans | - | 652,949 |
| Refundable advances - grants | (26,792) | (3,076) |
| Deferred revenue | 2,731 | (3,936) |
| Operating lease assets and liabilities | (1,986) | - |
| Net Cash from (used for) Operating Activities | (332,769) | 118,156 |
| Investing Activities | | |
| Purchases of property and equipment | (24,419) | (41,296) |
| Transfer of endowment assets to community foundation | (700) | (228,525) |
| Net Cash used for Investing Activities | (25,119) | (269,821) |
| Financing Activities | | |
| Collections of contributions restricted for endowment held by community foundation | 2,115 | 208,525 |
| Payment of accounts payable for property and equipment | - | (10,100) |
| Net Cash from Financing Activities | 2,115 | 198,425 |
| Net Change in Cash, Cash Equivalents, and Restricted Cash | (355,773) | 46,760 |
| Cash, Cash Equivalents, and Restricted Cash, Beginning of Year | 1,761,067 | 1,714,307 |
| Cash, Cash Equivalents, and Restricted Cash, End of Year | \$ 1,405,294 | \$ 1,761,067 |
| Cash and cash equivalents | \$ 1,403,779 | \$ 1,760,967 |
| Cash held for transfer to community foundation | 1,515 | 100 |
| | \$ 1,405,294 | \$ 1,761,067 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for amounts included in the measurement of operating lease liabilities | \$ 12,168 | \$ - |

See Notes to Financial Statements

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. Currently and in prior years our education program reaches 30,000 to 40,000 citizens of all ages and introduces them 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.

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, 2021, from which the summarized information was derived.

Cash, Cash Equivalents, and Restricted Cash

We consider all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents. Restricted cash represents cash received for the Birds Forever Endowment, but not yet transferred to the Community Foundation of Northern Colorado at December 31, 2022 and 2021, which totaled \$1,515 and \$100, respectively (Note 3).

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, 2022 and 2021, we determined no allowance for doubtful amounts was necessary. Approximately 40% and 56% of outstanding contracts and grants receivable were due from two and three grantors at December 31, 2022 and 2021, respectively.

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, 2022 and 2021, \$125,128 and \$117,590, respectively, represented amounts due but not yet distributed by SCFD, which were collected subsequent to year end.

Promises to Give

We record unconditional promises to give that are expected to be collected within one year 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. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2022 and 2021, the allowance was \$5,250 and \$0, respectively.

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, 2022 and 2021.

Beneficial Interest in Assets Held by Community Foundation

During 2018, we established an endowment fund to be held in in perpetuity by the Community Foundation of Northern Colorado (the Foundation) and named ourselves as beneficiary. We granted variance power to the Foundation which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Foundation for our benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions imposed by donors or certain grantors. 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) restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. We report conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Revenue and Revenue Recognition

A substantial portion of our revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. We received cost reimbursable grants of \$6,394,473 and \$9,266,355 that have not been recognized at December 31, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred. Advance payments of \$4,194 and \$30,986 were recognized in the statement of financial position as refundable advances as of December 31, 2022 and 2021, respectively. 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, that is, those with a measurable performance or other barrier, and right of return, are not recognized until the conditions on which they depend have been substantially met. Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Program revenue is comprised of revenue from school field trips, summer camps and family, community and outreach events. We recognize program revenue at the point in time our performance obligation to provide the program services is met or when the field trip or event has taken place. Contract liabilities are reported as deferred revenue in the statement of financial position and consist of program service fees received in advance of the performance obligation being met.

During 2022 and 2021, we received significant portions of our contracts and grants revenue from the following:

| | 2022 | 2021 |
|---------------------------------------|------|------|
| U.S. Fish and Wildlife Service | 10% | 8% |
| National Fish and Wildlife Foundation | 17% | 18% |
| U.S. Forest Service | 13% | 16% |
| Natural Resource Conservation Service | 14% | 15% |

Members of our Board of Directors contributed \$64,548 and \$177,922 during the years ended December 31, 2022 and 2021, respectively.

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. We have an approved Negotiated Indirect Cost Rate Agreement (NICRA) rate that was negotiated between us and the United States Department of Agriculture (USDA) which reflects an estimate of the indirect costs (facilities and administrative costs) and fringe benefit expenses incurred by us. We apply this to rate to agreements where allowed.

In-kind Contributions

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 10). We do not sell donated gifts-in-kind. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. We estimate that 7,594 and 9,632 volunteer hours valued at approximately \$240,000 and \$292,000 were provided to us during the years ended December 31, 2022 and 2021, respectively. Contributed goods are recorded at fair value at the date of donation.

As of January 1, 2022, we adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

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. The expenses that are allocated include salaries, staff benefits and taxes which are allocated on the basis of time and effort and occupancy and repairs, information technology, depreciation and amortization, and bank and insurance, which are allocated on a square-footage basis.

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 and has been determined not to be a private foundation. 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, promise to give, 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.

We maintain cash in the bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2022 and 2021, we had approximately \$905,000 and \$1,261,000, respectively, in excess of FDIC-insured limits.

Subsequent Events

We have evaluated subsequent events through May 22, 2023, 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:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,289,189 | \$ 1,491,467 |
| Contracts and grants receivable | 883,099 | 822,417 |
| Receivable from Scientific and Cultural Facilities District | 125,128 | 117,590 |
| Promise to give, net | 35,000 | - |
| | <u>\$ 2,332,416</u> | <u>\$ 2,431,474</u> |

Our cash and cash equivalents at December 31, 2022 and 2021 include donor-restricted funds of \$448,223 and \$826,444, respectively, expected to be spent in the normal course of operations during the next fiscal year (Note 8).

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 6). The line of credit is reviewed and renewed by the bank annually.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect our own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset.

Below is a reconciliation of the beginning and ending balance of our beneficial interest in assets held by the Community Foundation of Northern Colorado (the Foundation) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Beginning balance | \$ 390,144 | \$ 150,867 |
| Transfer of endowment assets to the Foundation | 700 | 228,525 |
| Change in value | <u>(41,468)</u> | <u>10,752</u> |
| Ending balance | <u>\$ 349,376</u> | <u>\$ 390,144</u> |

At December 31, 2022 and 2021, cash held for transfer to community foundation of \$1,515 and \$100, respectively, was transferred to the Foundation subsequent to year end.

Note 4 - Promise to Give

Unconditional promise to give from a single donor is estimated to be collected as follows at December 31, 2022:

| | |
|---|------------------|
| Within one year | \$ 35,000 |
| In one to five years | <u>70,000</u> |
| | 105,000 |
| Less discount to net present value at the rate of 7.95% | (7,546) |
| Less allowance for uncollectable promises to give | <u>(5,250)</u> |
| | <u>\$ 92,204</u> |

Note 5 - Property and Equipment

Property and equipment consists of the following at December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Restoration costs - the Old Stone House | \$ 541,317 | \$ 541,317 |
| Building and improvements | 209,769 | 209,769 |
| Furnishings and fixtures | 62,986 | 38,567 |
| Computers and software | 200,980 | 207,615 |
| Equipment | 9,495 | 9,495 |
| Vehicles | <u>51,571</u> | <u>51,571</u> |
| | 1,076,118 | 1,058,334 |
| Less accumulated depreciation and amortization | <u>(746,071)</u> | <u>(699,653)</u> |
| | <u>\$ 330,047</u> | <u>\$ 358,681</u> |

Note 6 - 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 1.00%, or a floor of 5% and 4.25% at December 31, 2022 and 2021, respectively (8.50% and 4.25% at December 31, 2022 and 2021, respectively). Accrued interest and principal are due June 4, 2023. The agreement requires us to comply with certain financial and non-financial covenants. There was no balance outstanding at December 31, 2022 and 2021 under the line.

Note 7 - Refundable Advance – Paycheck Protection Program (PPP) Loan

In January 2021 and April 2020, we were granted loans in total of \$1,305,898 under the Payroll Protection Program by a Small Business Administration (SBA) approved partner. The loans were uncollateralized and fully guaranteed by the federal government. We were eligible for loan forgiveness of up to 100% of each of the loans, upon meeting certain requirements. Proceeds from the loans were eligible for forgiveness if used for certain payroll, rent, software and utility expenses. We initially recorded the loans as a refundable advance. We were granted full forgiveness of each of the loans in January 2021 and in November 2021. Government assistance revenue of \$1,305,898 has been recorded for the year ended December 31, 2021.

Note 8 - Leases

Effective January 1, 2022, we adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). We elected to apply the guidance as of January 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities and changes in net assets as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. We have elected the package of practical expedients permitted in ASC Topic 842. Accordingly, we accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, we recognized on January 1, 2022, the beginning of the adoption period, with no cumulative effect adjustment to net assets, an operating lease liability of \$40,885, and an operating right-of-use asset of \$36,059. The adoption of the new standard did not materially impact our statement of activities or statement of cash flows.

We lease certain equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2025. We included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted average discount rate is based on the discount rate implicit in the lease. We have elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. We have applied the risk-free rate option to the equipment classes of assets.

We have elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the year ended December 31, 2022 were as follows:

| | |
|-----------------------|------------------|
| Operating lease cost | \$ 9,709 |
| Short-term lease cost | 59,940 |
| | <u>69,649</u> |
| | <u>\$ 69,649</u> |

The following summarizes the weighted-average remaining lease term and weight-average discount rate for our operating leases at December 31, 2022:

| | |
|---------------------------------------|------------|
| Weighted-Average Remaining Lease Term | 2.55 Years |
| Weighted-Average Discount Rate | 1.31% |

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022:

| <u>Years Ending December 31,</u> | |
|------------------------------------|-------------------------|
| 2023 | \$ 12,203 |
| 2024 | 9,688 |
| 2025 | 7,173 |
| 2026 | <u>593</u> |
| Total lease payments | 29,657 |
| Less interest | <u>(552)</u> |
| Present value of lease liabilities | <u><u>\$ 29,105</u></u> |

Total rent expense recognized through Topic 840 for the year ended December 31, 2021, was \$82,073. Future minimum payments determined under the guidance in Topic 840 are listed below as of December 31, 2021:

| <u>Years Ending December 31,</u> | |
|----------------------------------|--------------------------|
| 2022 | \$ 71,499 |
| 2023 | 12,203 |
| 2024 | 10,945 |
| 2025 | <u>7,173</u> |
| | <u><u>\$ 101,820</u></u> |

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2022 and 2021:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Subject to expenditure for specified purpose | | |
| Science programs | \$ 280,811 | \$ 317,795 |
| KFF Grassland Project | 149,206 | 616,809 |
| Stewardship programs | 106,276 | 32,357 |
| Grassland Summit | 29,621 | 111,618 |
| Educational programs | 22,565 | 10,215 |
| Old Stone House | 7,250 | 7,250 |
| Executive support | 6,600 | - |
| | <u>602,329</u> | <u>1,096,044</u> |
| Subject to the passage of time | | |
| Promises to give that are not restricted by donors, but which are unavailable for expenditure until due | <u>52,688</u> | <u>-</u> |
| | <u>655,017</u> | <u>1,096,044</u> |
| Birds Forever Endowment – perpetual in nature, distributions from which are available for general use | | |
| Beneficial interest in assets held by community foundation | 349,376 | 390,144 |
| Cash held for transfer to community foundation | <u>1,515</u> | <u>100</u> |
| | <u>350,891</u> | <u>390,244</u> |
| | <u>\$ 1,005,908</u> | <u>\$ 1,486,288</u> |

Net assets released from restrictions by incurring expenses satisfying the restricted purposes totaled \$952,338 and \$632,434 for the years ended December 31, 2022 and 2021, respectively.

Note 10 - In-kind Contributions

For the years ended December 31, 2022 and 2021, in-kind contributions recognized within the statement of activities included \$18,720 and \$11,359, respectively, of donated food and event. Contributed food and event contributions are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed food and event are used in our special event. All gifts-in-kind received during the years ended December 31, 2022 and 2021 were unrestricted.

Note 11 - Employee Benefits

We sponsor a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code (IRC) 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, 2022 and 2021, we contributed \$72,901 and \$69,048 to the Plan, respectively.