



Financial Statements  
December 31, 2020

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

(With Comparative Totals for 2019)

Bird Conservancy of the Rockies  
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December 31, 2020  
(with comparative totals for 2019)

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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 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, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2020, 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 Rocky Mountain Bird Observatory d/b/a Bird Conservancy of the Rockies' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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 19, 2021 on our consideration of Rocky Mountain Bird Observatory d/b/a 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 Rocky Mountain Bird Observatory d/b/a 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 Rocky Mountain Bird Observatory d/b/a Bird Conservancy of the Rockies' internal control over financial reporting and compliance.



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Denver, Colorado  
May 19, 2021

Bird Conservancy of the Rockies  
Statement of Financial Position  
December 31, 2020  
(with comparative totals for 2019)

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 1,714,001	\$ 584,353
Contracts and grants receivable	515,895	463,822
Receivable from Scientific and Cultural Facilities District	98,247	117,541
Prepaid expenses and other assets	38,396	42,332
Property and equipment, net	383,631	419,653
Beneficial interest in assets held by community foundation	150,867	77,979
Cash held for transfer to community foundation	306	43,000
Total assets	\$ 2,901,343	\$ 1,748,680
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 296,106	\$ 269,948
Refundable advance - PPP loan	652,949	-
Refundable advances - grants	34,062	28,005
Deferred revenue	9,988	7,305
Lease incentives	11,507	-
Total liabilities	1,004,612	305,258
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	55,842	536,915
Invested in property and equipment, net	383,631	419,653
	439,473	956,568
With donor restrictions		
	1,457,258	486,854
Total net assets	1,896,731	1,443,422
Total liabilities and net assets	\$ 2,901,343	\$ 1,748,680

# Bird Conservancy of the Rockies

## Statement of Activities

Year Ended December 31, 2020

(with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Contracts and grants	\$ 2,875,823	\$ -	\$ 2,875,823	\$ 4,033,434
Scientific and Cultural Facilities District	330,138	-	330,138	401,413
Educational program revenue	13,099	-	13,099	67,469
Contributions	230,342	1,528,789	1,759,131	746,372
Gross special event revenue	91,395	-	91,395	97,280
Less cost of direct benefits to donors	(6,896)	-	(6,896)	(20,652)
Net special event revenue	84,499	-	84,499	76,628
Interest and other income	7,170	-	7,170	10,071
Change in value of beneficial interest in assets held by community foundation	-	9,313	9,313	3,289
Net assets released from restrictions	567,698	(567,698)	-	-
Total revenue and support	<u>4,108,769</u>	<u>970,404</u>	<u>5,079,173</u>	<u>5,338,676</u>
Expenses				
Program services	3,770,607	-	3,770,607	4,472,808
Management and general	758,017	-	758,017	729,919
Fundraising and development	97,240	-	97,240	134,874
Total expenses	<u>4,625,864</u>	<u>-</u>	<u>4,625,864</u>	<u>5,337,601</u>
Change in Net Assets	(517,095)	970,404	453,309	1,075
Net Assets, Beginning of Year	956,568	486,854	1,443,422	1,442,347
Net Assets, End of Year	<u>\$ 439,473</u>	<u>\$ 1,457,258</u>	<u>\$ 1,896,731</u>	<u>\$ 1,443,422</u>

Bird Conservancy of the Rockies  
Statement of Functional Expenses  
Year Ended December 31, 2020  
(with comparative totals for 2019)

	Program Services	Management and General	Fundraising and Development	2020	2019
Personnel costs					
Salaries	\$ 2,296,666	\$ 556,218	\$ 60,447	\$ 2,913,331	\$ 3,191,957
Staff benefits and taxes	460,636	111,558	12,124	584,318	659,144
Total personnel costs	<u>2,757,302</u>	<u>667,776</u>	<u>72,571</u>	<u>3,497,649</u>	<u>3,851,101</u>
Expenses					
Professional services	533,510	33,273	10,734	577,517	649,055
Travel and meals	163,207	616	601	164,424	422,997
Occupancy and repairs	98,690	19,215	770	118,675	100,401
Supplies	68,955	2,863	2,463	74,281	98,287
Depreciation and amortization	53,121	18,317	733	72,171	75,082
Information technology	38,590	6,065	4,654	49,309	57,951
Bank and insurance	30,636	7,189	4,336	42,161	39,145
Meetings and dues	26,596	2,703	378	29,677	43,582
Cost of direct benefits to donors	-	-	6,896	6,896	20,652
Total expenses	<u>1,013,305</u>	<u>90,241</u>	<u>31,565</u>	<u>1,135,111</u>	<u>1,507,152</u>
Total personnel costs and expenses	3,770,607	758,017	104,136	4,632,760	5,358,253
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	(6,896)	(6,896)	(20,652)
Total expenses included in the expense section on the statement of activities	<u>\$ 3,770,607</u>	<u>\$ 758,017</u>	<u>\$ 97,240</u>	<u>\$ 4,625,864</u>	<u>\$ 5,337,601</u>

# Bird Conservancy of the Rockies

## Statement of Cash Flows

Year Ended December 31, 2020

(with comparative totals for 2019)

	2020	2019
Operating Activities		
Change in net assets	\$ 453,309	\$ 1,075
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	72,172	75,082
Contributions restricted to endowment held at community foundation	(20,881)	(85,390)
Change in value of beneficial interest in assets held by community foundation	(9,313)	(3,289)
Changes in operating assets and liabilities		
Contracts and grants receivable	(52,073)	87,098
Receivable from Scientific and Cultural Facilities District	19,294	(93)
Prepaid expenses and other assets	3,936	(850)
Accounts payable and accrued expenses	16,058	40,120
Refundable advance - PPP loan	652,949	-
Refundable advances - grants	6,057	26,869
Deferred revenue	2,683	6,305
Net Cash from Operating Activities	1,144,191	146,927
Investing Activities		
Purchases of property and equipment	(27,147)	(3,659)
Transfer of endowment assets to community foundation	(63,575)	(62,240)
Net Cash used for Investing Activities	(90,722)	(65,899)
Financing Activities		
Collections of contributions restricted for endowment held by community foundation	20,881	85,390
Payments of equipment lease incentives	12,604	-
Net Cash from Financing Activities	33,485	85,390
Net Change in Cash, Cash Equivalents, and Restricted Cash	1,086,954	166,418
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	627,353	460,935
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 1,714,307	\$ 627,353
Cash and cash equivalents	\$ 1,714,001	\$ 584,353
Cash held for transfer to community foundation	306	43,000
	\$ 1,714,307	\$ 627,353
Supplemental Disclosure of non-cash investing activity		
Equipment purchases included in accounts payable	\$ 10,100	\$ -



## **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. In prior years, our education program each year introduced over 44,000 citizens of all ages to the incredible birds of our region. Our programs included 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. Beginning in March 2020 due to the COVID-19 pandemic, we were required to cancel all of our in-person educational programming and adopted a reduced in scope virtual platform. In June 2020 we began offering some in-person programming where CDC safety standards could be followed. It is unclear how many citizens we were able to reach through our virtual programming but it is estimated that our efforts were reduced by about 40% for the year ended December 31, 2020.

## 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.

## Impact of COVID-19

The outbreak of the 2019 coronavirus disease (“COVID-19”), which was declared a global pandemic by the World Health Organization, and the related responses by public health and governmental authorities to contain and combat its outbreak and spread, adversely affected workplaces, economies, and financial markets globally.

Beginning in March 2020, we were required to suspend annual survey efforts in Mexico due to international travel and quarantine restrictions between the U.S. and Mexico. In addition, we had to delay and/or reduce the scope of surveys planned through the spring and summer months due to quarantine and domestic travel restrictions. Our winter monitoring program was cancelled in November because of new COVID-19 outbreaks in the areas in which we perform species monitoring, i.e., New Mexico and Texas, in order to assure the health and safety of our survey crews.

Additionally, beginning in March 2020, we were required to cancel all of our in-person educational programming and went to a reduced in scope virtual platform. We resumed limited in-person programming in June 2020 where we could meet CDC safety standards.

We have continued our educational and conservation efforts where possible while applying CDC safety standards and reducing costs. Where seasonal work was not able to be performed due to COVID-19, we did not hire seasonal staff and in order to offset other personnel costs while operating on reduced revenue, we have applied for and received funding under the Paycheck Protection Program (PPP) during the year ended December 31, 2020. The proceeds of the refundable advance in the amount of \$653,000 offset payroll and other employee benefit expenditures. We are closely monitoring our operations, liquidity, and capital resources and are actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to our financial position is not known.

## 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, 2019, 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, 2020 and 2019, which totaled \$306 and \$43,000, 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, 2020 and 2019, we determined no allowance for doubtful amounts was necessary. Approximately 77% and 48% of outstanding contracts and grants receivable were due from four grantors at December 31, 2020 and 2019, 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, 2020 and 2019, \$98,247 and \$117,541, respectively, represented amounts due but not yet distributed by SCFD, which were collected subsequent to year end.

**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, 2020 and 2019.

**Beneficial Interest in Assets Held by Community Foundation**

During the year ended December 31, 2018, we established an endowment fund to be held in perpetuity by the Community Foundation of Northern Colorado (the Foundation), named ourselves beneficiary, and made an initial transfer of \$12,636. 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 conditional and unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the financial statements.

**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 \$7,848,714 that have not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred, with advance payments of \$34,062 recognized in the statement of financial position as refundable advances. 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 2020 and 2019, we received significant portions of our contracts and grants revenue from the following:

	<u>2020</u>	<u>2019</u>
U.S. Forest Service	9%	14%
Colorado Parks and Wildlife	10%	11%
National Fish and Wildlife Foundation	14%	14%
U.S. Fish and Wildlife Service	14%	10%
National Resource and Conservation Services	16%	3%

Members of our Board of Directors contributed \$232,918 and \$148,619 during the years ended December 31, 2020 and 2019, 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. 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 5,010 and 9,027 volunteer hours valued at approximately \$148,000 and \$253,000 were provided to us during the years ended December 31, 2020 and 2019, respectively. 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 2020 and 2019.

### **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, depreciation and amortization, information technology, 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, 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.

### **Subsequent Events**

We have evaluated subsequent events through May 19, 2021, 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:

	2020	2019
Cash and cash equivalents	\$ 1,272,207	\$ 584,353
Contracts and grants receivable	515,895	463,822
Receivable from Scientific and Cultural Facilities District	98,247	117,541
	<u>\$ 1,886,349</u>	<u>\$ 1,165,716</u>

Our cash and cash equivalents at December 31, 2020 include donor-restricted funds of \$864,291 expected to be spent in the normal course of operations during the next fiscal year (Note 7).

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 5). 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 (Foundation) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2020:

	2020	2019
Beginning balance	\$ 77,979	\$ 12,450
Transfer of endowment assets to the Foundation	63,575	62,240
Net investment return	9,313	3,289
Ending balance	<u>\$ 150,867</u>	<u>\$ 77,979</u>

At December 31, 2020 and 2019, cash held for transfer to community foundation of \$306 and \$43,000, respectively, was transferred to the Foundation subsequent to year end.

#### Note 4 - Property and Equipment

Property and equipment consists of the following at December 31, 2020 and 2019:

	2020	2019
Restoration costs - the Old Stone House	\$ 541,317	\$ 523,664
Building and improvements	209,769	209,769
Furnishings and fixtures	38,567	38,567
Computers and software	201,352	206,297
Equipment	9,495	-
Vehicles	35,567	25,467
	<u>1,036,067</u>	<u>1,003,764</u>
Less accumulated depreciation and amortization	<u>(652,436)</u>	<u>(584,111)</u>
	<u>\$ 383,631</u>	<u>\$ 419,653</u>



**Note 5 - Line of Credit**

We have a \$500,000 revolving line of credit with a bank, secured by accounts receivable and renewed in 2020. Borrowings under the agreement bear interest at the Wall Street Journal Prime Rate plus 1.25%, or a floor of 4.5% (4.5% at December 31, 2020). Previous line had interest rate at the WSJ Prime Rate plus 1.5%, or a floor of 5% (6% at December 31, 2019). Accrued interest and principal are due June 13, 2021. The agreement requires us to comply with certain financial and non-financial covenants. There was no balance outstanding at December 31, 2020 and 2019 under the line.

**Note 6 - Refundable Advance – Paycheck Protection Program (PPP) Loan**

We were granted a \$652,949 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the federal government. We are eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. We have initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended December 31, 2020.

Subsequent to year end, we were granted forgiveness for the entire amount of \$652,949. In addition, we applied for and were granted funding under the second round of PPP in the same amount of \$652,949.

**Note 7 - Leases**

We lease office space under a noncancelable operating lease expiring in January 2022. We also lease various equipment items through 2025. During 2020, we received lease incentives in the amount of \$12,604 under equipment lease that will be amortized against rent expenses for the duration of the lease term.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2021	\$ 73,693
2022	11,560
2023	7,173
2024	7,173
2025	7,173
	<u>\$ 106,772</u>

Rent expense for the years ended December 31, 2020 and 2019 totaled \$68,667 and \$75,310, respectively.

**Note 8 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose		
Science programs	\$ 114,254	\$ 180,785
Stewardship programs	40,404	32,311
Educational programs	8,181	10,862
Grassland Summit	178,008	134,667
KFF Grassland Project	957,988	-
Old Stone House	7,250	7,250
	<u>1,306,085</u>	<u>365,875</u>
Birds Forever Endowment – perpetual in nature, distributions from which are available for general use		
Beneficial interest in assets held by community foundation	150,867	77,979
Cash held for transfer to community foundation	306	43,000
	<u>151,173</u>	<u>120,979</u>
	<u>\$ 1,457,258</u>	<u>\$ 486,854</u>

Net assets released from restrictions by incurring expenses satisfying the restricted purposes totaled \$567,698 and \$298,966 for the years ended December 31, 2020 and 2019, respectively.

**Note 9 - 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, 2020 and 2019, we contributed \$66,342 and \$69,587 to the Plan, respectively. Subsequent to year-end the plan was changed to a 403(b) plan.