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## **Financial Statements**

**Year Ended December 31, 2010**

**(With Comparative Totals for 2009)**





**Rocky Mountain Bird  
Observatory**



**Financial Statements**

Year Ended December 31, 2010

(With Comparative Totals for 2009)

# Rocky Mountain Bird Observatory

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## Independent Auditors' Report

Board of Directors  
Rocky Mountain Bird Observatory

We have audited the accompanying statement of financial position of Rocky Mountain Bird Observatory ("RMBO") as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of RMBO's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from RMBO's 2009 financial statements and in our report dated May 13, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RMBO's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain Bird Observatory as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Anton Collins Mitchell LLP*

Denver, Colorado  
May 13, 2011

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# Rocky Mountain Bird Observatory

## Statement of Financial Position

(With Comparative Totals for 2009)

<i>December 31,</i>	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 141,015	\$ 358,339
Contracts and grants receivable	461,517	277,991
Prepaid expenses and other assets	38,570	18,260
Restricted certificate of deposit	11,000	-
Property and equipment, net	401,326	380,098
<b>Total assets</b>	<b>\$ 1,053,428</b>	<b>\$ 1,034,688</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 23,648	\$ 20,256
Accrued payroll	147,003	106,768
Deferred revenue	88,050	160,857
<b>Total liabilities</b>	<b>258,701</b>	<b>287,881</b>
<b>Commitments and Contingencies</b>		
<b>Net assets</b>		
Unrestricted:		
Invested in property and equipment	401,326	380,098
Undesignated	381,315	366,709
<b>Total unrestricted</b>	<b>782,641</b>	<b>746,807</b>
Temporarily restricted	12,086	-
<b>Total net assets</b>	<b>794,727</b>	<b>746,807</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,053,428</b>	<b>\$ 1,034,688</b>

*See accompanying summary of significant accounting policies and notes to financial statements.*

# Rocky Mountain Bird Observatory

## Statement of Activities

(With Comparative Totals for 2009)

Year Ended December 31,	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
<b>Revenue</b>				
Contributions	\$ 63,691	\$ 2,187	\$ 65,878	\$ 37,790
Memberships	16,176	-	16,176	14,878
SCFD grant	132,041	-	132,041	104,634
Contracts and grants	2,848,426	-	2,848,426	2,390,867
Other	8,959	-	8,959	25,584
Net assets released from restriction	1,101	(1,101)	-	-
<b>Total revenue</b>	<b>3,070,394</b>	<b>1,086</b>	<b>3,071,480</b>	<b>2,573,753</b>
<b>Expenses</b>				
Program	2,659,271	-	2,659,271	2,301,169
General and administrative	347,057	-	347,057	346,643
Fundraising and development	17,232	-	17,232	16,858
<b>Total expenses</b>	<b>3,023,560</b>	<b>-</b>	<b>3,023,560</b>	<b>2,664,670</b>
Change in net assets	46,834	1,086	47,920	(90,917)
External restriction imposed on net assets	(11,000)	11,000	-	-
<b>Net assets, beginning of year</b>	<b>746,807</b>	<b>-</b>	<b>746,807</b>	<b>837,724</b>
<b>Net assets, end of year</b>	<b>\$ 782,641</b>	<b>\$ 12,086</b>	<b>\$ 794,727</b>	<b>\$ 746,807</b>

See accompanying summary of significant accounting policies and notes to financial statements.

# Rocky Mountain Bird Observatory

## Statement of Cash Flows

(With Comparative Totals for 2009)

### Increase (Decrease) in Cash and Cash Equivalents

<i>Year Ended December 31,</i>	2010	2009
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 47,920	\$ (90,917)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	16,223	15,903
(Increase) decrease in operating assets:		
Contracts and grants receivable	(183,526)	36,188
Prepaid expenses and other assets	(20,310)	(1,484)
Increase (decrease) in operating liabilities:		
Accounts payable	3,392	(4,116)
Accrued payroll	40,235	(47,019)
Deferred revenue	(72,807)	118,594
Net cash (used in) provided by operating activities	(168,873)	27,149
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(37,451)	(2,148)
Purchase of certificate of deposit	(11,000)	-
Net cash used in investing activities	(48,451)	(2,148)
<b>Net (decrease) increase in cash and cash equivalents</b>	(217,324)	25,001
<b>Cash and cash equivalents, beginning of year</b>	<b>358,339</b>	<b>333,338</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 141,015</b>	<b>\$ 358,339</b>

*See accompanying summary of accounting policies and notes to financial statements.*

# Rocky Mountain Bird Observatory

## Summary of Significant Accounting Policies

### *General*

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

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

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

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

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

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

STEWARDSHIP - The goal of RMBO’s stewardship division is to build a coalition of landowners and resource professionals who are actively involved in the conservation of lands important to birds. Perhaps the best example of the stewardship division’s efforts is Prairie Partners. Prairie Partners’ outreach efforts include workshops, presentations, landowner visits, bird surveys, and the

# Rocky Mountain Bird Observatory

## Summary of Significant Accounting Policies

distribution of educational materials. The program has also expanded its efforts to helping private landowners find funding for, and implementing, on-the-ground habitat enhancement projects to benefit the conservation of birds and other at-risk wildlife species.

### *Comparative Financial Information*

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Accordingly, such information should be read in conjunction with RMBO’s audited financial statements for the year ended December 31, 2009, from which the summarized information was derived.

### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with GAAP, as promulgated in the Financial Accounting Standards Board (“FASB”) publication, *FASB Accounting Standards Codification*<sup>TM</sup> (“FASB Codification”).

### *Cash and Cash Equivalents*

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

### *Contracts and Grants Receivable*

Contracts and grants receivable consist primarily of amounts due from cost-reimbursable contracts and grants. As of December 31, 2010, management has determined no allowance for doubtful amounts was necessary.

### *Contributions and Promises to Give*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

# Rocky Mountain Bird Observatory

## Summary of Significant Accounting Policies

The allowance method is used to determine uncollectible amounts. The allowance is based upon historical experience, an assessment of current economic conditions, and an analysis of subsequent events. At December 31, 2010, management has determined no allowance for doubtful amounts was necessary.

### *Prepaid Expenses and Other Assets*

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

### *Property and Equipment*

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

RMBO leases its headquarters (the “Old Stone House”) located in Brighton, Colorado from Colorado State Parks on a rent-free basis over a 99-year term. In exchange, RMBO refurbished and maintains the property at no cost to Colorado State Parks during its occupation of the property. The property is unique and has no clear alternative purpose; therefore, the fair value of the property is not determinable. Accordingly, RMBO has not recorded the value of the use of the property located at 14500 Lark Bunting Lane in Brighton, Colorado in the accompanying financial statements.

### *Impairment of Long-Lived Assets*

RMBO reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statement of activities, to its current fair value. Management determined there were no indicators of asset impairment during the year ended December 31, 2010.

### *Deferred Revenue*

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

### *Unrestricted Net Assets*

Unrestricted net assets are available for use in general operations.

# Rocky Mountain Bird Observatory

## Summary of Significant Accounting Policies

### *Temporarily Restricted Net Assets*

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

RMBO reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### *Revenue Recognition*

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

Contributions are recognized when cash, other assets, or an unconditional promise to give are received.

During 2010, RMBO received a significant portion of its funding from three different sources, as follows:

U.S. Forest Service	20%
Colorado Division of Wildlife	15%
U.S. Fish and Wildlife Service	14%

### *Donated Services and Materials*

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

### *Expenses*

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

# Rocky Mountain Bird Observatory

## Summary of Significant Accounting Policies

### *Functional Allocation of Expenses*

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

### *Use of Estimates*

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

### *Financial Instruments and Credit Risk*

RMBO manages deposit concentration risk by placing its temporary cash accounts and money market accounts with various local, regional and national financial institutions. Amounts on deposit at any single financial institution are limited so as not to exceed Federal Deposit Insurance Corporation ("FDIC") and other insurance limits. Under a temporary program effective December 31, 2010 there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution.

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

### *Taxes and Tax Exempt Status*

RMBO is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from activities not directly related to RMBO's tax-exempt purpose is subject to taxation as unrelated business income. RMBO had no unrelated business income during the year ended December 31, 2010.

RMBO believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. RMBO is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2007.

# Rocky Mountain Bird Observatory

## Summary of Significant Accounting Policies

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### *Scientific and Cultural Facilities District*

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

# Rocky Mountain Bird Observatory

## Notes to Financial Statements

### 1. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at:

<i>December 31,</i>	2010
Restoration costs - the Old Stone House	\$ 495,368
Leasehold improvements	34,809
Furnishings and fixtures	26,003
Computers and software	62,487
	618,667
Less accumulated depreciation	(217,341)
	\$ 401,326

### 2. TEMPORARILY RESTRICTED NET ASSETS

In 2010, temporarily restricted net assets consisted of contributions restricted by donors for research projects related to special species of birds beyond the purview of other monitoring funds, and an amount restricted until a future time period (*See Note 6*). Net assets of \$1,101 were released from restrictions during the year ended December 31, 2010.

### 3. LEASES

RMBO leases certain office space and office equipment under various noncancelable leases that expire at various times through 2014. Future minimum lease payments at December 31, 2010 are as follows:

<i>Year Ending December 31,</i>	
2011	\$ 50,511
2012	5,396
2013	1,500
2014	750
Total	\$ 58,157

Total rent expense during the year ended December 31, 2010 was \$50,795.

# Rocky Mountain Bird Observatory

## Notes to Financial Statements

### 4. RETIREMENT PLAN

RMBO sponsors a Savings Incentive Match Plan (the “Plan”) covering all full-time employees. Under the Plan, RMBO is required to match employee voluntary salary reductions up to 3% of each employee’s gross compensation. During 2010, RMBO contributed \$24,957 to the plan.

### 5. GRANT AND INDIRECT COST ALLOCATIONS

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

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

### 6. LETTER OF CREDIT

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

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

# Rocky Mountain Bird Observatory

## Notes to Financial Statements

### 7. RISKS AND UNCERTAINTIES

RMBO receives 59.5% of its contract and grant revenue directly and indirectly from various agencies of the US Federal Government. These grants and contracts carry the risk of Federal Government shutdowns resulting in a temporary delay in expense reimbursements. RMBO's management is continually monitoring this situation and is prepared to enter into a line of credit or take other mitigating actions, as they deem necessary. However there can be no assurances that RMBO would be able to obtain credit at reasonably acceptable interest rates.

RMBO receives an additional 23% of its contract and grant revenue from various state government agencies. A risk associated with these grants and contracts as well as those from the US Federal Government relates to future budget cuts. RMBO's management is always working to bring additional partners to the table to help share the cost burden of completing projects. These partnerships will help ease the impact of future budget cuts.

### 8. SUBSEQUENT EVENTS

RMBO has evaluated subsequent events through May 13, 2011, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.