



Financial Statements  
December 31, 2014

# Rocky Mountain Bird Observatory

(With Comparative Totals for 2013)

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## **Independent Auditor's Report**

The Board of Directors  
Rocky Mountain Bird Observatory  
Brighton, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rocky Mountain Bird Observatory (RMBO), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain Bird Observatory as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited RMBO's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Eide Bailly LLP*

Golden, Colorado

May 5, 2015

Rocky Mountain Bird Observatory  
Statement of Financial Position  
December 31, 2014  
(with comparative totals for 2013)

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 95,251	\$ 131,414
Contracts and grants receivable	1,030,924	1,111,902
Prepaid expenses and other assets	22,759	16,387
Property and equipment, net	537,282	533,346
Total assets	\$ 1,686,216	\$ 1,793,049
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 333,335	\$ 329,203
Deferred revenue	103,170	74,919
Line of credit	-	145,000
Total liabilities	436,505	549,122
<b>Net Assets</b>		
Unrestricted		
Undesignated	703,105	708,401
Invested in property and equipment, net	537,282	533,346
	1,240,387	1,241,747
Temporarily restricted	9,324	2,180
Total net assets	1,249,711	1,243,927
Total liabilities and net assets	\$ 1,686,216	\$ 1,793,049

Rocky Mountain Bird Observatory  
Statement of Activities  
Year Ended December 31, 2014  
(with comparative totals for 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	
Revenue and Support				
Contracts and grants	\$ 3,404,079	\$ -	\$ 3,404,079	\$ 3,592,844
Scientific Cultural Facilities District	326,940	-	326,940	214,772
Contributions	377,837	56,380	434,217	194,512
Interest and other income	27,952	-	27,952	65,586
Net assets released from restrictions	49,236	(49,236)	-	-
Total revenue and support	<u>4,186,044</u>	<u>7,144</u>	<u>4,193,188</u>	<u>4,067,714</u>
Expenses				
Program services	3,496,517	-	3,496,517	3,367,516
Management and general	582,957	-	582,957	471,247
Fundraising and development	107,930	-	107,930	46,920
Total expenses	<u>4,187,404</u>	<u>-</u>	<u>4,187,404</u>	<u>3,885,683</u>
Change in Net Assets	(1,360)	7,144	5,784	182,031
Net Assets, Beginning of Year	<u>1,241,747</u>	<u>2,180</u>	<u>1,243,927</u>	<u>1,061,896</u>
Net Assets, End of Year	<u>\$ 1,240,387</u>	<u>\$ 9,324</u>	<u>\$ 1,249,711</u>	<u>\$ 1,243,927</u>

Rocky Mountain Bird Observatory  
Statement of Cash Flows  
Year Ended December 31, 2014  
(with comparative totals for 2013)

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 5,784	\$ 182,031
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	46,671	37,361
Changes in operating assets and liabilities		
Contracts and grants receivable	80,978	(390,932)
Prepaid expenses and other assets	(6,372)	17,781
Accounts payable and accrued expenses	4,132	75,801
Deferred revenue	28,251	(727)
	159,444	(78,685)
Net Cash from (used for) Operating Activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	(50,607)	(78,933)
	(50,607)	(78,933)
Cash Flows from Financing Activities		
Net borrowings (repayments) under line of credit	(145,000)	145,000
	(145,000)	145,000
Net Change in Cash and Cash Equivalents	(36,163)	(12,618)
Cash and Cash Equivalents, Beginning of Year	131,414	144,032
Cash and Cash Equivalents, End of Year	\$ 95,251	\$ 131,414

## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization**

Rocky Mountain Bird Observatory (RMBO) is a nonprofit organization established in 1988 to conserve birds and their habitats. RMBO works throughout the western United States and Mexico to accomplish its mission through science, education, and stewardship programs designed to increase the public's understanding of birds – how they interact with humans, what habitats they use, and what factors threaten their survival.

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

#### *Science*

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

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

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

#### *Education*

RMBO instills an appreciation for birds by providing active, experiential opportunities to learn about birds. Every year, RMBO education programs introduce more than 28,000 students of all ages to the incredible birds of our region. RMBO's programs include classroom experiences, field excursions, and camps. These experiences help move students down a path from awareness to understanding to appreciation of birds; the ultimate goal is to guide students to a point at which they are committed to bird conservation.

#### *Stewardship*

The goal of RMBO's stewardship division is to build a coalition of landowners and resource professionals who are actively involved in the conservation of lands important to birds. Perhaps the best example of the stewardship division's efforts is Prairie Partners. Prairie Partners' outreach efforts include workshops, presentations, landowner visits, bird surveys, and the distribution of educational materials. The program has also expanded its efforts to helping private landowners find funding for, and implementing, on-the-ground habitat enhancement projects to benefit the conservation of birds and other at-risk wildlife species.



### **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, 2013, from which the summarized information was derived.

### **Cash and Cash Equivalents**

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

### **Receivables and Credit Policies**

Contracts and grants receivable consist primarily of noninterest-bearing amounts due from cost-reimbursable contracts and grants. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contracts and grants receivable are written off when deemed uncollectable. At December 31, 2014, management has determined no allowance for doubtful amounts was necessary. Approximately 33% of outstanding contracts and grants receivable were due from three grantors.

In addition, RMBO receives 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 2004, the voters of the Seven-County Denver, Colorado metropolitan area extended the expiration date of the special tax district through June 30, 2018. At December 31, 2014, \$77,277 of total contracts and grants receivable was due from SCFD, representing a grant awarded but not yet distributed. Management anticipates full collection of the outstanding amount; therefore no allowance was recorded at December 31, 2014.

### **Property and Equipment**

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation 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 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.

RMBO leases its headquarters (the Old Stone House) located in Brighton, Colorado from Colorado Parks and Wildlife on a rent-free basis over a 99-year term. In exchange, RMBO refurbished and agreed to maintain the property at no cost to Colorado Parks and Wildlife during its occupation of the property. The condition of the property at the commencement of the lease was such that the fair value was considered to be zero. Accordingly, RMBO did not record any value for the use of the property.

RMBO reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2014.

### **Net Assets**

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

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

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

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

*Permanently Restricted Net Assets* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of RMBO. The restrictions stipulate that resources be maintained permanently but permit RMBO to expend the income generated in accordance with the provisions of the agreements. RMBO had no permanently restricted net assets as of December 31, 2014.

### **Revenue and Revenue Recognition**

A substantial percentage of RMBO's revenue is derived from cost-reimbursable contracts and grants. Amounts received are deemed to be earned and are reported as revenue when RMBO has incurred expenditures in compliance with specific contract or grant provisions. Amounts received but not yet earned are reported as deferred revenue. Claims for reimbursement filed by RMBO are subject to audit and possible retroactive adjustment or disallowance. To date, no claims for reimbursement have been adjusted or disallowed, and management does not anticipate this happening in the future. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

During 2014, RMBO received significant portions of its revenue from the following:

U.S. Fish and Wildlife Service	12%
Colorado Parks and Wildlife	14%
U.S. Forest Service	19%

### **Grant and Indirect Cost Allocations**

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

### **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to RMBO's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. RMBO records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended December 31, 2014.

### **Functional Allocation of Expenses**

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

### **Income Taxes**

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

RMBO believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entity would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. RMBO's Form 990, 990-T, and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to examination for years before 2011.

### **Estimates**

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

### **Financial Instruments and Credit Risk**

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

### Subsequent Events

RMBO has evaluated subsequent events through May 5, 2015, the date the financial statements were available to be issued.

### Note 2 - Property and Equipment

Property and equipment consists of the following at December 31, 2014:

Restoration costs - the Old Stone House	\$ 523,664
Building and improvements	176,052
Furnishings and fixtures	23,880
Computers and software	39,653
Vehicles	24,250
	787,499
Less accumulated depreciation and amortization	(282,349)
	32,132
Construction-in-progress	32,132
	\$ 537,282

### Note 3 - Line of Credit

RMBO has a \$200,000 revolving line of credit with a bank, secured by all accounts receivable. Borrowings under the agreement bear interest at the Wall Street Journal Prime Rate plus 1.5%, or a floor of 5.00% (5.00% at December 31, 2014). Accrued interest and principal are due February 15, 2016. The agreement requires RMBO to comply with certain financial and non-financial covenants.

### Note 4 - Leases

RMBO leases office space and equipment under non-cancelable operating leases expiring through 2018. Future minimum lease payments are as follows:

Year Ending December 31,	
2015	\$ 52,950
2016	7,163
2017	3,000
2018	3,000
	\$ 66,113

Rent expense for the year ended December 31, 2014 totaled \$52,374.

**Note 5 - Restricted Net Assets**

Temporarily restricted net assets at December 31, 2014 consist of funds restricted by donors for Black Swift research in the amount of \$9,324.

Net assets were released from restrictions as follows during the year ended December 31, 2014:

Satisfaction of purpose restrictions	
Education and outreach	\$ 35,490
Memorial fund - Black Swift research	4,116
Events	6,100
Publications and other	3,530
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	\$ 49,236
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**Note 6 - Employee Benefits**

RMBO sponsors an IRA 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 2014, RMBO contributed \$49,951 to the Plan.