



Financial Statements  
December 31, 2016

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

(With Comparative Totals for 2015)

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Financial Statements

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Rocky Mountain Bird Observatory d/b/a Bird Conservancy of the Rockies, which comprise the statement of financial position as of December 31, 2016, 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 d/b/a Bird Conservancy of the Rockies as of December 31, 2016, 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' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Eide Bailly LLP*

Denver, Colorado  
May 17, 2017

Bird Conservancy of the Rockies  
Statement of Financial Position  
December 31, 2016  
(with comparative totals for 2015)

	2016	2015
Assets		
Cash and cash equivalents	\$ 409,630	\$ 406,394
Contracts and grants receivable	487,929	774,764
Receivable from Scientific Cultural Facilities District	88,673	71,938
Prepaid expenses and other assets	39,518	19,821
Property and equipment, net	536,696	514,101
Total assets	\$ 1,562,446	\$ 1,787,018
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 228,957	\$ 344,108
Deferred revenue	39,709	64,235
Total liabilities	268,666	408,343
Net Assets		
Unrestricted		
Undesignated	541,031	687,581
Invested in property and equipment, net	536,696	514,101
	1,077,727	1,201,682
Temporarily restricted	216,053	176,993
Total net assets	1,293,780	1,378,675
Total liabilities and net assets	\$ 1,562,446	\$ 1,787,018

Bird Conservancy of the Rockies  
Statement of Activities  
Year Ended December 31, 2016  
(with comparative totals for 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
Revenue and Support				
Contracts and grants	\$ 4,094,170	\$ -	\$ 4,094,170	\$ 4,042,752
Scientific Cultural Facilities District	326,577	-	326,577	269,106
Contributions	274,617	179,667	454,284	580,319
Gross special event revenue	86,796	-	86,796	47,788
Less cost of direct benefits to donors	(25,300)	-	(25,300)	(9,849)
Net special event revenue	61,496	-	61,496	37,939
Interest and other income	61,611	-	61,611	41,745
Net assets released from restrictions	140,607	(140,607)	-	-
Total revenue and support	<u>4,959,078</u>	<u>39,060</u>	<u>4,998,138</u>	<u>4,971,861</u>
Expenses				
Program services	4,186,858	-	4,186,858	4,176,066
Management and general	772,069	-	772,069	639,353
Fundraising and development	124,106	-	124,106	27,478
Total expenses	<u>5,083,033</u>	<u>-</u>	<u>5,083,033</u>	<u>4,842,897</u>
Change in Net Assets	(123,955)	39,060	(84,895)	128,964
Net Assets, Beginning of Year	<u>1,201,682</u>	<u>176,993</u>	<u>1,378,675</u>	<u>1,249,711</u>
Net Assets, End of Year	<u>\$ 1,077,727</u>	<u>\$ 216,053</u>	<u>\$ 1,293,780</u>	<u>\$ 1,378,675</u>

Bird Conservancy of the Rockies  
Statement of Cash Flows  
Year Ended December 31, 2016  
(with comparative totals for 2015)

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (84,895)	\$ 128,964
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	68,092	53,131
Changes in operating assets and liabilities		
Contracts and grants receivable	286,835	189,561
Receivable from Scientific Cultural Facilities District	(16,735)	(5,339)
Prepaid expenses and other assets	(19,697)	2,938
Accounts payable and accrued expenses	(115,151)	10,773
Deferred revenue	(24,526)	(38,935)
Net Cash from Operating Activities	93,923	341,093
Cash Flows used for Investing Activities		
Purchases of property and equipment	(90,687)	(29,950)
Net Change in Cash and Cash Equivalents	3,236	311,143
Cash and Cash Equivalents, Beginning of Year	406,394	95,251
Cash and Cash Equivalents, End of Year	\$ 409,630	\$ 406,394

## **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 areas:

#### *Science*

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

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

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

#### *Education*

We instill an appreciation for birds by providing active, experiential opportunities to learn about birds. Every year, our education programs introduce approximately 30,000 citizens of all ages to the incredible birds of our region. Our programs include classroom experiences, field excursions, and camps. These experiences help move students down a path from awareness to understanding to appreciation of birds; the ultimate goal is to guide students to a point at which they are committed to bird conservation.

#### *Stewardship*

The goal of our stewardship division is to build a coalition of landowners and resource professionals who are actively involved in the conservation of lands important to birds. Examples of our stewardship efforts include workshops, presentations, landowner visits, bird surveys, and the distribution of educational materials. The program has also expanded its efforts to helping private landowners find funding for, and implementing, on-the-ground habitat enhancement projects to benefit the conservation of birds and other at-risk wildlife species. Annually we enhance thousands of acres of habitat in the United States and Mexico for the benefit of people, birds and land.



### **Cash and Cash Equivalents**

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

### **Receivables and Credit Policies**

Contracts and grants receivable consist primarily of noninterest-bearing amounts due from cost-reimbursable contracts and grants. We determine the allowance for uncollectable contracts and grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contracts and grants receivable are written off when deemed uncollectable. At December 31, 2016 and 2015, we have determined no allowance for doubtful amounts was necessary. Approximately 25% of outstanding contracts and grants receivable were due from two grantors at December 31, 2016. Approximately 57% of outstanding contracts and grants receivable were due from three grantors at December 31, 2015.

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, 2016 and 2015, \$88,673 and \$71,938, respectively, was due from SCFD representing amounts due but not yet distributed. We anticipate full collection of the outstanding amount; therefore no allowance was recorded at December 31, 2016 and 2015.

### **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, 2016 and 2015.

## 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 our expenditures or actions and/or the passage of time.

We report 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 our actions. We had no permanently restricted net assets as of December 31, 2016 and 2015.

## Revenue and Revenue Recognition

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

During 2016 and 2015, we received significant portions of our contracts and grants revenue from the following:

	2016	2015
U.S. Forest Service	17%	19%
National Fish and Wildlife Foundation	8%	16%
U.S. Fish and Wildlife Service	13%	15%
Colorado Parks and Wildlife	10%	13%

## 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 1,096 volunteer hours valued at approximately \$28,463 were provided to the Organization. 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. We received \$84,000 of donated leadership development services during the year ended December 31, 2015. No significant contributions of such goods or services were received in 2016.

### **Functional Allocation of Expenses**

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

### **Income Taxes**

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

### **Estimates**

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

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

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

**Reclassifications**

Receivable from SCFD in the amount of \$71,938 was reclassified from contracts and grants receivable previously reported in the accompanying statement of financial position to provide a better articulation among the statements of financial position, activities, and cash flows. Gross special event revenue of \$47,788 and related cost of direct benefits to donors in the amount of \$9,849 were reclassified from contributions and fundraising and development expenses, respectively, previously reported in the accompanying statement of activities due to the increase in special event revenue, which rose in the current year to a level that we consider requires separate reporting. The reclassifications were made to maintain consistency between periods presented and had no impact on previously reported net assets.

**Subsequent Events**

We have evaluated subsequent events through May 17, 2017, 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, 2016 and 2015:

	2016	2015
Restoration costs - the Old Stone House	\$ 523,664	\$ 523,664
Building and improvements	208,184	208,184
Furnishings and fixtures	22,198	24,648
Computers and software	147,552	55,152
Vehicles	34,283	24,250
	935,881	835,898
Less accumulated depreciation and amortization	(399,185)	(335,479)
Work in process	-	13,682
	\$ 536,696	\$ 514,101

**Note 3 - Line of Credit**

We have a \$500,000 revolving line of credit with a bank, secured by accounts receivable. Borrowings under the agreement bear interest at the Wall Street Journal Prime Rate plus 1.5%, or a floor of 5.00% (5.00% at December 31, 2016 and 2015). Accrued interest and principal are due June 15, 2017. The agreement requires us to comply with certain financial and non-financial covenants. There was no balance outstanding at December 31, 2016 and 2015 under the line.

**Note 4 - Leases**

We lease office space and equipment under non-cancelable operating leases expiring through 2020. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 62,676
2018	5,019
2019	5,019
2020	3,346
	<u>\$ 76,060</u>

Rent expense for the years ended December 31, 2016 and 2015 totaled \$76,282 and \$69,112, respectively.

**Note 5 - Restricted Net Assets**

Temporarily restricted net assets at December 31, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Research and monitoring for the following species:		
Bald Eagle	\$ 37,720	\$ 100,000
Mountain Plover	6,233	10,075
Bluebird	2,494	1,900
Black Swift	16,854	-
Monitoring and stewardship in Chihuahua	125,000	60,000
Conservation and restoration in Cache La Poudre river basin	2,892	5,018
Education and outreach	24,860	-
	<u>\$ 216,053</u>	<u>\$ 176,993</u>

Net assets were released from restrictions as follows during the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Research and monitoring for the following species:		
Bald Eagle	\$ 62,280	\$ -
Mountain Plover	4,712	1,165
Bluebird	1,018	91
Black Swift	5,714	15,591
Monitoring and stewardship in Chihuahua	60,000	-
Conservation and restoration in Cache La Poudre river basin	3,209	-
Education and outreach	3,674	4,374
Publications and other	-	5,500
	<u>\$ 140,607</u>	<u>\$ 26,721</u>

**Note 6 - 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, 2016 and 2015, we contributed \$59,590 and \$49,958 to the Plan, respectively.