



Financial Statements  
December 31, 2019

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

(With Comparative Totals for 2018)

Bird Conservancy of the Rockies  
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December 31, 2019  
(with comparative totals for 2018)

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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, 2019, 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. 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, 2019, 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' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Denver, Colorado  
May 20, 2020

Bird Conservancy of the Rockies  
Statement of Financial Position  
December 31, 2019  
(with comparative totals for 2018)

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 584,353	\$ 441,085
Contracts and grants receivable	463,822	550,920
Receivable from Scientific and Cultural Facilities District	117,541	117,448
Prepaid expenses and other assets	42,332	41,482
Property and equipment, net	419,653	491,076
Beneficial interest in assets held by community foundation	77,979	12,450
Cash held for transfer to community foundation	43,000	19,850
Total assets	\$ 1,748,680	\$ 1,674,311
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 269,948	\$ 229,828
Refundable advances	28,005	1,136
Deferred revenue	7,305	1,000
Total liabilities	305,258	231,964
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	536,915	680,748
Invested in property and equipment, net	419,653	491,076
	956,568	1,171,824
With donor restrictions	486,854	270,523
Total net assets	1,443,422	1,442,347
Total liabilities and net assets	\$ 1,748,680	\$ 1,674,311

# Bird Conservancy of the Rockies

Statement of Activities

Year Ended December 31, 2019

(with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Contracts and grants	\$ 4,033,434	\$ -	\$ 4,033,434	\$ 4,252,692
Scientific and Cultural Facilities District	401,413	-	401,413	392,001
Educational program revenue	67,469	-	67,469	42,140
Contributions	234,364	512,008	746,372	444,084
Gross special event revenue	97,280	-	97,280	117,733
Less cost of direct benefits to donors	(20,652)	-	(20,652)	(27,769)
Net special event revenue	76,628	-	76,628	89,964
Interest and other income	10,071	-	10,071	6,097
Change in value of beneficial interest in assets held by community foundation	-	3,289	3,289	(186)
Net assets released from restrictions	298,966	(298,966)	-	-
Total revenue and support	<u>5,122,345</u>	<u>216,331</u>	<u>5,338,676</u>	<u>5,226,792</u>
Expenses and Losses				
Program services	4,472,808	-	4,472,808	4,336,185
Management and general	729,919	-	729,919	678,454
Fundraising and development	134,874	-	134,874	132,110
Total expenses	<u>5,337,601</u>	<u>-</u>	<u>5,337,601</u>	<u>5,146,749</u>
Loss on disposal of equipment	-	-	-	(5,789)
Total expenses and losses	<u>5,337,601</u>	<u>-</u>	<u>5,337,601</u>	<u>5,152,538</u>
Change in Net Assets	(215,256)	216,331	1,075	74,254
Net Assets, Beginning of Year	1,171,824	270,523	1,442,347	1,368,093
Net Assets, End of Year	<u>\$ 956,568</u>	<u>\$ 486,854</u>	<u>\$ 1,443,422</u>	<u>\$ 1,442,347</u>

Bird Conservancy of the Rockies

Statement of Functional Expenses

Year Ended December 31, 2019

(with comparative totals for 2018)

	Program Services	Management and General	Fundraising and Development	Cost of Goods Sold	2019 Total	2018 Total
Personnel costs						
Salaries	\$ 2,584,063	\$ 517,465	\$ 90,429	\$ -	\$ 3,191,957	\$ 3,084,563
Staff benefits and taxes	533,613	106,857	18,674	-	659,144	565,746
Total personnel costs	<u>3,117,676</u>	<u>624,322</u>	<u>109,103</u>	<u>-</u>	<u>3,851,101</u>	<u>3,650,309</u>
Expenses						
Professional services	622,809	22,398	3,848	-	649,055	628,571
Travel and meals	409,391	3,062	10,544	-	422,997	400,105
Occupancy and repairs	78,519	21,040	842	-	100,401	102,383
Supplies	73,463	23,816	1,008	-	98,287	139,242
Depreciation and amortization	55,561	18,770	751	-	75,082	79,404
Information technology	45,987	7,468	4,496	-	57,951	63,957
Meetings and dues	38,032	4,254	1,296	-	43,582	47,392
Bank and insurance	31,370	4,789	2,986	-	39,145	35,386
Cost of direct benefits to donors	-	-	-	20,652	20,652	27,769
Total expenses	<u>1,355,132</u>	<u>105,597</u>	<u>25,771</u>	<u>20,652</u>	<u>1,507,152</u>	<u>1,524,209</u>
Total personnel costs and expenses	4,472,808	729,919	134,874	20,652	5,358,253	5,174,518
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors	-	-	-	(20,652)	(20,652)	(27,769)
Total expenses included in the expense section on the statement of activities	<u>\$ 4,472,808</u>	<u>\$ 729,919</u>	<u>\$ 134,874</u>	<u>\$ -</u>	<u>\$ 5,337,601</u>	<u>\$ 5,146,749</u>

## Bird Conservancy of the Rockies

### Statement of Cash Flows

Year Ended December 31, 2019

(with comparative totals for 2018)

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 1,075	\$ 74,254
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	75,082	79,404
Loss on disposal of equipment	-	5,789
Contributions restricted to endowment held at community foundation	(85,390)	(32,486)
Change in value of beneficial interest in assets held by community foundation	(3,289)	186
Changes in operating assets and liabilities		
Contracts and grants receivable	87,098	(180,076)
Receivable from Scientific and Cultural Facilities District	(93)	(28,373)
Prepaid expenses and other assets	(850)	21,318
Accounts payable and accrued expenses	40,120	25,716
Refundable advances	26,869	(56,192)
Deferred revenue	6,305	1,000
Net Cash from (used for) Operating Activities	146,927	(89,460)
Cash Flows used for Investing Activities		
Purchases of property and equipment	(3,659)	(29,675)
Transfer of endowment assets to community foundation	(62,240)	(12,636)
Net Cash used for Investing Activities	(65,899)	(42,311)
Cash Flows from Financing Activities		
Collections of contributions restricted for endowment held by community foundation	85,390	32,486
Net Cash from Financing Activities	85,390	32,486
Net Change in Cash, Cash Equivalents, and Restricted Cash	166,418	(99,285)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	460,935	560,220
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 627,353	\$ 460,935
Cash and cash equivalents	\$ 584,353	\$ 441,085
Cash held for transfer to community foundation	43,000	19,850
	\$ 627,353	\$ 460,935
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 1,944	\$ 3,264



## **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. Every year, our education programs introduce over 44,000 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.

### **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, 2018, from which the summarized information was derived.

### **Adoption of FASB Accounting Standards Updates**

As of January 1, 2019, FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. We have implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

As of January 1, 2019, FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists us in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

### **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, 2019 and 2018, which totaled \$43,000 and \$19,850, 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, 2019 and 2018, we determined no allowance for doubtful amounts was necessary. Approximately 48% of outstanding contracts and grants receivable were due from three grantors at December 31, 2019. Approximately 47% of outstanding contracts and grants receivable were due from four grantors at December 31, 2018.

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, 2019 and 2018, \$117,541 and \$117,448, respectively, was due from SCFD representing amounts due but not yet distributed, which was 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, 2019 and 2018.

### **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 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 \$3,884,135 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred, with advance payments of \$28,005 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.

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. We record special events revenue equal to the cost of direct benefits to donors and contribution income for the difference.

During 2019 and 2018, we received significant portions of our contracts and grants revenue from the following:

	2019	2018
U.S. Forest Service	14%	18%
Colorado Parks and Wildlife	11%	11%
National Fish and Wildlife Foundation	14%	11%
U.S. Fish and Wildlife Service	10%	9%

Members of our Board of Directors contributed \$148,619 and \$55,614 during the years ended December 31, 2019 and 2018, 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 9,027 and 6,623 volunteer hours valued at approximately \$253,000 and \$178,000 were provided to us during the years ended December 31, 2019 and 2018 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 2019 and 2018.

#### **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.

### **Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported fund balances.

### **Subsequent Events**

Subsequent to year end, we applied for and were granted a \$652,000 loan under the Paycheck Protection Program administered by Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loan. We are eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. We intend to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will ultimately be forgiven.

We have evaluated subsequent events through May 20, 2020, 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:

	2019	2018
Cash and cash equivalents	\$ 584,353	\$ 441,085
Contracts and grants receivable	463,822	550,920
Receivable from Scientific and Cultural Facilities District	117,541	117,448
	<u>\$ 1,165,716</u>	<u>\$ 1,109,453</u>

Our Cash and cash equivalents at December 31, 2019 include donor-restricted funds of \$365,875 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. The bank has indicated its intention to renew the line of credit barring unforeseen significant changes in our operations.

**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 measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2019 and 2018:

	2019	2018
Beginning balance	\$ 12,450	\$ -
Transfer of endowment assets to the Foundation	62,240	12,636
Net investment gain (loss)	3,289	(186)
Ending balance	<u>\$ 77,979</u>	<u>\$ 12,450</u>

At December 31, 2019 and 2018, cash held for transfer to community foundation of \$43,000 and \$19,850, 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, 2019 and 2018:

	2019	2018
Restoration costs - the Old Stone House	\$ 523,664	\$ 523,664
Building and improvements	209,769	209,769
Furnishings and fixtures	38,567	38,567
Computers and software	206,297	214,260
Vehicles	25,467	25,467
	<u>1,003,764</u>	<u>1,011,727</u>
Less accumulated depreciation and amortization	(584,111)	(520,651)
	<u>\$ 419,653</u>	<u>\$ 491,076</u>

#### Note 5 - 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% (6.00% and 7.00% at December 31, 2019 and 2018, respectively). Accrued interest and principal are due June 13, 2020. The agreement requires us to comply with certain financial and non-financial covenants. There was no balance outstanding at December 31, 2019 and 2018 under the line.



**Note 6 - Leases**

We lease office space under a noncancelable operating lease expiring in January 2021. We also lease various equipment items through 2023. Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2020	67,395
2021	6,580
2022	6,580
2023	4,387
	<u>\$ 84,942</u>

Rent expense for the years ended December 31, 2019 and 2018 totaled \$75,310 and \$72,976, respectively.

**Note 7 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Science programs	\$ 180,785	\$ 170,291
Stewardship programs	32,311	37,606
Educational programs	10,862	23,076
Grassland Summit	134,667	-
Old Stone House	7,250	7,250
	<u>365,875</u>	<u>238,223</u>
Birds Forever Endowment – perpetual in nature, distributions from which are available for general use		
Beneficial interest in assets held by community foundation	77,979	12,450
Cash held for transfer to community foundation	43,000	19,850
	<u>120,979</u>	<u>32,300</u>
	<u>\$ 486,854</u>	<u>\$ 270,523</u>

Net assets released from restrictions by incurring expenses satisfying the restricted purposes totaled \$298,966 and \$322,100 for the years ended December 31, 2019 and 2018, respectively.

**Note 8 - 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, 2019 and 2018, we contributed \$68,904 and \$69,587 to the Plan, respectively. Subsequent to year-end the plan was changed to a 403(b) plan.