

**AMERICAN BIRDING ASSOCIATION, INC.**

**Financial Statements**

**For the Year Ended December 31, 2018**

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### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
American Birding Association, Inc.  
Colorado Springs, Colorado

We have reviewed the accompanying financial statements of American Birding Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Association's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

#### **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 financial statements that are free from material misstatement, whether due to fraud or error.

#### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

#### **Accountant's Conclusion on the Financial Statements**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Report on 2017 Financial Statements**

The 2017 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated June 22, 2018. We have not performed any auditing procedures since that date.

### **Emphasis of Matters**

As described in Note A to the financial statements, in 2018, American Birding Association, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming that the Association will continue as a going concern. As discussed in Note I to the financial statements, in prior years, the Association had suffered net losses and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note I. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado  
November 8, 2019

AMERICAN BIRDING ASSOCIATION, INC.  
 Statement of Financial Position  
 December 31, 2018  
 (With Comparative Amounts for 2017)  
 (See Independent Accountant's Review Report)

	(Reviewed)	(Audited)
	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 115,120	\$ 146,032
Accounts receivable, net	28,734	70,592
Contributions receivable		7,972
Prepaid expenses	25,135	28,473
Inventory	<u>50,150</u>	<u>47,430</u>
Total current assets	219,139	300,499
LONG TERM INVESTMENTS	9,600	
PROPERTY AND EQUIPMENT, net	<u>18,063</u>	<u>23,944</u>
<b>TOTAL ASSETS</b>	<b>\$ 246,802</b>	<b>\$ 324,443</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 153,783	\$ 156,257
Current portion of deferred revenue	<u>281,081</u>	<u>334,855</u>
Total current liabilities	434,864	491,112
LONG TERM LIABILITIES:		
Long term portion of deferred revenue	<u>39,087</u>	<u>43,339</u>
<b>TOTAL LIABILITIES</b>	<b>473,951</b>	<b>534,451</b>
<b>NET ASSETS:</b>		
Net assets without donor restrictions	(244,434)	(239,793)
Net assets with donor restrictions	<u>17,285</u>	<u>29,785</u>
Total net assets	<u>(227,149)</u>	<u>(210,008)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 246,802</b>	<b>\$ 324,443</b>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.  
 Statement of Activities and Changes in Net Assets  
 For the Year Ended December 31, 2018  
 (With Comparative Totals for 2017)  
 (See Independent Accountant's Review Report)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restricted	(Reviewed) 2018 Totals	(Audited) 2017 Totals
<b>REVENUE:</b>				
Conferences and meetings	\$ 359,943	\$	\$ 359,943	\$ 209,844
Membership contributions	278,058		278,058	274,894
Advertising	269,505		269,505	297,412
Membership dues	225,510		225,510	233,859
Other contributions, grants and contracts	164,631		164,631	191,789
Publications production	72,716		72,716	96,462
Endorsements and royalties	37,081		37,081	20,961
Other income	29,135		29,135	21,968
In-kind donation	9,600		9,600	
Satisfied program restrictions	<u>12,500</u>	<u>(12,500)</u>	<u></u>	<u></u>
Total revenue	1,458,679	(12,500)	1,446,179	1,347,189
<b>EXPENSES:</b>				
Program services:				
Conservation and community	703,125		703,125	660,280
Member services	<u>522,844</u>	<u></u>	<u>522,844</u>	<u>524,083</u>
Total program services	1,225,969		1,225,969	1,184,363
Supporting services:				
General and administrative	216,554		216,554	200,343
Membership development and fundraising	<u>20,797</u>	<u></u>	<u>20,797</u>	<u>19,771</u>
Total supporting services	<u>237,351</u>	<u></u>	<u>237,351</u>	<u>220,114</u>
Total expenses	<u>1,463,320</u>	<u></u>	<u>1,463,320</u>	<u>1,404,477</u>
CHANGE IN NET ASSETS	(4,641)	(12,500)	(17,141)	(57,288)
NET ASSETS, beginning of year	(239,793)	<u>29,785</u>	<u>(210,008)</u>	<u>(152,720)</u>
NET ASSETS, end of year	<u>\$ (244,434)</u>	<u>\$ 17,285</u>	<u>\$ (227,149)</u>	<u>\$ (210,008)</u>

See Notes to Financial Statements

**AMERICAN BIRDING ASSOCIATION, INC.**

**Statement of Functional Expenses**

For the Year Ended December 31, 2018

(With Comparative Totals for 2017)

(See Independent Accountant's Review Report)

	Program Services			Supporting Services			(Reviewed) 2018 Totals	(Audited) 2017 Totals
	Conservation and Community	Member Services	Total Program Services	General and Administrative	Development & Fundraising			
Salaries and wages	\$ 171,288	\$ 173,742	\$ 345,030	\$ 57,031	\$ 11,146	\$ 413,207	\$ 434,887	
Printing and mailing	70,660	160,154	230,814		4,366	235,180	239,981	
Conferences and meetings	224,206	75	224,281			224,281	144,602	
Professional fees	101,471	78,258	179,729	15,952	371	196,052	177,982	
Publications production	29,679	40,519	70,198			70,198	51,247	
Occupancy		910	910	68,408		69,318	78,265	
Travel	39,974	2,299	42,273	10,253		52,526	48,624	
Payroll taxes	15,506	13,579	29,085	4,282	775	34,142	35,956	
Employee benefits	17,509	7,238	24,747	5,464	1,749	31,960	37,351	
Repairs and maintenance		9,613	9,613	14,100		23,713	18,321	
Supplies	18,414	4,263	22,677	847		23,524	23,074	
Bank charges		18,690	18,690	2,807		21,497	22,463	
Telephone		1,170	1,170	12,988		14,158	14,715	
Equipment rental		10,797	10,797	741		11,538	12,603	
Cost of sales	11,167		11,167			11,167	12,963	
Insurance				10,665		10,665	5,269	
Depreciation				8,327		8,327	1,739	
Miscellaneous	332		332	4,405		4,737	32,947	
Marketing and promotion	48	1,537	1,585		2,390	3,975	5,978	
Contributions	1,750		1,750			1,750	3,058	
Awards and grants	1,121		1,121	284		1,405	2,452	
	<u>\$ 703,125</u>	<u>\$ 522,844</u>	<u>\$ 1,225,969</u>	<u>\$ 216,554</u>	<u>\$ 20,797</u>	<u>\$ 1,463,320</u>	<u>\$ 1,404,477</u>	

AMERICAN BIRDING ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2018

(With Comparative Amounts for 2017)

(See Independent Accountant's Review Report)

	(Reviewed) <u>2018</u>	(Audited) <u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (17,141)	\$ (57,288)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,327	1,739
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable, net	41,858	33,811
Contributions receivable	7,972	27,028
Prepaid expenses	3,338	976
Inventory	(2,720)	5,159
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(2,474)	82,887
Deferred revenue	<u>(58,026)</u>	<u>8,297</u>
Total adjustments	<u>(1,725)</u>	<u>159,897</u>
Net cash provided (used) by operating activities	(18,866)	102,609
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Donation of investments	(9,600)	
Acquisition of property and equipment	<u>(2,446)</u>	<u>(23,064)</u>
Net cash used by investing activities	<u>(12,046)</u>	<u>(23,064)</u>
NET INCREASE (DECREASE) IN CASH	(30,912)	79,545
CASH AND CASH EQUIVALENTS, beginning of year	<u>146,032</u>	<u>66,487</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 115,120</u>	<u>\$ 146,032</u>

AMERICAN BIRDING ASSOCIATION, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2018  
(See Independent Accountant's Review Report)

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

American Birding Association, Inc. (the Association) is a not-for-profit corporation, organized under the laws of the State of Texas that works to grow and strengthen the birding community and to increase support for enhanced birding opportunities and habitat conservation. The Association provides leadership to field birders, increasing their knowledge, skills and enjoyment of birding, promoting adoption of the ABA Code of Birding Ethics, and by contributions to bird conservation. The Association supports the interests of birders of all ages and experience. They promote field birding skills through meetings, workshops, publications, equipment and guided involvement in birding; develop and disseminate information about birds, birders and birding; and promote national and international birder networks. The Association actively encourages the conservation of birds and their habitats. The majority of the Association's revenues are derived from membership dues, other charitable contributions, and publication revenues. The Association's members are located in every state, province and territory in the United States and Canada, as well as throughout North America and numerous countries worldwide.

Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of its financial statements, accordingly, applying the changes retrospectively to the comparative period presented except for the presentation of prior year expenses according to their natural classification which is allowable under transition guidance for ASU 2016-14. The new standards change the following aspects of the Association's financial statements:

Notes to Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Standards Update - continued

- The temporarily restricted and permanently restricted net asset classes, if any existed, have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements now include a presentation of expenses that describes both the functional nature of the expenses and their natural classification according to the actual usage of resources.
- The financial statements include a new disclosure about liquidity and availability of resources (Note B).

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ (239,793)	\$ 29,785
Temporarily restricted net assets		
Net assets without donor restrictions		(239,793)
Net assets with donor restrictions		29,785
Total net assets	<u>\$ (210,008)</u>	<u>\$ (210,008)</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Membership Revenue

During 2012, the Association restructured membership dues, allowing a portion of the dues collected to qualify for tax deductible charitable contributions. The Association began reporting the deductible contribution portion separately from the non-deductible dues on its financial statements, with

## Notes to Financial Statements

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Membership Revenue - continued

the contributions recorded as revenue upon receipt, and the non-deductible dues deferred and recognized as revenue over the corresponding period of membership.

#### Contributions

Contributions are recorded when received as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfied program restrictions.

#### Donated Items & Services

The Association at times may receive donated items or securities. These items are valued at the estimated fair value and are recorded as in-kind donations and in-kind expense or asset, as appropriate, in the Association's financial statements.

#### Cash and Cash Equivalents

The Association considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, cash and cash equivalents consisted of the Association's checking and petty cash accounts.

#### Supplemental Cash Flow Disclosures

Cash flows from operating activities did not include any amounts paid for interest or income tax expense during the years ended December 31, 2018 and 2017.

#### Receivables

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. As of December 31, 2018 and 2017, receivables were recorded net of an allowance for doubtful accounts of \$20,000 and \$20,000 respectively.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

Inventory consists of various publications and apparel for sale to both members and non-members. Inventory is valued at the lower of first-in, first-out cost or net realizable value.

Property and Equipment

Property and equipment are recorded at cost when purchased or fair value at date of gift. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives. Depreciation is recorded using the straight-line method over estimated useful lives as follows:

Computer equipment and software	3 years
Leasehold improvements	5-10 years
Office equipment	3-5 years

Depreciation expense for the years ended December 31, 2018 and 2017 was \$8,327 and \$1,739, respectively. The Association capitalizes property and equipment with an initial cost in excess of \$1,000.

Income Taxes

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. Accordingly, no income tax provision has been recorded.

The Association's forms 990, Return of Organization Exempt from Income Tax, are subject to examination by various taxing authorities, generally for three years after the date they were filed. Management of the Association believes that it does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prior-Year Comparisons

The 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. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 8, 2019, the date that the financial statements were available to be issued.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to one or more program or supporting services of the Association. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include grants which are allocated fully to the related programs, as well as salaries and benefits, professional fees, rent, insurance, and other operating expenses, which are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services.

B. AVAILABLE RESOURCES AND LIQUIDITY

The following table reflects the Association's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of December 31, 2018 and 2017 because of contractual restrictions or internal board designations. Amounts not available include net assets with donor restrictions.

Notes to Financial Statements

B. AVAILABLE RESOURCES AND LIQUIDITY - Continued

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 115,120	\$ 146,032
Accounts receivable, net	28,734	70,592
Contributions receivable		7,972
Long-term investments	<u>9,600</u>	<u></u>
Total financial assets	153,454	224,596
Less amounts with donor restrictions	<u>(17,285)</u>	<u>(29,785)</u>
Financial assets available within one year	<u>\$ 136,169</u>	<u>\$ 194,811</u>

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Association manages their cash flow through regular monthly analysis of budgeted expenses compared to cash and cash equivalents.

C. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Computer equipment and software	\$ 79,740	\$ 77,293
Office equipment	<u>5,407</u>	<u>5,407</u>
	85,147	82,700
Less accumulated depreciation	<u>(67,084)</u>	<u>(58,756)</u>
	<u>\$ 18,063</u>	<u>\$ 23,944</u>

Notes to Financial Statements

D. DEFERRED REVENUE

Deferred revenue at December 31, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Membership dues	\$ 227,513	\$ 231,348
Subscriptions	40,720	60,881
Registration revenue	51,935	83,615
Exhibiter/artist	<hr/>	<hr/>
	320,168	378,194
Less current portion of deferred revenue	<hr/>	<hr/>
	(281,081)	(334,855)
Long-term portion of deferred revenue	<hr/>	<hr/>
	<hr/>	<hr/>
	<u>\$ 39,087</u>	<u>\$ 43,339</u>

E. OPERATING LEASES

The Association leases office space in Delaware City, Delaware under an operating lease that began September 15, 2014, with an initial term of 5 years. This lease requires initial base rent monthly payments of \$3,800 with increases of \$50 per month each subsequent year. In addition to the base rent payments, the Association will be responsible for its share of common area maintenance charges. This lease offers the Association the option to renew the lease for two additional terms of five years each.

The Association is also leasing a copier for 60 months beginning in February 2013, which requires monthly payments of \$311 and a postage machine through February 2020, which requires minimum monthly payments of \$66.

Future minimum payments under these operating leases are as follows:

2019	\$ 32,791
2020	132

Rent expense for all operating leases for the years ended December 31, 2018 and 2017 was \$52,507 and \$51,975, respectively.

## Notes to Financial Statements

### F. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Net assets with donor restrictions - temporary at December 31, 2018 of \$17,285 are available for the Birders Exchange Program.

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose or by satisfying the time restrictions. During the year ended December 31, 2018, net assets with donor restrictions - temporary were released in the amount of \$12,500 for the Birders Exchange Program.

### G. EMPLOYEE BENEFIT PLAN

The Association has a SIMPLE retirement plan covering substantially all employees. Employee voluntary contributions are matched by the Association up to 3% of annual compensation. Pension expense was \$9,758 and \$6,569 for each of the years ended December 31, 2018 and 2017, respectively.

### H. LICENSING AGREEMENTS

The Association has entered into agreements with various vendors for which it receives royalty payments on all products they sell through ABA Sales. For the years ending December 31, 2018 and 2017, the Association earned \$14,031 and \$9,729, respectively, under these licensing agreements.

### I. DEFICIENCY IN NET ASSETS

As reflected in the accompanying statement of financial position, the Association has a deficiency of net assets at December 31, 2018, of \$227,149. The Association has been successful in generating a net income in the past three out of the last five years. In order to continue to reduce this deficiency, the Association is taking the following actions:

- Closely monitoring the budget and financial forecasts approved by the Board of Directors in comparison to actual expenditures and taking steps to prevent cost overruns.
- Reducing program, administration, and overhead expenses.
- Increasing membership revenue through an ambitious campaign that focuses on incentives and strategies for member recruitment and retention that have proved successful in recent years.

Notes to Financial Statements

I. DEFICIENCY IN NET ASSETS - continued

- Increasing donations and other funding by reorganizing ongoing and novel Conservation and Community programs and presenting a more compelling case for support.
- Developing a strategic plan to help the Association focus on building sustainable programs for the future.