

AMERICAN BIRDING ASSOCIATION, INC.

Financial Statements

For the Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Birding Association, Inc.
Delaware City, Delaware

We have audited the accompanying financial statements of American Birding Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 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 of 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 American Birding Association, Inc. as of December 31, 2017, 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.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Association will continue as a going concern. As discussed in Note H 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 H. 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.

Report on Summarized Comparative Information

We have previously audited American Birding Association, Inc.'s 2016 financial statements, and our report dated April 21, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
June 22, 2018

AMERICAN BIRDING ASSOCIATION, INC.

Statement of Financial Position

December 31, 2017

(With Comparative Amounts for 2016)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 146,032	\$ 66,487
Accounts receivable, net	70,592	89,403
Contributions receivable	7,972	50,000
Prepaid expenses	28,473	29,449
Inventory	47,430	52,589
Total current assets	300,499	287,928
PROPERTY AND EQUIPMENT, net	23,944	2,619
TOTAL ASSETS	<u>\$ 324,443</u>	<u>\$ 290,547</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 156,257	\$ 73,370
Current portion of deferred revenue	334,855	316,787
Total current liabilities	491,112	390,157
LONG TERM LIABILITIES:		
Long term portion of deferred revenue	43,339	53,110
TOTAL LIABILITIES	534,451	443,267
NET ASSETS:		
Unrestricted	(239,793)	(219,520)
Temporarily restricted	29,785	66,800
Total net assets	(210,008)	(152,720)
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 324,443</u>	<u>\$ 290,547</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Totals	2016 Totals
REVENUE:				
Advertising	\$ 297,412	\$	\$ 297,412	\$ 266,542
Membership contributions	274,894		274,894	278,616
Membership dues	233,859		233,859	244,481
Conferences and meetings	209,844		209,844	260,023
Other contributions, grants and contracts	191,789		191,789	175,526
Publications production	96,462		96,462	119,770
Other income	21,968		21,968	18,315
Endorsements and royalties	20,961		20,961	26,476
Satisfied program restrictions	<u>37,015</u>	<u>(37,015)</u>		
Total revenue	1,384,204	(37,015)	1,347,189	1,389,749
EXPENSES:				
Program services:				
Conservation and community	660,280		660,280	608,077
Member services	<u>524,083</u>		<u>524,083</u>	<u>523,991</u>
Total program services	1,184,363		1,184,363	1,132,068
Supporting services:				
General and administrative	200,343		200,343	175,398
Membership development and fundraising	<u>19,771</u>		<u>19,771</u>	<u>50,897</u>
Total supporting services	<u>220,114</u>		<u>220,114</u>	<u>226,295</u>
Total expenses	<u>1,404,477</u>		<u>1,404,477</u>	<u>1,358,363</u>
CHANGE IN NET ASSETS	(20,273)	(37,015)	(57,288)	31,386
NET ASSETS, beginning of year	<u>(219,520)</u>	<u>66,800</u>	<u>(152,720)</u>	<u>(184,106)</u>
NET ASSETS, end of year	<u>\$ (239,793)</u>	<u>\$ 29,785</u>	<u>\$ (210,008)</u>	<u>\$ (152,720)</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Amounts for 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (57,288)	\$ 31,386
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,739	2,243
Decrease (increase) in assets:		
Accounts receivable, net	33,811	781
Contributions receivable	27,028	(49,695)
Prepaid expenses	976	(1,343)
Inventory	5,159	12,642
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	82,887	3,302
Deferred revenue	<u>8,297</u>	<u>(20,816)</u>
Total adjustments	<u>159,897</u>	<u>(52,886)</u>
Net cash provided (used) by operating activities	102,609	(21,500)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(23,064)</u>	<u> </u>
Net cash used by investing activities	<u>(23,064)</u>	<u> </u>
NET INCREASE (DECREASE) IN CASH	79,545	(21,500)
CASH AND CASH EQUIVALENTS, beginning of year	<u>66,487</u>	<u>87,987</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 146,032</u>	<u>\$ 66,487</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2017

A. 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 ABA 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.

Contributions

Contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions.

Investment income and gains that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in unrestricted net assets. Other investment income, gains and losses are reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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, 2017 and 2016, 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, 2017 and 2016.

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, 2017 and 2016, receivables were recorded net of an allowance for doubtful accounts of \$20,000 and \$7,000 respectively.

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 market.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2017 and 2016 was \$1,739 and \$2,243, 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, 2016, 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 June 22, 2018, the date that the financial statements were available to be issued.

B. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Computer equipment and software	\$ 77,293	\$ 243,255
Office equipment	<u>5,407</u>	<u>29,095</u>
	82,700	272,350
Less accumulated depreciation	<u>(58,756)</u>	<u>(269,731)</u>
Property and equipment, net	<u>\$ 23,944</u>	<u>\$ 2,619</u>

C. DEFERRED REVENUE

Deferred revenue at December 31, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Membership dues	\$ 231,348	\$ 248,667
Subscriptions	60,881	65,620
Registration revenue	83,615	53,260
Exhibitor/artist	<u>2,350</u>	<u>2,350</u>
	378,194	369,897
Less current portion of deferred revenue	<u>(334,855)</u>	<u>(316,787)</u>
Long term portion of deferred revenue	<u>\$ 43,339</u>	<u>\$ 53,110</u>

Notes to Financial Statements

D. 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:

2018	\$	48,703
2019		32,791
2020		132

Rent expense for all operating leases for the years ended December 31, 2017 and 2016 was \$51,975 and \$49,510, respectively.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 are available for the following purposes:

Birders Exchange Program	<u>\$ 29,785</u>
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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, 2017, temporarily restricted net assets were released in the amount of \$37,015 for the Birders Exchange Program.

Notes to Financial Statements

F. 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 \$6,569 and \$6,524 for each of the years ended December 31, 2017 and 2016, respectively.

G. 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, 2017 and 2016, the Association earned \$9,729 and \$9,929, respectively, under these licensing agreements.

H. DEFICIENCY IN NET ASSETS

As reflected in the accompanying statement of financial position, the Association has a deficiency of net assets at December 31, 2017, of \$210,008. The Association has been successful in generating a net income in the past three out of the last four 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.
- 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 Organization focus on building sustainable programs for the future.