

AMERICAN BIRDING ASSOCIATION, INC.

Financial Statements

For the Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

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, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 I to the financial statements, the Association has suffered recurring 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.

Report on Summarized Comparative Information

We have previously audited the American Birding Association, Inc.'s 2013 financial statements, and our report dated February 28, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
March 20, 2015

AMERICAN BIRDING ASSOCIATION, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	Unrestricted	Temporarily Restricted	2014 Totals	2013 Totals
REVENUE:				
Membership dues	\$ 231,908	\$	\$ 231,908	\$ 234,326
Membership contributions	232,810		232,810	247,154
Other contributions, grants and contracts	208,730		208,730	245,876
Advertising	296,861		296,861	221,968
Publications production	112,145		112,145	117,317
Conferences and meetings	220,589		220,589	376,253
Endorsements and royalties	23,976		23,976	52,594
Investment income	2,061		2,061	8,564
Other income	18,163		18,163	6,612
Satisfied program restrictions	<u>98,767</u>	<u>(98,767)</u>		
Total revenue	1,446,010	(98,767)	1,347,243	1,510,664
EXPENSES:				
Program services:				
Conservation and community	678,457		678,457	745,668
Member services	<u>515,445</u>		<u>515,445</u>	<u>541,994</u>
Total program services	1,193,902		1,193,902	1,287,662
Supporting services:				
General and administrative	203,239		203,239	204,565
Membership development and fundraising	<u>36,114</u>		<u>36,114</u>	<u>80,846</u>
Total supporting services	<u>239,353</u>		<u>239,353</u>	<u>285,411</u>
Total expenses	<u>1,433,255</u>		<u>1,433,255</u>	<u>1,573,073</u>
CHANGE IN NET ASSETS	12,755	(98,767)	(86,012)	(62,409)
NET ASSETS, beginning of year	<u>(245,729)</u>	<u>125,958</u>	<u>(119,771)</u>	<u>(57,362)</u>
NET ASSETS, end of year	<u>\$ (232,974)</u>	<u>\$ 27,191</u>	<u>\$ (205,783)</u>	<u>\$ (119,771)</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2014
(With Comparative Amounts for 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (86,012)	\$ (62,409)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15,459	14,807
Net unrealized and realized gains on investments	(1,813)	(5,444)
Decrease (increase) in assets:		
Accounts receivable, net	(33,863)	(7,069)
Contributions receivable	89,500	16,500
Prepaid expenses	(4,615)	(9,227)
Inventory	9,639	13,723
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(20,405)	34,149
Deferred revenue	<u>23,361</u>	<u>18,539</u>
Total adjustments	<u>77,263</u>	<u>75,978</u>
Net cash provided (used) by operating activities	(8,749)	13,569
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	57,525	50,000
Purchase of investments		(43,243)
Acquisition of property and equipment	<u>(1,500)</u>	<u>(15,426)</u>
Net cash provided (used) by investing activities	<u>56,025</u>	<u>(8,669)</u>
NET INCREASE IN CASH	47,276	4,900
CASH AND CASH EQUIVALENTS, beginning of year	<u>56,718</u>	<u>51,818</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 103,994</u>	<u>\$ 56,718</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2014

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 American 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, 2014 and 2013, 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, 2014 and 2013.

Investments

Generally accepted accounting principles require that nonprofit organizations report certain investments at fair value. In accordance with that guidance, the Association accounts for its marketable securities at fair value.

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, 2014 and 2013, receivables were recorded net of an allowance for doubtful accounts of \$3,000 each year.

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, 2014 and 2013 was \$15,459 and \$14,807, 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, 2013, 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 March 20, 2015, the date that the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENTS

The Association applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to Financial Statements

B. FAIR VALUE MEASUREMENTS - Continued

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that were measured at fair value on a recurring basis at December 31, 2013:

Assets at Fair Value as of December 31, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 55,678			\$ 55,678
Money market	<u>34</u>			<u>34</u>
	<u>\$ 55,712</u>	<u>\$</u>	<u>\$</u>	<u>\$ 55,712</u>

During the year ended December 31, 2014, the investment portfolio was liquidated.

Net investment income consists of the following:

	<u>2014</u>	<u>2013</u>
Net realized and unrealized gains	\$ 1,813	\$ 5,444
Interest and dividend income	<u>248</u>	<u>3,120</u>
	<u>\$ 2,061</u>	<u>\$ 8,564</u>

C. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Computer equipment and software	\$ 243,255	\$ 243,255
Office equipment	<u>26,671</u>	<u>25,171</u>
	269,926	268,426
Less accumulated depreciation	<u>(258,258)</u>	<u>(242,799)</u>
Property and equipment, net	<u>\$ 11,668</u>	<u>\$ 25,627</u>

Notes to Financial Statements

D. DEFERRED REVENUE

Deferred revenue at December 31, 2014 and 2013, consists of the following:

	<u>2014</u>	<u>2013</u>
Membership dues	\$ 244,521	\$ 260,629
Registration revenue	119,406	74,920
Subscriptions	60,464	64,831
Exhibitor/artist	<u>3,550</u>	<u>4,200</u>
	427,941	404,580
Less current portion of deferred revenue	<u>(365,711)</u>	<u>(338,030)</u>
Long term portion of deferred revenue	<u>\$ 62,230</u>	<u>\$ 66,550</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.

Prior to relocation of the offices to Delaware in September 2014, the Association leased office space in Colorado Springs, Colorado on a month to month basis through August 2014 at a rate of \$2,300 per month.

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:

2015	\$ 50,327
2016	50,927
2017	51,627
2018	48,703
2019	32,791
2020	132

Rent expense for all operating leases for the year ended December 31, 2014 was \$33,713.

Notes to Financial Statements

F. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 are available for the following purposes:

Birders Exchange Program	\$ 22,191
Time restrictions	<u>5,000</u>
	<u>\$ 27,191</u>

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, 2014, temporarily restricted net assets were released in the amount of \$267 for the Birders Exchange Program. In addition, \$98,500 was released from restriction due to the expiration of time restrictions.

G. EMPLOYEE BENEFIT PLAN

The Association has a SIMPLE retirement plan covering substantially all employees. Employee contributions are matched by the Association up to 3% annually. Pension expense was \$6,854 and \$6,941 for the years ended December 31, 2014 and 2013, 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, 2014 and 2013, the Association earned \$9,531 and \$13,966, 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, 2014, of \$205,783. In order 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.

Notes to Financial Statements

I. DEFICIENCY IN NET ASSETS - Continued

- Increasing membership revenue through an ambitious campaign that focuses on empowering existing members to recruit new ones. Increasing donations and other funding by reorganizing ongoing and novel Conservation and Community programs and presenting a more compelling case for support.