

AMERICAN BIRDING ASSOCIATION, INC.

Financial Statements

For the Year Ended December 31, 2013

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITORS' REPORT

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

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, 2013, 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, 2013, 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 the American Birding Association, Inc.'s 2012 financial statements, and our report dated February 22, 2013, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
February 28, 2014

AMERICAN BIRDING ASSOCIATION, INC.
Statement of Financial Position
December 31, 2013
(With Comparative Amounts for 2012)

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 56,718	\$ 51,818
Accounts receivable, net	55,753	48,684
Contributions receivable	103,500	100,000
Prepaid expenses	13,396	4,169
Inventory	<u>91,801</u>	<u>105,524</u>
Total current assets	321,168	310,195
LONG TERM ASSETS:		
Long-term contributions receivable		20,000
Investments	<u>55,712</u>	<u>57,025</u>
Total long term assets	55,712	77,025
PROPERTY AND EQUIPMENT, net	<u>25,627</u>	<u>25,008</u>
TOTAL ASSETS	<u>\$ 402,507</u>	<u>\$ 412,228</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 117,698	\$ 83,549
Current portion of deferred revenue	<u>338,030</u>	<u>315,171</u>
Total current liabilities	455,728	398,720
LONG TERM LIABILITIES:		
Long term portion of deferred revenue	<u>66,550</u>	<u>70,870</u>
TOTAL LIABILITIES	522,278	469,590
NET ASSETS:		
Unrestricted	(245,729)	(201,231)
Temporarily restricted	<u>125,958</u>	<u>143,869</u>
Total net assets	<u>(119,771)</u>	<u>(57,362)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 402,507</u>	<u>\$ 412,228</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	2013 Totals	2012 Totals
REVENUE:				
Membership dues	\$ 234,326	\$	\$ 234,326	\$ 337,445
Membership contributions	247,154		247,154	206,706
Other contributions, grants and contracts	162,376	83,500	245,876	297,262
Advertising	221,968		221,968	188,673
Publications production	117,317		117,317	130,365
Conferences and meetings	376,253		376,253	68,661
Endorsements and royalties	52,594		52,594	17,431
Investment income	8,564		8,564	12,777
Other income	6,612		6,612	8,886
Satisfied program restrictions	<u>101,411</u>	<u>(101,411)</u>		
Total revenue	1,528,575	(17,911)	1,510,664	1,268,206
EXPENSES:				
Program services:				
Conservation and community	745,668		745,668	631,474
Member services	<u>541,994</u>		<u>541,994</u>	<u>206,520</u>
Total program services	1,287,662		1,287,662	837,994
Supporting services:				
General and administrative	204,565		204,565	245,046
Membership development and fundraising	<u>80,846</u>		<u>80,846</u>	<u>87,813</u>
Total supporting services	<u>285,411</u>		<u>285,411</u>	<u>332,859</u>
Total expenses	<u>1,573,073</u>		<u>1,573,073</u>	<u>1,170,853</u>
CHANGE IN NET ASSETS	(44,498)	(17,911)	(62,409)	97,353
NET ASSETS, beginning of year	<u>(201,231)</u>	<u>143,869</u>	<u>(57,362)</u>	<u>(154,715)</u>
NET ASSETS, end of year	<u>\$ (245,729)</u>	<u>\$ 125,958</u>	<u>\$ (119,771)</u>	<u>\$ (57,362)</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2013
(With Comparative Amounts for 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (62,409)	\$ 97,353
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	14,807	14,700
Net unrealized and realized gains on investments	(5,444)	(10,346)
Decrease (increase) in assets:		
Accounts receivable, net	(7,069)	(11,475)
Contributions receivable	16,500	(120,000)
Prepaid expenses	(9,227)	131
Inventory	13,723	12,025
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	34,149	8,005
Other liabilities	<u>18,539</u>	<u>(103,493)</u>
Total adjustments	<u>75,978</u>	<u>(210,453)</u>
Net cash provided (used) by operating activities	13,569	(113,100)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	50,000	80,000
Purchase of investments	(43,243)	(2,142)
Acquisition of property and equipment	<u>(15,426)</u>	<u>(9,076)</u>
Net cash provided (used) by investing activities	(8,669)	68,782
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease	<u> </u>	<u>(2,862)</u>
Net cash used by financing activities	<u> </u>	<u>(2,862)</u>
NET INCREASE (DECREASE) IN CASH	4,900	(47,180)
CASH AND CASH EQUIVALENTS, beginning of year	<u>51,818</u>	<u>98,998</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 56,718</u>	<u>\$ 51,818</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.
Notes to Financial Statements
For the Year Ended December 31, 2013

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.

A resulting effect of this transition is that the membership dues line item on the statement of activities shows a decrease from 2012 to 2013 when, in fact, the Association has experienced approximately 12% growth in the number of its members.

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, 2013, cash equivalents consisted of the Association's checking account.

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, 2013 and 2012, 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 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 years

Depreciation expense for the years ended December 31, 2013 and 2012 was \$14,807 and \$14,700, 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 form 990, Return of Organization Exempt from Income Tax, for the years ending 2010 to 2013 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 or functional expense 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, 2012 from which the summarized information was derived.

Certain reclassifications have been made to the prior-year amounts in order to conform to the current year format.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 28, 2014, 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 tables present assets that are measured at fair value on a recurring basis:

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	34			34
	<u>\$ 55,712</u>	<u>\$</u>	<u>\$</u>	<u>\$ 55,712</u>

Assets at Fair Value as of December 31, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 15,026	\$	\$	\$ 15,026
Mutual funds	25,386			25,386
Fixed income		16,442		16,442
Money market	171			171
	<u>\$ 40,583</u>	<u>\$ 16,442</u>	<u>\$</u>	<u>\$ 57,025</u>

Net investment income consists of the following:

	<u>2013</u>	<u>2012</u>
Net realized and unrealized gains	\$ 5,444	\$ 10,346
Interest and dividend income	<u>3,120</u>	<u>2,431</u>
	<u>\$ 8,564</u>	<u>\$ 12,777</u>

C. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Computer equipment and software	\$ 243,255	\$ 227,829
Office equipment	<u>25,171</u>	<u>25,171</u>
	268,426	253,000
Less accumulated depreciation	<u>(242,799)</u>	<u>(227,992)</u>
Property and equipment - net	<u>\$ 25,627</u>	<u>\$ 25,008</u>

Notes to Financial Statements

D. DEFERRED REVENUE

Deferred revenue at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Membership dues	\$ 260,629	\$ 256,605
Registration revenue	74,920	57,160
Subscriptions	64,831	65,876
Exhibitor/artist	<u>4,200</u>	<u>6,400</u>
	404,580	386,041
Less current portion of deferred revenue	<u>(338,030)</u>	<u>(315,171)</u>
Long term portion of deferred revenue	<u>\$ 66,550</u>	<u>\$ 70,870</u>

E. OPERATING LEASES

The Association leases office space under an operating lease that began January 9, 2012 and continued through January 31, 2013. This lease requires base monthly payments of \$2,300. As of February 1, 2013, the Association is renting the office space on a month to month basis. The Association is also leasing a copier on a month to month basis which requires monthly payments of \$310 and a postage machine through October 2014 that requires minimum monthly payments of \$136.

The Association has entered into an operating lease in Delaware to replace the current office space. The anticipated inception of this lease is August 1, 2014. This lease requires initial monthly base rent payments in the amount of \$3,800 per month. In addition, the Association will be responsible for its share of common area maintenance charges. This lease is for an initial term of five years, with the option to renew the lease for two additional terms of five years each.

Future minimum payments under these operating leases are as follows:

2014	\$ 20,360
2015	45,850
2016	46,450
2017	47,050
2018	47,650
2019	28,000

Rent expense for all operating leases for the year ended December 31, 2013 was \$33,743.

Notes to Financial Statements

F. TEMPORARILY RESTRICTED NET ASSETS

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

Time restrictions	\$ 103,500
Birders Exchange Program	<u>22,458</u>
	<u>\$ 125,958</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, 2013, temporarily restricted net assets were released in the amount of \$1,411 for the Birders Exchange Program. In addition, \$120,000 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 \$6,941 and \$7,129 for the years ended December 31 2013 and 2012, 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, 2013 and 2012 the Association earned \$13,967 and \$16,081, respectively, under these licensing agreements.

I. DEFICIENCY IN NET ASSETS

As reflected in the accompanying statement of financial position, the Corporation has a deficiency of net assets at December 31, 2013 of \$119,770. 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.
- Increasing membership revenue by increasing the number of members. The membership and development committee has been reorganized to significantly increase membership and fundraising efforts.

Notes to Financial Statements

J. SUBSEQUENT EVENTS

The Association plans to relocate its headquarters from Colorado Springs, Colorado to Delaware City, Delaware with an anticipated relocation date of August of 2014. During the year ended December 31, 2013, the Association received a \$50,000 grant from the State of Delaware to assist with costs of relocating. As discussed in Note E, the Association has entered into a lease agreement in anticipation of this move.