

**AMERICAN BIRDING ASSOCIATION, INC.**

**Financial Statements**

**For the Year Ended December 31, 2015**

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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, 2015, 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, 2015, 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, 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 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 2014 financial statements, and our report dated March 20, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado

April 21, 2016

AMERICAN BIRDING ASSOCIATION, INC.  
Statement of Financial Position  
December 31, 2015  
(With Comparative Amounts for 2014)

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 87,987	\$ 103,994
Accounts receivable, net	90,490	89,616
Contributions receivable		14,000
Prepaid expenses	28,106	18,011
Inventory	<u>65,231</u>	<u>82,162</u>
Total current assets	271,814	307,783
PROPERTY AND EQUIPMENT, net	<u>4,861</u>	<u>11,668</u>
TOTAL ASSETS	<u>\$ 276,675</u>	<u>\$ 319,451</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 70,068	\$ 97,293
Current portion of deferred revenue	<u>332,803</u>	<u>365,711</u>
Total current liabilities	402,871	463,004
LONG TERM LIABILITIES:		
Long term portion of deferred revenue	<u>57,910</u>	<u>62,230</u>
TOTAL LIABILITIES	460,781	525,234
NET ASSETS:		
Unrestricted	(204,797)	(232,974)
Temporarily restricted	<u>20,691</u>	<u>27,191</u>
Total net assets	<u>(184,106)</u>	<u>(205,783)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 276,675</u>	<u>\$ 319,451</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
<b>REVENUE:</b>				
Membership contributions	\$ 302,220		\$ 302,220	\$ 232,810
Advertising	287,663		287,663	296,861
Membership dues	239,623		239,623	231,908
Conferences and meetings	231,299		231,299	220,589
Other contributions, grants and contracts	166,545		166,545	208,730
Publications production	105,495		105,495	112,145
Endorsements and royalties	26,051		26,051	23,976
Other income	25,769		25,769	18,163
Investment income				2,061
Satisfied program restrictions	<u>6,500</u>	<u>(6,500)</u>		
Total revenue	1,391,165	(6,500)	1,384,665	1,347,243
<b>EXPENSES:</b>				
Program services:				
Conservation and community	615,693		615,693	678,457
Member services	<u>509,650</u>		<u>509,650</u>	<u>515,445</u>
Total program services	1,125,343		1,125,343	1,193,902
Supporting services:				
General and administrative	168,761		168,761	203,239
Membership development and fundraising	<u>68,884</u>		<u>68,884</u>	<u>36,114</u>
Total supporting services	<u>237,645</u>		<u>237,645</u>	<u>239,353</u>
Total expenses	<u>1,362,988</u>		<u>1,362,988</u>	<u>1,433,255</u>
CHANGE IN NET ASSETS	28,177	(6,500)	21,677	(86,012)
NET ASSETS, beginning of year	<u>(232,974)</u>	<u>27,191</u>	<u>(205,783)</u>	<u>(119,771)</u>
NET ASSETS, end of year	<u>\$ (204,797)</u>	<u>\$ 20,691</u>	<u>\$ (184,106)</u>	<u>\$ (205,783)</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2015  
(With Comparative Amounts for 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 21,677	\$ (86,012)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	9,231	15,459
Net unrealized and realized gains on investments		(1,813)
Decrease (increase) in assets:		
Accounts receivable, net	(874)	(33,863)
Contributions receivable	14,000	89,500
Prepaid expenses	(10,095)	(4,615)
Inventory	16,931	9,639
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(27,225)	(20,405)
Deferred revenue	<u>(37,228)</u>	<u>23,361</u>
Total adjustments	<u>(35,260)</u>	<u>77,263</u>
Net cash used by operating activities	(13,583)	(8,749)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments		57,525
Acquisition of property and equipment	<u>(2,424)</u>	<u>(1,500)</u>
Net cash provided (used) by investing activities	<u>(2,424)</u>	<u>56,025</u>
NET INCREASE (DECREASE) IN CASH	(16,007)	47,276
CASH AND CASH EQUIVALENTS, beginning of year	<u>103,994</u>	<u>56,718</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 87,987</u>	<u>\$ 103,994</u>

See Notes to Financial Statements

AMERICAN BIRDING ASSOCIATION, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2015

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, 2015 and 2014, 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, 2015 and 2014.

#### 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, 2015 and 2014, 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, 2015 and 2014 was \$9,231 and \$15,459, 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, 2014, 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 April 21, 2016, the date that the financial statements were available to be issued.

B. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 and 2014, consists of the following:

	<u>2015</u>	<u>2014</u>
Computer equipment and software	\$ 243,255	\$ 243,255
Office equipment	<u>29,095</u>	<u>26,671</u>
	272,350	269,926
Less accumulated depreciation	<u>(267,489)</u>	<u>(258,258)</u>
Property and equipment, net	<u>\$ 4,861</u>	<u>\$ 11,668</u>

C. DEFERRED REVENUE

Deferred revenue at December 31, 2015 and 2014, consists of the following:

	<u>2015</u>	<u>2014</u>
Membership dues	\$ 266,323	\$ 244,521
Registration revenue	48,785	119,406
Subscriptions	72,055	60,464
Exhibitor/artist	<u>3,550</u>	<u>3,550</u>
	390,713	427,941
Less current portion of deferred revenue	<u>(332,803)</u>	<u>(365,711)</u>
Long term portion of deferred revenue	<u>\$ 57,910</u>	<u>\$ 62,230</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:

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, 2015 was \$49,608.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 are available for the following purposes:

Birders Exchange Program	\$	<u>20,691</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, 2015, temporarily restricted net assets were released in the amount of \$1,500 for the Birders Exchange Program. In addition, \$5,000 was released from restriction due to the expiration of time restrictions.

## 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 \$6,854 for each of the years ended December 31, 2015 and 2014.

### 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, 2015 and 2014, the Association earned \$11,001 and \$9,531, 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, 2015, of \$184,106. 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 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.