

DRAFT - FOR DISCUSSION PURPOSES ONLY

AMERICAN BIRDING ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

AMERICAN BIRDING ASSOCIATION, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
NOTES TO THE FINANCIAL STATEMENTS	7

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

(to be determined)

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

We have reviewed the accompanying financial statements of American Birding Association, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, 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 company 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.

We are required to be independent of American Birding Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant requirements related to our review.

To the Board of Directors
American Birding Association, Inc.

Accountant's Conclusion

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.

Emphasis of Matter Regarding Going Concern

As discussed in Note J to the financial statements, American Birding Association, Inc. has suffered recurring losses from operations and has a net asset deficiency. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note J. Our opinion is not modified with respect to this matter.

Summarized Comparative Information

The financial statements of American Birding Association, Inc. for the year ended December 31, 2020, were reviewed by other accountants whose report dated November 15, 2021 stated that, based on their review, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

BARBACANE, THORNTON & COMPANY LLP

AMERICAN BIRDING ASSOCIATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 178,003	\$ 93,656
Accounts receivable, net	41,306	87,567
Prepaid expenses	21,957	35,222
Inventory	25,408	49,357
Total Current Assets	<u>266,674</u>	<u>265,802</u>
Property and equipment, net	<u>-</u>	<u>2,832</u>
TOTAL ASSETS	<u>\$ 266,674</u>	<u>\$ 268,634</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 97,926	\$ 66,881
Current portion of deferred revenue	254,038	306,780
Total Current Liabilities	<u>351,964</u>	<u>373,661</u>
Long-term Liabilities:		
Long-term portion of deferred revenue	35,544	31,760
Total Liabilities	<u>387,508</u>	<u>405,421</u>
 NET ASSETS (DEFICIT)		
Without donor restrictions (deficit)	(130,710)	(148,695)
With donor restrictions	9,876	11,908
Total Net Assets	<u>(120,834)</u>	<u>(136,787)</u>
 TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 266,674</u>	<u>\$ 268,634</u>

See independent accountant's review report.

AMERICAN BIRDING ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Comparative Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS:				
Membership contributions	\$ 324,613	\$ -	\$ 324,613	\$ 300,094
Other contributions, grants, and contracts	332,053	-	332,053	221,626
Membership dues	218,402	-	218,402	225,863
Advertising	90,467	-	90,467	111,873
Paycheck Protection Program grant	-	-	-	81,436
Other income	3,000	-	3,000	49,559
Publications production	21,800	-	21,800	35,525
Endorsements and royalties	54,434	-	54,434	24,081
Conferences and meetings	176,809	-	176,809	15,200
Satisfied program restrictions	2,032	(2,032)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	1,223,610	(2,032)	1,221,578	1,065,257
EXPENSES AND LOSS:				
Program services:				
Conservation and community	492,250	-	492,250	333,370
Member services	445,467	-	445,467	427,908
Total Program Services	<u>937,717</u>	<u>-</u>	<u>937,717</u>	<u>761,278</u>
Supporting services:				
General and administrative	196,663	-	196,663	168,334
Membership development and fundraising	29,585	-	29,585	23,522
Total Supporting Services	<u>226,248</u>	<u>-</u>	<u>226,248</u>	<u>191,856</u>
TOTAL EXPENSES	1,163,965	-	1,163,965	953,134
Loss on disposal of assets	41,660	-	41,660	-
TOTAL EXPENSES AND LOSS	1,205,625	-	1,205,625	953,134
CHANGE IN NET ASSETS	17,985	(2,032)	15,953	112,123
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(148,695)	11,908	(136,787)	(248,910)
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (130,710)</u>	<u>\$ 9,876</u>	<u>\$ (120,834)</u>	<u>\$ (136,787)</u>

See independent accountant's review report.

AMERICAN BIRDING ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Totals for the Year Ended December 31, 2020)

	Program Services			Supporting Services		Totals	
	Conservation and Community	Member Services	Total Program Services	General and Administrative	Membership Development and Fundraising	2021	2020
	EXPENSES:						
Bank charges	\$ -	\$ 1,549	\$ 1,549	\$ 169	\$ -	\$ 1,718	\$ 26,164
Conferences and meetings	113,331	-	113,331	-	-	113,331	11,081
Contributions	-	-	-	-	-	-	2,500
Cost of sales	8,641	-	8,641	-	-	8,641	9,343
Depreciation	-	-	-	-	-	-	8,025
Dues and subscriptions	95	-	95	-	-	95	70
Employee benefits	33,081	15,561	48,642	16,702	3,273	68,617	45,352
Equipment rental	-	7,904	7,904	-	-	7,904	10,458
Insurance	-	-	-	14,538	-	14,538	8,154
Interest expense	-	-	-	61	-	61	219
Marketing and promotion	92	-	92	-	127	219	430
Miscellaneous	-	-	-	35,064	-	35,064	10,082
Occupancy	-	-	-	28,813	-	28,813	45,908
Payroll taxes	15,627	16,006	31,633	5,335	1,143	38,111	27,667
Professional fees	95,153	79,351	174,504	17,698	2,830	195,032	174,710
Printing and mailing	28,409	130,105	158,514	-	10,037	168,551	123,885
Publications production	-	-	-	-	-	-	54,286
Salaries and wages	166,391	170,448	336,839	56,815	12,175	405,829	345,555
Supplies	9,444	18,163	27,607	1,337	-	28,944	32,006
Telephone	-	2,056	2,056	20,131	-	22,187	14,051
Travel	21,986	4,324	26,310	-	-	26,310	3,188
TOTAL EXPENSES	<u>\$ 492,250</u>	<u>\$ 445,467</u>	<u>\$ 937,717</u>	<u>\$ 196,663</u>	<u>\$ 29,585</u>	<u>\$ 1,163,965</u>	<u>\$ 953,134</u>

See independent accountant's review report.

**AMERICAN BIRDING ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 15,953	\$ 112,123
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	-	8,025
Loss on disposal of assets	41,660	-
Accounts receivable, net	46,261	(2,333)
Prepaid expenses	13,265	(18,451)
Inventory	(14,879)	3,412
Accounts payable and accrued liabilities	31,045	(53,827)
Short-term loan liability	-	(30,000)
Deferred revenue	(48,958)	(2,534)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	84,347	16,415
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	84,347	16,415
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	93,656	77,241
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 178,003	\$ 93,656
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 61	\$ 219
Taxes paid	\$ -	\$ -

See independent accountant's review report.

AMERICAN BIRDING ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A THE 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.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association are prepared on the accrual basis of accounting.

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, 2021 and 2020, cash and cash equivalents consisted of the Association’s checking and petty cash accounts.

Accounts and Contributions Receivable

Accounts and contributions 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, 2021 and 2020, receivables were recorded net of an allowance for doubtful accounts of \$20,000 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 or net realizable value.

AMERICAN BIRDING ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 year ended December 31, 2021 and 2020 was \$0 and \$8,025, respectively. The Association capitalizes property and equipment with an initial cost in excess of \$1,000.

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 and 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.

Revenue from Contracts with Customers

Events – The Association receives revenue from sales related to various birding events. The revenue is recognized at the time of the event, which recognizes the completion of the Association's performance obligations.

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.

AMERICAN BIRDING ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Sales Revenue – The Association receives revenue from the sale of merchandise and publications. The revenue is recognized upon sale when the performance obligations have been satisfied.

Royalties – The Association receives royalties on merchandise sold through ABA Sales. This revenue is recognized upon receipt as the performance obligation have been satisfied.

Advertising – The Association recognizes revenue from advertising contracts with sponsors and suppliers. Performance obligations in such contracts are satisfied as the publications are released, and revenue is recognized at that time.

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, is subject to examination by various taxing authorities, generally for three years after the date they it was 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.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to one or more programs 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.

NOTE C AVAILABLE RESOURCES AND LIQUIDITY

The following table reflects the Association's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year

AMERICAN BIRDING ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE C AVAILABLE RESOURCES AND LIQUIDITY (cont'd)

of December 31, 2021 and 2020 because of contractual restrictions or internal board designations. Amounts not available include net assets with donor restrictions.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 178,003	\$ 93,656
Accounts receivable, net	41,306	87,567
Total financial assets	<u>219,309</u>	<u>181,223</u>
Less: amounts with donor restrictions	<u>(9,876)</u>	<u>(11,908)</u>
Financial assets available within one year	<u>\$ 209,433</u>	<u>\$ 169,315</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.

NOTE D PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Computer equipment and software	\$ -	\$ 43,834
Office equipment	-	<u>5,407</u>
	-	49,241
Less: accumulated depreciation	-	<u>(46,409)</u>
	<u>\$ -</u>	<u>\$ 2,832</u>

During the year ended December 31, 2021, the Association recognized a loss on disposal of property and equipment of \$2,832, which is included in the loss on disposal of assets on the statement of activities.

NOTE E DEFERRED REVENUE

Deferred revenue at December 31, 2021 and 2020 consists of the following:

AMERICAN BIRDING ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE E DEFERRED REVENUE (cont'd)

	<u>2021</u>	<u>2020</u>
Membership dues	\$ 198,254	\$ 203,604
Subscriptions	23,276	28,167
Registration revenue	45,052	83,769
Sponsor revenue	23,000	23,000
	<u>289,582</u>	<u>338,540</u>
Less: current portion of deferred revenue	<u>(254,038)</u>	<u>(306,780)</u>
Long-term portion of deferred revenue	<u>\$ 35,544</u>	<u>\$ 31,760</u>

NOTE F 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 five years. This lease was renewed for two years in 2019 and requires base rent monthly payments of \$4,050 with increases of \$50 per month each subsequent year. In addition to the base rent payments, the Association is responsible for its share of common area maintenance charges.

The Association is also leasing a copier for 36 months which began in January 2020, requiring monthly payments of \$513, and a postage machine through March 2023, which requires minimum quarterly payments of \$259.

Future minimum payments under these operating leases are as follows:

For the Year Ending December 31,

2022	\$ 9,264
2023	<u>777</u>
Total	<u>\$ 10,041</u>

Rent expense for all operating leases for the years ended December 31, 2021 and 2020 was \$27,937 and \$45,908, respectively. The Association is in the process of renewing their office lease space, which is currently operating on a month-to-month basis, and future minimum payments may be reduced as a result. Office space rent expense is included in occupancy, and all other rent expense is included in equipment rental on the statement of functional expenses.

AMERICAN BIRDING ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE G NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Donor restricted net assets at December 31, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Birders Exchange Program	<u>\$ 9,876</u>	<u>\$ 11,908</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose or by satisfying the time restrictions. During the years ended December 31, 2021 and 2020, \$2,032 and \$2,831, respectively, in donor restricted net assets were released for the Birders Exchange Program.

NOTE H EMPLOYEE BENEFIT PLAN

The Association has a SIMPLE retirement plan covering substantially all employees. Employees voluntary contributions are matched by the Association up to three percent of annual compensation. Employer contributions were \$10,813 and \$9,335 for the years ended December 31, 2021 and 2020, respectively, and are included in employee benefits on the statement of functional expenses.

NOTE I 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 ended December 31, 2021 and 2020, the Association earned \$21,800 and \$22,581, respectively, under these licensing agreements.

NOTE J DEFICIENCY IN NET ASSETS

As reflected in the accompanying statement of financial position, the Association has a deficiency of net assets at December 31, 2021 and 2020 of \$120,834 and \$136,787, respectively. 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 expenses and taking steps to prevent cost overruns.
- Reducing program, administration, and overhead expenses.

AMERICAN BIRDING ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE J DEFICIENCY IN NET ASSETS (cont'd)

- 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 Association focus on building sustainable programs for the future.

NOTE K SUBSEQUENT EVENTS

The Association has evaluated all subsequent events through (to be determined), the date the financial statements were available to be issued.