



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2013

AMERICAN BIRD CONSERVANCY

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FINANCIAL STATEMENTS

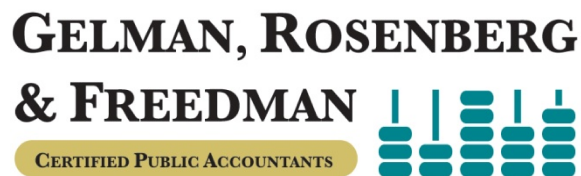


**FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**

AMERICAN BIRD CONSERVANCY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Bird Conservancy
The Plains, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the American Bird Conservancy (ABC), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I (18 - 19), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2014 on our consideration of ABC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ABC's internal control over financial reporting and compliance.



May 6, 2014

AMERICAN BIRD CONSERVANCY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,692,648	\$ 1,387,915
Investments (Notes 2 and 10)	1,600,376	1,288,963
Program-related investments (Note 3)	12,000	18,284
Contributions and grants receivable, current portion (Note 4)	2,134,703	2,401,102
Inventory	30,735	33,235
Prepaid expenses and other assets	<u>94,366</u>	<u>72,986</u>
Total current assets	<u>5,564,828</u>	<u>5,202,485</u>
FURNITURE AND EQUIPMENT , net of accumulated depreciation of \$229,463 and \$189,825 for 2013 and 2012, respectively	<u>85,762</u>	<u>60,587</u>
OTHER ASSETS		
Contributions and grants receivable, net of current portion (Note 4)	<u>-</u>	<u>100,000</u>
Total other assets	<u>-</u>	<u>100,000</u>
TOTAL ASSETS	<u>\$ 5,650,590</u>	<u>\$ 5,363,072</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loan payable (Note 3)	\$ -	\$ 10,000
Accounts payable and accrued liabilities	335,361	401,850
Accrued salaries and related benefits	<u>184,313</u>	<u>160,224</u>
Total current liabilities	<u>519,674</u>	<u>572,074</u>
NET ASSETS		
Unrestricted:		
Undesignated	1,172,167	1,140,435
Board designated (Note 5)	<u>1,636,008</u>	<u>1,461,321</u>
Total unrestricted net assets	2,808,175	2,601,756
Temporarily restricted (Note 6)	<u>2,322,741</u>	<u>2,189,242</u>
Total net assets	<u>5,130,916</u>	<u>4,790,998</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,650,590</u>	<u>\$ 5,363,072</u>

AMERICAN BIRD CONSERVANCY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,364,105	\$ 3,887,608	\$ 6,251,713
Grants (Note 9)	-	4,366,574	4,366,574
Interest and investment income (Note 2)	311,659	-	311,659
Other revenue	68,435	14,249	82,684
Net assets released from donor restrictions (Note 7)	<u>8,134,932</u>	<u>(8,134,932)</u>	<u>-</u>
Total support and revenue	<u>10,879,131</u>	<u>133,499</u>	<u>11,012,630</u>
EXPENSES			
Program Services:			
Bird Conservation Projects	8,669,059	-	8,669,059
Education and Outreach	390,023	-	390,023
Membership	<u>286,680</u>	<u>-</u>	<u>286,680</u>
Total program services	<u>9,345,762</u>	<u>-</u>	<u>9,345,762</u>
Supporting Services:			
Management and General	797,311	-	797,311
Fundraising	<u>529,639</u>	<u>-</u>	<u>529,639</u>
Total supporting services	<u>1,326,950</u>	<u>-</u>	<u>1,326,950</u>
Total expenses	<u>10,672,712</u>	<u>-</u>	<u>10,672,712</u>
Changes in net assets	206,419	133,499	339,918
Net assets at beginning of year	<u>2,601,756</u>	<u>2,189,242</u>	<u>4,790,998</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,808,175</u>	<u>\$ 2,322,741</u>	<u>\$ 5,130,916</u>

See accompanying notes to financial statements.

2012		
Unrestricted	Temporarily Restricted	Total
\$ 2,093,705	\$ 3,045,581	\$ 5,139,286
-	3,500,995	3,500,995
172,901	-	172,901
69,657	13,573	83,230
<u>6,771,443</u>	<u>(6,771,443)</u>	<u>-</u>
<u>9,107,706</u>	<u>(211,294)</u>	<u>8,896,412</u>
7,090,138	-	7,090,138
378,194	-	378,194
<u>283,412</u>	<u>-</u>	<u>283,412</u>
<u>7,751,744</u>	<u>-</u>	<u>7,751,744</u>
686,732	-	686,732
<u>581,046</u>	<u>-</u>	<u>581,046</u>
<u>1,267,778</u>	<u>-</u>	<u>1,267,778</u>
<u>9,019,522</u>	<u>-</u>	<u>9,019,522</u>
88,184	(211,294)	(123,110)
<u>2,513,572</u>	<u>2,400,536</u>	<u>4,914,108</u>
<u>\$ 2,601,756</u>	<u>\$ 2,189,242</u>	<u>\$ 4,790,998</u>

See accompanying notes to financial statements.

AMERICAN BIRD CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services				Supporting Services			
	Bird	Education		Total			Total	
	Conservation	and		Program	Management		Supporting	Total
	Projects	Outreach	Membership	Services	and General	Fundraising	Services	Expenses
Salaries	\$ 2,718,432	\$ 258,487	\$ 108,986	\$ 3,085,905	\$ 568,052	\$ 306,894	\$ 874,946	\$ 3,960,851
Payroll taxes and benefits	423,954	40,312	16,997	481,263	88,591	47,862	136,453	617,716
Printing	29,501	1,961	72,601	104,063	8,425	30,987	39,412	143,475
Occupancy (Note 9)	124,490	10,783	4,546	139,819	23,699	12,802	36,501	176,320
Grants	3,628,381	-	-	3,628,381	-	-	-	3,628,381
Travel	380,198	910	-	381,108	4,484	15,122	19,606	400,714
Professional fees (Note 8)	1,086,866	46,475	-	1,133,341	29,260	1,167	30,427	1,163,768
Postage	16,345	193	40,076	56,614	9,347	13,290	22,637	79,251
Advertising	54,496	1,199	5,584	61,279	7,500	1,758	9,258	70,537
Meetings and conferences	34,785	665	-	35,450	3,488	30,689	34,177	69,627
Miscellaneous	12,288	36	29	12,353	3,609	-	3,609	15,962
Telephone	27,266	2,588	1,091	30,945	5,687	3,072	8,759	39,704
Office supplies	34,377	3,262	1,375	39,014	7,169	3,873	11,042	50,056
Depreciation	27,222	2,583	1,089	30,894	5,677	3,067	8,744	39,638
Insurance	16,426	1,562	659	18,647	3,432	1,854	5,286	23,933
Office equipment	14,621	16,329	27,078	58,028	16,536	3,895	20,431	78,459
Bank charges	26,838	2,552	1,076	30,466	5,608	3,030	8,638	39,104
Equipment rental	2,602	-	4,603	7,205	2,765	-	2,765	9,970
Dues	9,522	108	890	10,520	179	1,937	2,116	12,636
Books	449	18	-	467	3,803	-	3,803	4,270
Field trip expenses	-	-	-	-	-	39,769	39,769	39,769
Licenses and permits	-	-	-	-	-	8,571	8,571	8,571
TOTAL	\$ 8,669,059	\$ 390,023	\$ 286,680	\$ 9,345,762	\$ 797,311	\$ 529,639	\$ 1,326,950	\$ 10,672,712

See accompanying notes to financial statements.

AMERICAN BIRD CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services				Supporting Services			
	Bird	Education		Total			Total	
	Conservation	and		Program	Management		Supporting	Total
	Projects	Outreach	Membership	Services	and General	Fundraising	Services	Expenses
Salaries	\$ 2,326,984	\$ 237,704	\$ 110,038	\$ 2,674,726	\$ 481,167	\$ 324,517	\$ 805,684	\$ 3,480,410
Payroll taxes and benefits	343,123	35,050	16,225	394,398	70,950	47,851	118,801	513,199
Printing	45,358	1,964	98,806	146,128	5,302	80,960	86,262	232,390
Occupancy (Note 9)	112,277	10,254	4,747	127,278	20,755	13,998	34,753	162,031
Grants	2,476,294	-	-	2,476,294	-	-	-	2,476,294
Travel	331,688	59	-	331,747	2,969	39,506	42,475	374,222
Professional fees (Note 8)	1,094,604	61,921	-	1,156,525	34,304	6,500	40,804	1,197,329
Postage	16,818	528	39,085	56,431	6,934	8,831	15,765	72,196
Advertising	51,601	625	2,606	54,832	743	1,274	2,017	56,849
Meetings and conferences	58,378	550	-	58,928	16,740	1,248	17,988	76,916
Miscellaneous	24,319	70	-	24,389	580	-	580	24,969
Telephone	22,074	2,257	1,045	25,376	4,588	3,081	7,669	33,045
Office supplies	82,655	4,882	2,260	89,797	9,882	6,665	16,547	106,344
Depreciation	15,531	1,586	734	17,851	3,211	2,166	5,377	23,228
Insurance	17,347	1,772	820	19,939	3,587	2,419	6,006	25,945
Office equipment	23,510	15,363	5,608	44,481	16,796	5,832	22,628	67,109
Bank charges	25,233	2,578	1,193	29,004	5,218	3,519	8,737	37,741
Equipment rental	8,178	530	245	8,953	1,073	724	1,797	10,750
Dues	12,982	402	-	13,384	761	1,900	2,661	16,045
Books	1,184	99	-	1,283	1,172	-	1,172	2,455
Field trip expenses	-	-	-	-	-	23,120	23,120	23,120
Licenses and permits	-	-	-	-	-	6,935	6,935	6,935
TOTAL	\$ 7,090,138	\$ 378,194	\$ 283,412	\$ 7,751,744	\$ 686,732	\$ 581,046	\$ 1,267,778	\$ 9,019,522

See accompanying notes to financial statements.

AMERICAN BIRD CONSERVANCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 339,918	\$ (123,110)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	39,638	23,228
Unrealized gain on investments	(250,482)	(143,150)
Realized (gain) loss on sales of investments	(2,230)	6,125
Stock donations	(143,469)	(347,203)
(Increase) decrease in:		
Contributions and grants receivable	366,399	490,883
Inventory	2,500	16,572
Prepaid expenses and other assets	(21,380)	(10,767)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(66,489)	182,380
Accrued salaries and related benefits	<u>24,089</u>	<u>16,694</u>
Net cash provided by operating activities	<u>288,494</u>	<u>111,652</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(64,813)	(52,389)
Purchases of investments	(132,998)	(22,141)
Proceeds from sales of investments	217,766	341,078
Payments received on program-related investments	<u>6,284</u>	<u>-</u>
Net cash provided by investing activities	<u>26,239</u>	<u>266,548</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	<u>(10,000)</u>	<u>(6,284)</u>
Net cash used by financing activities	<u>(10,000)</u>	<u>(6,284)</u>
Net increase in cash and cash equivalents	304,733	371,916
Cash and cash equivalents at beginning of year	<u>1,387,915</u>	<u>1,015,999</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,692,648</u>	<u>\$ 1,387,915</u>

See accompanying notes to financial statements.

AMERICAN BIRD CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The American Bird Conservancy (ABC) is a non-profit membership organization dedicated to the protection of wild birds and their habitats throughout the Americas. ABC leads several conservation programs, coordinates collaborative approaches between bird conservation groups, enhances communications between groups and provides a clear and impartial picture about avian conservation to the public.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

ABC considers all investments purchased with maturities of three months or less to be cash equivalents. Cash equivalents consist of money market accounts that are available for use in current operations.

ABC's cash equivalents are placed with major banks and financial institutions. Management continually monitors its positions with, and credit quality of, the financial institutions with which it places its financial instruments.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, ABC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in interest and investment income in the Statements of Activities and Changes in Net Assets. Donated investments are sold and reflected as contributions at their sale price.

Furniture and equipment -

Furniture and equipment in excess of \$750 are capitalized and stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Inventory -

Inventory consists of bird tape, which is recorded at the lower of cost or market value using the first-in, first-out method of inventory.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of ABC and include both internally designated and undesignated resources.

AMERICAN BIRD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of ABC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Contributions and grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Management believes all receivables are fully collectible.

Conditional pledges to give are recognized by ABC when the conditions on which they depend are substantially met. During 2010, ABC received a conditional promise to give from one donor for \$800,000. The promise is conditional on receipt of matching contributions of \$2,000,000. As of December 31, 2013 and 2012, ABC had raised \$2,272,903 and \$2,272,903, respectively, of the match and had received \$800,000 and \$782,500, respectively, of the pledge. In 2012, this donor gave ABC an additional conditional promise to give of \$1,000,000. The promise is conditional on receipt of matching contributions of \$2,500,000. As of December 31, 2013 and 2012, ABC had raised \$1,812,302 and \$107,955, respectively, and recognized \$294,433 and \$36,466, respectively.

Income taxes -

ABC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. ABC is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2013 and 2012, ABC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

AMERICAN BIRD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs are allocated based upon salaries.

Risks and uncertainties -

ABC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Fair value measurement -

ABC adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. ABC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 1,272,898	\$ 1,599,151	\$ 1,187,140	\$ 1,262,401
Corporate bonds	-	-	25,014	25,524
Money market funds	<u>1,225</u>	<u>1,225</u>	<u>1,038</u>	<u>1,038</u>
TOTAL INVESTMENTS	<u>\$ 1,274,123</u>	<u>\$ 1,600,376</u>	<u>\$ 1,213,192</u>	<u>\$ 1,288,963</u>

Included in interest and investment income are the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 58,947	\$ 35,876
Unrealized gain on investments	250,482	143,150
Realized gain (loss) on sales of investments	<u>2,230</u>	<u>(6,125)</u>
TOTAL INTEREST AND INVESTMENT INCOME	<u>\$ 311,659</u>	<u>\$ 172,901</u>

AMERICAN BIRD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

3. PROGRAM-RELATED INVESTMENTS AND LOAN PAYABLE

In 2010, ABC received a non-interest bearing unsecured loan of \$20,000 from a foundation to be used for lending purposes. The loan is due to be repaid as follows:

	<u>2013</u>	<u>2012</u>
Year Ending December 31, 2013	\$ <u>-</u>	\$ <u>10,000</u>

As of December 31, 2013 and 2012, ABC has loaned these funds to partner organizations to carry out the donor's specified purpose. These program-related investments are due to be repaid to ABC as follows:

<u>Year Ending December 31,</u>	<u>2013</u>	<u>2012</u>
2013	\$ -	\$ 18,284
2014	<u>12,000</u>	<u>-</u>
	\$ <u>12,000</u>	\$ <u>18,284</u>

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are due over the following two years and consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
U.S. Fish and Wildlife Service	\$ 531,566	\$ 683,730
National Fish and Wildlife Foundation	346,773	588,398
Other	316,294	226,374
N. Richard Eales	147,003	225,000
Robert Wilson Trust II	-	177,625
U.S. Department of Defense	92,902	129,998
Leon Levy Foundation	-	123,399
IUCN	31,118	107,955
Department of the Navy	26,280	44,100
Robert Wilson Trust III	241,526	36,466
U.S. Department of Agriculture Forest Service	57,387	27,726
Sociedad Ornitologica Hispaniola	-	26,000
Natural Resources Conservation Service	47,716	24,260
Tennessee Wildlife Conservation Service	20,000	20,000
Sustainable Forestry Initiative	18,526	15,000
Arnold Glaas	16,000	12,800
Global Conservation Facility	2,512	12,512
Ducks Unlimited	18,936	9,483
Wildlife Management Institute	23,346	7,232
Bureau of Land Management	22,726	3,044
Center for Land Management	57,006	-
Environment Canada	18,000	-
Lessard-Sams Outdoor Heritage Council	52,609	-
Mississippi State University	<u>46,477</u>	<u>-</u>
Total contributions and grants receivable	2,134,703	2,501,102
Less: Current portion	<u>(2,134,703)</u>	<u>(2,401,102)</u>
NONCURRENT PORTION	\$ <u>-</u>	\$ <u>100,000</u>

AMERICAN BIRD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

5. BOARD DESIGNATED NET ASSETS

Board designated funds are to be used for the following purposes:

- *William Belton Grant Fund* – awards small grants to worthy bird conservation projects and researchers in Latin America.
- *Bird Conservation Endowment* – a designated endowment for large gifts, bequests, and planned gifts coming to ABC with no donor restrictions. The principal can be used with Board authorization. Investment income can be used for operations.

Board designated net assets consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
William Belton Grant Fund	\$ 347,121	\$ 314,339
Bird Conservation Endowment	1,288,887	1,043,563
Revolving Fund	<u>-</u>	<u>103,419</u>
TOTAL BOARD DESIGNATED NET ASSETS	<u>\$ 1,636,008</u>	<u>\$ 1,461,321</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Bird Conservation Projects	\$ 2,294,870	\$ 2,167,256
Education and Outreach	-	900
Time Restricted	<u>27,871</u>	<u>21,086</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 2,322,741</u>	<u>\$ 2,189,242</u>

7. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2013 and 2012 by incurring expenses (or through the passage of time), satisfying the restricted purposes specified by the donors:

	<u>2013</u>	<u>2012</u>
Bird Conservation Projects	\$ 8,124,032	\$ 6,681,558
Education and Outreach	10,900	69,885
Passage of Time	<u>-</u>	<u>20,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 8,134,932</u>	<u>\$ 6,771,443</u>

AMERICAN BIRD CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

8. LEASE COMMITMENTS

ABC leases the following office spaces:

- The Plains, Virginia: under an agreement that expires August 31, 2014.
- District of Columbia: under an agreement that expired on December 31, 2011. During 2011, ABC signed a new agreement that expires on December 31, 2014, with an option for renewal.
- Kalispell, Montana: under an agreement that expired September 30, 2010 and was month-to-month until a new agreement was signed, which runs from July 1, 2012 to June 30, 2014.
- St. Louis, Missouri: under a month-to-month basis agreement.
- Boise, Idaho: under an agreement that expired October 31, 2013. A new agreement was signed in 2013, which runs from November 1, 2013 to October 31, 2014.

Future minimum lease payments required under these leases are as follows:

Year Ending December 31, 2014	\$ <u>134,873</u>
--------------------------------------	--------------------------

Rent expense, which is included in occupancy expense in the Statements of Functional Expenses, totaled \$176,320 and \$148,068, for the years ended December 31, 2013 and 2012, respectively.

9. CONTINGENCY

ABC receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2013. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, ABC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market ABC has the ability to access.

AMERICAN BIRD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

10. FAIR VALUE MEASUREMENT (Continued)

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

- *Money market funds* - The fair value is equal to the reported net asset value of the fund.
- *Mutual Funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Corporate Bonds* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, ABC's investments as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual funds	\$ 1,599,151	\$ -	\$ -	\$ 1,599,151
Money market funds	<u>1,225</u>	<u>-</u>	<u>-</u>	<u>1,225</u>
TOTAL	<u>\$ 1,600,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,600,376</u>

The table below summarizes, by level within the fair value hierarchy, ABC's investments as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual funds	\$ 1,262,401	\$ -	\$ -	\$ 1,262,401
Corporate bonds	-	25,524	-	25,524
Money market funds	<u>1,038</u>	<u>-</u>	<u>-</u>	<u>1,038</u>
TOTAL	<u>\$ 1,263,439</u>	<u>\$ 25,524</u>	<u>\$ -</u>	<u>\$ 1,288,963</u>

11. RETIREMENT PLAN

ABC provides retirement benefits to its employees through a 403(b) plan covering all full-time employees with one year of eligible experience. ABC is not required to, and did not make, any contributions to the plan during the years ended December 31, 2013 and 2012.

12. SUBSEQUENT EVENTS

In preparing these financial statements, ABC has evaluated events and transactions for potential recognition or disclosure through May 6, 2014, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

AMERICAN BIRD CONSERVANCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Federal Granting Agency and Program Title</u>	<u>Pass-Through Entity</u>	<u>CFDA or Award Number</u>	<u>Expenditures</u>
U.S. Department of the Interior - U.S. Fish and Wildlife Service:			
Migratory Bird Joint Ventures	N/A	15.637	\$ 1,283,799
Migratory Bird Joint Ventures	Mississippi State University	15.637	<u>46,477</u>
Subtotal 15.637			<u>1,330,276</u>
Endangered Species Conservation - Recovery Implementation Funds	N/A	15.657	<u>785</u>
Neotropical Migratory Bird Conservation	N/A	15.635	287,174
Neotropical Migratory Bird Conservation	Ducks Unlimited	15.635	<u>18,901</u>
Subtotal 15.635			<u>306,075</u>
State Wildlife Grants	Center for Natural Lands Management	15.634	<u>57,006</u>
Migratory Bird Monitoring, Assessment and Conservation	N/A	15.655	100,907
Migratory Bird Monitoring, Assessment and Conservation	Cornell Lab of Ornithology	15.655	<u>15,360</u>
Subtotal 15.655			<u>116,267</u>
National Fish and Wildlife Foundation	National Fish and Wildlife Foundation	15.663	<u>315,885</u>
Fish and Wildlife Coordination and Assistance Programs	Wildlife Management Institute	15.664	<u>30,578</u>
White-Bellied Cincloides	N/A	15.672	<u>15,894</u>
U.S. Department of the Interior - Bureau of Land Management:			
Fish, Wildlife and Plant Conservation Resource Management	N/A	15.231	<u>16,249</u>
U.S. Department of Agriculture - Natural Resources Conservation Service:			
Soil and Water Conservation	N/A	10.902	<u>76,914</u>
U.S. Department of Agriculture - Forest Service:			
National Fish and Wildlife Foundation	National Fish and Wildlife Foundation	10.683	<u>152,602</u>
Partners in Flight Conference/Partner Summit	N/A	10.684	<u>17,760</u>
Central Hardwoods Joint Venture	N/A	05-JV-11086002-001	<u>37,474</u>
AMJV FS	N/A	09-CS-11080300-010	<u>15,000</u>
Jewel Basin	N/A	09-CS-11011000-007	<u>2,758</u>
U.S. Department of Defense:			
Basic and Applied Scientific Research	N/A	12.300	<u>331,012</u>
Basic, Applied, and Advanced Research in Science and Engineering	N/A	ARRA 12.630	<u>27,261</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>2,849,796</u>

AMERICAN BIRD CONSERVANCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of ABC under programs of the Federal government for the year ended December 31, 2013. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of ABC, it is not intended to and does not present the financial position, changes in net assets or cash flows of ABC.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Subrecipients

Of the Federal Expenditures presented in the Schedule, ABC provided Federal awards to subrecipients as follows:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
International Forestry Program	10.684	\$ 25,546
Soil and Water Conservation	10.902	\$ 8,505
National Fish and Wildlife Foundation	10.963	\$ 150,964
Basic and Applied Scientific Research	12.300	\$ 179,592
Fish and Wildlife Conservation and Assistance Program	15.231	\$ 5,529
Neotropical Migratory Bird Conservation	15.635	\$ 251,491
Migratory Bird Joint Ventures	15.637	\$ 136,980
Migratory Bird Monitoring, Assessment and Conservation	15.655	\$ 82,750
Wildlife Without Borders	15.672	\$ 15,000
National Fish and Wildlife Foundation	15.663	\$ 293,184
Fish and Wildlife Conservation and Assistance Program	15.664	\$ 30,578

AMERICAN BIRD CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued: Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None Reported

3). Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

4). Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None Reported

5). Type of auditor's report issued on compliance for major programs: Unmodified6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Migratory Bird Joint Ventures	15.637	\$ 1,330,276
Basic and Applied Scientific Research	12.300	\$ 331,012

8). Dollar threshold used to distinguish between Type A and Type B programs: \$300,0009). Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

AMERICAN BIRD CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Section II - Financial Statement Findings

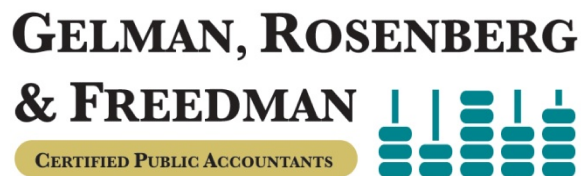
There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)

There were no reportable findings.

Section IV - Prior Year Findings

There were no prior year audit findings.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors
American Bird Conservancy
The Plains, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the American Bird Conservancy (ABC) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise ABC's basic financial statements, and have issued our report thereon dated May 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ABC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ABC's internal control. Accordingly, we do not express an opinion on the effectiveness of ABC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of ABC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Compliance and Other Matters

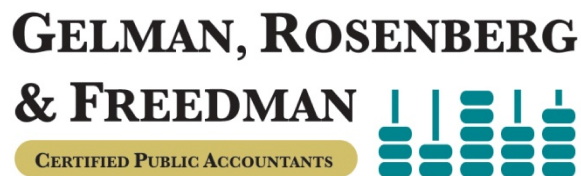
As part of obtaining reasonable assurance about whether ABC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

May 6, 2014



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

To the Board of Directors
American Bird Conservancy
The Plains, Virginia

Report on Compliance for Each Major Federal Program

We have audited the American Bird Conservancy's (ABC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ABC's major federal programs for the year ended December 31, 2013. ABC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ABC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ABC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ABC's compliance.

Opinion on Each Major Federal Program

In our opinion, ABC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

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Report on Internal Control Over Compliance

Management of ABC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ABC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ABC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

May 6, 2014