



**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

# AMERICAN BIRD CONSERVANCY

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**FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

# 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, 2016 and 2015, 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.

#### 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, 2016 and 2015, 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.

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### Other Matter

Our audit was 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-(20 - 23), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, 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 audit 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 July 13, 2017 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.



July 13, 2017

**AMERICAN BIRD CONSERVANCY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016 AND 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,010,889	\$ 1,185,947
Investments	3,079,649	1,830,956
Program-related investments	12,000	12,000
Contributions and grants receivable	2,337,687	2,575,616
Inventory	-	17,960
Prepaid expenses and other assets	<u>163,126</u>	<u>175,408</u>
Total current assets	<u>6,603,351</u>	<u>5,797,887</u>
<b>FURNITURE AND EQUIPMENT</b> , net of accumulated depreciation and amortization of \$276,396 and \$236,747 for 2016 and 2015, respectively	<u>80,503</u>	<u>76,752</u>
<b>OTHER ASSETS</b>		
Contributions and grants receivable, net of current portion	<u>72,596</u>	<u>378,098</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,756,450</u></b>	<b><u>\$ 6,252,737</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 606,908	\$ 242,117
Accrued salaries and related benefits	<u>238,474</u>	<u>235,533</u>
Total current liabilities	<u>845,382</u>	<u>477,650</u>
<b>NONCURRENT LIABILITIES</b>		
Deferred rent	<u>41,323</u>	<u>-</u>
Total liabilities	<u>886,705</u>	<u>477,650</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	653,930	1,125,462
Board designated	<u>2,878,127</u>	<u>1,660,758</u>
Total unrestricted net assets	3,532,057	2,786,220
Temporarily restricted	2,160,830	2,868,018
Permanently restricted	<u>176,858</u>	<u>120,849</u>
Total net assets	<u>5,869,745</u>	<u>5,775,087</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,756,450</u></b>	<b><u>\$ 6,252,737</u></b>

See accompanying notes to financial statements.

**AMERICAN BIRD CONSERVANCY**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 3,456,750	\$ 4,071,589	\$ 37,500	\$ 7,565,839
Grants	-	5,189,854	-	5,189,854
Interest and investment income	200,090	-	18,509	218,599
Other revenue	122,188	-	-	122,188
Net assets released from donor restrictions	<u>9,968,631</u>	<u>(9,968,631)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>13,747,659</u>	<u>(707,188)</u>	<u>56,009</u>	<u>13,096,480</u>
<b>EXPENSES</b>				
Program Services:				
Bird Conservation Projects	10,047,106	-	-	10,047,106
Education and Outreach	801,212	-	-	801,212
Membership	<u>262,345</u>	<u>-</u>	<u>-</u>	<u>262,345</u>
Total program services	<u>11,110,663</u>	<u>-</u>	<u>-</u>	<u>11,110,663</u>
Supporting Services:				
Management and General	1,367,576	-	-	1,367,576
Fundraising	<u>523,583</u>	<u>-</u>	<u>-</u>	<u>523,583</u>
Total supporting services	<u>1,891,159</u>	<u>-</u>	<u>-</u>	<u>1,891,159</u>
Total expenses	<u>13,001,822</u>	<u>-</u>	<u>-</u>	<u>13,001,822</u>
Changes in net assets	745,837	(707,188)	56,009	94,658
Net assets at beginning of year	<u>2,786,220</u>	<u>2,868,018</u>	<u>120,849</u>	<u>5,775,087</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 3,532,057</u></b>	<b><u>\$ 2,160,830</u></b>	<b><u>\$ 176,858</u></b>	<b><u>\$ 5,869,745</u></b>



<b>2015</b>			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 3,002,250	\$ 3,824,381	\$ 60,000	\$ 6,886,631
-	5,560,132	-	5,560,132
753	-	1,569	2,322
127,390	-	-	127,390
<u>8,219,700</u>	<u>(8,219,700)</u>	<u>-</u>	<u>-</u>
<u>11,350,093</u>	<u>1,164,813</u>	<u>61,569</u>	<u>12,576,475</u>
9,008,266	-	-	9,008,266
577,220	-	-	577,220
<u>351,676</u>	<u>-</u>	<u>-</u>	<u>351,676</u>
<u>9,937,162</u>	<u>-</u>	<u>-</u>	<u>9,937,162</u>
1,084,716	-	-	1,084,716
<u>478,833</u>	<u>-</u>	<u>-</u>	<u>478,833</u>
<u>1,563,549</u>	<u>-</u>	<u>-</u>	<u>1,563,549</u>
<u>11,500,711</u>	<u>-</u>	<u>-</u>	<u>11,500,711</u>
(150,618)	1,164,813	61,569	1,075,764
<u>2,936,838</u>	<u>1,703,205</u>	<u>59,280</u>	<u>4,699,323</u>
<u>\$ 2,786,220</u>	<u>\$ 2,868,018</u>	<u>\$ 120,849</u>	<u>\$ 5,775,087</u>

**AMERICAN BIRD CONSERVANCY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services			Supporting Services			Total Expenses	
	Bird Conservation Projects	Education and Outreach	Membership	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 3,586,258	\$ 469,079	\$ 126,291	\$ 4,181,628	\$ 877,334	\$ 263,208	\$ 1,140,542	\$ 5,322,170
Payroll taxes and benefits	725,034	94,834	25,532	845,400	177,371	53,213	230,584	1,075,984
Printing	24,513	33,128	42,219	99,860	624	5,077	5,701	105,561
Occupancy	163,333	20,084	5,407	188,824	37,564	11,270	48,834	237,658
Grants	4,121,576	500	-	4,122,076	168	-	168	4,122,244
Travel	388,310	3,808	317	392,435	2,015	33,709	35,724	428,159
Professional fees	640,955	93,535	36,570	771,060	88,080	71,671	159,751	930,811
Postage	10,174	1,976	18,254	30,404	4,788	25,078	29,866	60,270
Advertising	13,872	4,600	-	18,472	1,442	2,063	3,505	21,977
Meetings and conferences	80,643	6,593	506	87,742	65,239	3,617	68,856	156,598
Miscellaneous	20,419	81	-	20,500	15,590	26,937	42,527	63,027
Telephone	22,318	2,919	786	26,023	5,460	1,638	7,098	33,121
Office supplies	140,063	6,741	2,829	149,633	26,322	1,353	27,675	177,308
Depreciation and amortization	26,717	3,495	941	31,153	6,535	1,961	8,496	39,649
Insurance	27,388	3,582	964	31,934	6,700	2,010	8,710	40,644
Office equipment	7,951	48,349	246	56,546	40,955	1,980	42,935	99,481
Bank charges	20,469	2,677	721	23,867	5,008	1,502	6,510	30,377
Equipment rental	10,275	1,344	362	11,981	2,514	754	3,268	15,249
Dues	14,923	3,887	400	19,210	2,076	8,449	10,525	29,735
Books	757	-	-	757	-	308	308	1,065
Licenses and permits	1,158	-	-	1,158	1,791	7,785	9,576	10,734
<b>TOTAL</b>	<b>\$ 10,047,106</b>	<b>\$ 801,212</b>	<b>\$ 262,345</b>	<b>\$ 11,110,663</b>	<b>\$ 1,367,576</b>	<b>\$ 523,583</b>	<b>\$ 1,891,159</b>	<b>\$ 13,001,822</b>

See accompanying notes to financial statements.

**AMERICAN BIRD CONSERVANCY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services			Supporting Services			Total Expenses	
	Bird Conservation Projects	Education and Outreach	Membership	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 3,538,796	\$ 336,429	\$ 119,614	\$ 3,994,839	\$ 744,888	\$ 273,866	\$ 1,018,754	\$ 5,013,593
Payroll taxes and benefits	647,102	61,519	21,873	730,494	136,210	50,079	186,289	916,783
Printing	12,379	6,288	94,930	113,597	2,369	215	2,584	116,181
Occupancy	127,906	10,575	3,760	142,241	23,414	8,608	32,022	174,263
Grants	2,235,525	-	-	2,235,525	-	-	-	2,235,525
Travel	444,576	6,358	1,069	452,003	3,550	21,723	25,273	477,276
Professional fees	1,656,072	99,884	58,984	1,814,940	67,177	2,350	69,527	1,884,467
Postage	13,987	179	36,994	51,160	3,322	8,194	11,516	62,676
Advertising	38,877	2,180	7,321	48,378	1,835	255	2,090	50,468
Meetings and conferences	45,926	1,635	-	47,561	29,287	479	29,766	77,327
Miscellaneous	25,915	474	-	26,389	(1,622)	-	(1,622)	24,767
Telephone	22,165	2,107	749	25,021	4,666	1,715	6,381	31,402
Office supplies	55,360	7,266	2,363	64,989	13,178	3,001	16,179	81,168
Depreciation and amortization	33,652	3,199	1,137	37,988	7,084	2,604	9,688	47,676
Insurance	23,084	2,195	780	26,059	4,858	1,786	6,644	32,703
Office equipment	45,448	29,951	-	75,399	26,681	517	27,198	102,597
Bank charges	22,348	2,125	755	25,228	4,704	1,730	6,434	31,662
Equipment rental	-	-	1,347	1,347	10,589	597	11,186	12,533
Dues	10,523	4,811	-	15,334	835	1,895	2,730	18,064
Books	4,098	-	-	4,098	438	1,765	2,203	6,301
Field trip expenses	3,531	-	-	3,531	-	90,230	90,230	93,761
Licenses and permits	996	45	-	1,041	1,253	7,224	8,477	9,518
<b>TOTAL</b>	<b>\$ 9,008,266</b>	<b>\$ 577,220</b>	<b>\$ 351,676</b>	<b>\$ 9,937,162</b>	<b>\$ 1,084,716</b>	<b>\$ 478,833</b>	<b>\$ 1,563,549</b>	<b>\$ 11,500,711</b>

See accompanying notes to financial statements.

**AMERICAN BIRD CONSERVANCY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 94,658	\$ 1,075,764
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,649	47,676
Unrealized (gain) loss on investments	(93,265)	96,730
Realized gain on sales of investments	(12,339)	-
Permanently restricted contributions	(37,500)	(60,000)
Decrease (increase) in:		
Contributions and grants receivable	543,431	(511,377)
Inventory	17,960	470
Prepaid expenses and other assets	12,282	(96,928)
Increase (decrease) in:		
Accounts payable and accrued liabilities	364,791	(205,345)
Accrued salaries and related benefits	2,941	24,717
Deferred rent	41,323	-
Net cash provided by operating activities	<u>973,931</u>	<u>371,707</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of furniture and equipment	(43,400)	(60,686)
Purchases of investments	(1,186,897)	(149,169)
Proceeds from sales of investments	<u>43,808</u>	<u>-</u>
Net cash used by investing activities	<u>(1,186,489)</u>	<u>(209,855)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently restricted contributions	<u>37,500</u>	<u>60,000</u>
Net cash provided by financing activities	<u>37,500</u>	<u>60,000</u>
Net (decrease) increase in cash and cash equivalents	(175,058)	221,852
Cash and cash equivalents at beginning of year	<u>1,185,947</u>	<u>964,095</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,010,889</u></b>	<b><u>\$ 1,185,947</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Donated Investments	<b><u>\$ 281,073</u></b>	<b><u>\$ 769,881</u></b>

**AMERICAN BIRD CONSERVANCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**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 cash and investments purchased with maturities of three months or less to be cash and cash equivalents. Cash equivalents consist of funds 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.

As of December 31, 2016 and 2015, there were \$608,989 and \$1,225, respectively, in money market funds held by investment managers. These are included in investments in the Statements of Financial Position.

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 \$1,000 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 consisted of bird tape, which was recorded at the lower of cost or market value using the first-in, first-out method of inventory. During the year ended December 31, 2016, the bird tape inventory was transferred to a third party.

Net asset classification -

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

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

## AMERICAN BIRD CONSERVANCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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

Net asset classification (continued) -

- **Temporarily restricted net assets** include support and revenue 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.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by ABC. There are restrictions placed on the use of investment earnings from these endowment funds.

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. Accordingly, an allowance for doubtful accounts has not been established.

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, 2016 and 2015, 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.

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.

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.

**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

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.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted; however, ABC has not elected to early adopt the ASU. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of ABC's financial statements, it is not expected to alter ABC's reported financial position.

**2. INVESTMENTS**

Investments consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 608,989	\$ 608,989	\$ 1,225	\$ 1,225
Common stocks	-	-	31,352	31,314
Mutual funds	<u>2,127,116</u>	<u>2,470,660</u>	<u>1,548,100</u>	<u>1,798,417</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 2,736,105</u></b>	<b><u>\$ 3,079,649</u></b>	<b><u>\$ 1,580,677</u></b>	<b><u>\$ 1,830,956</u></b>

Included in interest and investment income are the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 112,995	\$ 99,052
Unrealized gain (loss) on investments	93,265	(96,730)
Realized gain on sales of investments	<u>12,339</u>	<u>-</u>
<b>TOTAL INTEREST AND INVESTMENT INCOME</b>	<b><u>\$ 218,599</u></b>	<b><u>\$ 2,322</u></b>

**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**3. PROGRAM-RELATED INVESTMENTS**

As of December 31, 2016 and 2015, 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:

Year Ending December 31, 2016 **\$ 12,000**

**4. CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions and grants receivable are due over the following two years and consisted of the following as of December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Total current portion of contributions and grants receivable	\$ 2,337,687	\$ 2,575,616
Total noncurrent portion of contributions and grants receivable (due in one to five years)	72,596	378,098
<b>TOTAL CONTRIBUTIONS AND GRANTS RECEIVABLE</b>	<b>\$ <u>2,410,283</u></b>	<b>\$ <u>2,953,714</u></b>

**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 Board Endowment* – a Board 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 as of December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
William Belton Grant Fund	\$ 331,609	\$ 333,026
Bird Conservation Board Endowment	2,546,518	1,327,732
<b>TOTAL BOARD DESIGNATED NET ASSETS</b>	<b>\$ <u>2,878,127</u></b>	<b>\$ <u>1,660,758</u></b>

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following as of December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Bird Conservation Projects	\$ 2,110,830	\$ 2,763,063
Education and Outreach	-	14,955
Time Restricted	50,000	90,000
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ <u>2,160,830</u></b>	<b>\$ <u>2,868,018</u></b>



**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**7. NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions during the years ended December 31, 2016 and 2015 by incurring expenses (or through the passage of time), satisfying the restricted purposes specified by the donors:

	<u>2016</u>	<u>2015</u>
Bird Conservation Projects	\$ 8,856,837	\$ 7,870,719
Education and Outreach	14,955	120,224
Passage of Time	<u>1,096,839</u>	<u>228,757</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 9,968,631</u></b>	<b><u>\$ 8,219,700</u></b>

**8. 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. The plan was restated effective September 30, 2016. ABC is not required to make contributions to the plan. During the year ended December 31, 2016, ABC contributed \$29,277 to the plan. ABC did not make contributions to the plan during the year ended December 31, 2015.

**9. LEASE COMMITMENTS**

ABC leases the following office spaces:

- The Plains, Virginia: under an agreement for a one-year term that expired August 31, 2015. Subsequent to the lease expiration, the arrangement was modified to a month-to-month basis.
- District of Columbia: under an agreement that expired February 29, 2016. ABC then moved to a new office space located in Washington, D.C. under a sixty-three month lease term that is to expire May 31, 2021. Base payments are \$12,960, with an annual escalation of 3%. Additionally, 50% of the first six months of rental payments were abated.
- Boise, Idaho: under an agreement that expired October 31, 2016. The lease was renewed for an additional one-year term, and now expires October 31, 2017.
- McAllen, Texas: under an agreement that expired September 30, 2016. The lease was renewed for an additional one-year term, and now expires September 30, 2017.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statements of Financial Position.

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

<u>Year Ending December 31</u>	
2017	\$ 166,358
2018	164,190
2019	169,116
2020	174,189
2021	<u>74,246</u>
<b>TOTAL</b>	<b><u>\$ 748,099</u></b>

## AMERICAN BIRD CONSERVANCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### 9. LEASE COMMITMENTS (Continued)

Rent expense for the years ended December 31, 2016 and 2015 totaled \$226,379 and \$165,247, respectively, and are included in occupancy in the accompany Statements of Functional Expenses.

#### 10. CONTINGENCY

ABC receives grants from various agencies of the U.S. Government. Beginning for fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the U.S. Government grants is based upon the allowance of costs reported to and accepted by the U.S. Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2016. Until such audits have been accepted by the U.S. 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.

#### 11. 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.

**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 as of December 31, 2016 and 2015.

- *Money market funds* - The fair value is equal to the reported net asset value of the fund.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *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.

**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**11. FAIR VALUE MEASUREMENT (Continued)**

The table below summarizes, by level within the fair value hierarchy, ABC's investments as of December 31, 2016:

<b>Asset Class:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 608,989	\$ -	\$ -	\$ 608,989
Mutual funds	<u>2,470,660</u>	<u>-</u>	<u>-</u>	<u>2,470,660</u>
<b>TOTAL</b>	<b><u>\$ 3,079,649</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,079,649</u></b>

The table below summarizes, by level within the fair value hierarchy, ABC's investments as of December 31, 2015:

<b>Asset Class:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 1,225	\$ -	\$ -	\$ 1,225
Common stocks	31,314	-	-	31,314
Mutual funds	<u>1,798,417</u>	<u>-</u>	<u>-</u>	<u>1,798,417</u>
<b>TOTAL</b>	<b><u>\$ 1,830,956</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,830,956</u></b>

**12. ENDOWMENT**

ABC's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. ABC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, ABC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**12. ENDOWMENT (Continued)**

The Land Protection Endowment is a donor restricted endowment fund. The investment income is used for land protection projects for bird conservation in the United States. The fund was established with a conditional gift from a donor.

In 2013, ABC received a conditional promise to give of \$80,000 (\$40,000 in 2014 and \$40,000 in 2015) from one donor. The promise is conditional on receipt of matching contributions of \$40,000 over this two-year period. As of December 31, 2015, the full amount of matching requirements was satisfied, and thus, the full amount of the conditional promise to give was recognized.

In 2016, ABC received another promise to give from the same donor of \$120,000 over a three-year period, conditional on receipt of matching funds of 50%. ABC satisfied a portion of this matching requirement in 2016, and accordingly recognized a proportionate amount of revenue of \$37,500.

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 176,858	\$ 176,858
Board-Designated Endowment Funds	<u>2,546,518</u>	<u>-</u>	<u>-</u>	<u>2,546,518</u>
<b>TOTAL FUNDS</b>	<b><u>\$ 2,546,518</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 176,858</u></b>	<b><u>\$ 2,723,376</u></b>

Changes in endowment net assets during the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,327,732	\$ -	\$ 120,849	\$ 1,448,581
Investment income	158,866	-	18,509	177,375
Contributions	1,098,004	-	37,500	1,135,504
Appropriation of endowment assets for expenditure	<u>(38,084)</u>	<u>-</u>	<u>-</u>	<u>(38,084)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ 2,546,518</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 176,858</u></b>	<b><u>\$ 2,723,376</u></b>

Endowment net asset composition by type of fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 120,849	\$ 120,849
Board-Designated Endowment Funds	<u>1,327,732</u>	<u>-</u>	<u>-</u>	<u>1,327,732</u>
<b>TOTAL FUNDS</b>	<b><u>\$ 1,327,732</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 120,849</u></b>	<b><u>\$ 1,448,581</u></b>

**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**12. ENDOWMENT (Continued)**

Changes in endowment net assets during the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,374,422	\$ -	\$ 59,280	\$ 1,433,702
Investment (loss) income	(5)	-	1,569	1,564
Contributions	-	-	60,000	60,000
Appropriation of endowment assets for expenditure	<u>(46,685)</u>	<u>-</u>	<u>-</u>	<u>(46,685)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ 1,327,732</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 120,849</u></b>	<b><u>\$ 1,448,581</u></b>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. There were no deficiencies as of December 31, 2016 and 2015.

Return Objectives and Risk Parameters -

ABC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in conservative instruments.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, ABC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy -

ABC has a policy of appropriating 100% of the endowment returns toward the purpose as stated in the original award.

**13. SUBSEQUENT EVENTS**

In preparing these financial statements, ABC has evaluated events and transactions for potential recognition or disclosure through July 13, 2017, the date the financial statements were issued.

**SUPPLEMENTAL INFORMATION**

## AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Granting Agency and Program Title</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Identification Number</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Interior - Bureau of Land Management:</b>						
Fish, Wildlife and Plant Conservation Resource Management	N/A	N/A	15.231	L13AC00272	\$ -	\$ 30,987
Subtotal 15.231					-	30,987
<b>U.S. Department of Interior - U.S. Fish and Wildlife Service:</b>						
Wildlife Restoration and Basic Hunter Education	Texas Parks & Wildlife Department	431523	15.611	15AF01084	29,554	49,625
Subtotal 15.611					29,554	49,625
Coastal Program	N/A	N/A	15.630	F16AC00824	17,791	30,345
Coastal Program	N/A	N/A	15.630	F15AC00765	-	2,766
Subtotal 15.630					17,791	33,111
Partners for Fish and Wildlife	N/A	N/A	15.631	F15AP00661	56,065	60,069
Subtotal 15.631					56,065	60,069
State Wildlife Grants	Center for Natural Lands Management	WA-S-2015-037-0	15.634	F14AP00801	-	5,563
Subtotal 15.634					-	5,563
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F15AP00992	72,350	82,110
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F16AP00452	-	272
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F14AP00628	89,947	95,675
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F15AP01021	97,100	107,080
Neotropical Migratory Bird Conservation	University of Pennsylvania	ABC RI 1314-043	15.635	F14AP00384	14,800	17,989
Subtotal 15.635					274,197	303,126
Migratory Bird Joint Ventures	N/A	N/A	15.637	40181-A-J035 / F10AC00392	-	58,223
Migratory Bird Joint Ventures	N/A	N/A	15.637	F12AC01624	61,365	300,958
Migratory Bird Joint Ventures	N/A	N/A	15.637	F16AC00461	-	202,586
Migratory Bird Joint Ventures	N/A	N/A	15.637	F14AC00914	60,961	71,694
Migratory Bird Joint Ventures	N/A	N/A	15.637	F12A00672	29,437	128,460
Migratory Bird Joint Ventures	N/A	N/A	15.637	40181-AJ-002 / F10AC00381	10,000	72,032
Migratory Bird Joint Ventures	N/A	N/A	15.637	F12AC01625	-	99,126

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Granting Agency and Program Title</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Identification Number</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Interior - U.S. Fish and Wildlife Service (continued):</b>						
Migratory Bird Joint Ventures	N/A	N/A	15.637	F15AC01073	\$ -	\$ 141,479
Migratory Bird Joint Ventures	N/A	N/A	15.637	F15AC01072	27,529	192,352
Migratory Bird Joint Ventures	N/A	N/A	15.637	F16AC00767	-	68,566
Migratory Bird Joint Ventures	N/A	N/A	15.637	F14AC00916	10,681	10,681
Migratory Bird Joint Ventures	N/A	N/A	15.637	F16AC00769	-	64,601
Subtotal 15.637					<u>199,973</u>	<u>1,410,758</u>
Research Grants (Generic)	N/A	N/A	15.650	F15AC00633	-	721
Subtotal 15.650					<u>-</u>	<u>721</u>
Migratory Bird Monitoring, Assessment and Conservation	N/A	N/A	15.655	F11AC00817	21,832	27,474
Subtotal 15.655					<u>21,832</u>	<u>27,474</u>
Endangered Species Conservation - Recovery Implementation Funds	N/A	N/A	15.657	F12AP00794	2,500	6,096
Endangered Species Conservation - Recovery Implementation Funds	N/A	N/A	15.657	F14AC00819	-	1,384
Subtotal 15.657					<u>2,500</u>	<u>7,480</u>
Natural Resource Damage Assessment, Restoration and Implementation	N/A	N/A	15.658	F15AC00322	24,210	40,198
Subtotal 15.658					<u>24,210</u>	<u>40,198</u>
National Fish and Wildlife Foundation	N/A	N/A	15.663	FA.A064	79,338	193,145
National Fish and Wildlife Foundation	N/A	N/A	15.663	FA.A069	6,164	18,158
National Fish and Wildlife Foundation	N/A	N/A	15.663	F15AP00569	122,349	211,530
National Fish and Wildlife Foundation	N/A	N/A	15.663	F16AP00398	-	23,906
Subtotal 15.663					<u>207,851</u>	<u>446,739</u>
Cooperative Landscape Conservation	Texas A&M University	N/A	15.669	F11AC00765	18,030	20,784
Cooperative Landscape Conservation	Texas A&M University	N/A	15.669	F11AF00023	18,000	18,000
Subtotal 15.669					<u>36,030</u>	<u>38,784</u>



AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Granting Agency and Program Title</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Identification Number</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Interior - U.S. Fish and Wildlife Service (continued):</b>						
Wildlife Without Borders - Critically Endangered Animal Conservation Fund	N/A	N/A	15.673	F15AP01044	\$ 18,565	\$ 23,712
Subtotal 15.673					<u>18,565</u>	<u>23,712</u>
<b>U.S. Department of Agriculture - Forest Service:</b>						
National Fish and Wildlife Foundation	N/A	N/A	10.683	14CA11132422195	-	98,865
Subtotal 10.683					<u>-</u>	<u>98,865</u>
Soil and Water Conservation	University of Pennsylvania	ABC RI 1415-055.002	10.902	68-7482-15-501	-	21,635
Soil and Water Conservation	N/A	N/A	10.902	FC.R256	35,935	40,719
Subtotal 10.902					<u>35,935</u>	<u>62,354</u>
Regional Conservation Partnership Program	N/A	N/A	10.932	68-3D47-15-16	119,777	308,564
Regional Conservation Partnership Program	N/A	N/A	10.932	65-6322 RCPP15-01	-	238,884
Subtotal 10.932					<u>119,777</u>	<u>547,448</u>
Ouachita NF Glade Mapping	N/A	N/A	*	AG-447U-P-16-0129	2,000	2,000
Appalachian Mountains Joint Venture Support for Early Successional Forest Species	N/A	N/A	*	15-CS-11092100-016	-	6,799
Subtotal					<u>2,000</u>	<u>8,799</u>
<b>U.S. Department of Defense:</b>						
Collaborative Research and Development	N/A	N/A	12.114	W912HZ-13-2-0005	-	74,331
Subtotal 12.114					<u>-</u>	<u>74,331</u>
Basic and Applied Scientific Research	N/A	N/A	12.300	HQ0034-15-2-0008	20,000	46,250
Subtotal 12.300					<u>20,000</u>	<u>46,250</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					<b>\$ 1,066,280</b>	<b>\$ 3,316,394</b>

\* No CFDA number provided

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of ABC under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. 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 on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. ABC has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

AMERICAN BIRD CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting:

Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

3). Noncompliance material to financial statements noted?

Yes  No

Federal Awards

4). Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

5). Type of auditor's report issued on compliance for major federal programs:

Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes  No

7). Identification of major federal programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Total Federal Expenditures</u>
Neotropical Migratory Bird Conservation	15.635	\$ 303,126
Regional Conservation Partnership Program	10.932	\$ 547,448

8). Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

9). Auditee qualified as a low-risk auditee?

Yes  No

AMERICAN BIRD CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Section II - Financial Statement Findings**

There were no reportable findings.

**Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))**

**Finding 2016-001: Subrecipient Management and Monitoring**

**Federal Programs: CFDA 15.635, CFDA 10.932**

**Criteria:** As stated in 2 CFR 200.331 part (b), all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring procedures to prescribe to each individual subrecipient.

**Condition:** Our audit procedures over subrecipient expenditures revealed instances where risk assessment procedures were either not performed, or the performed risk assessment procedures were not documented.

Our audit procedures consisted of substantive testwork over a sample of subrecipient expenditures that were selected based on a threshold. We consider our sample to be representative of the population.

**Context:** ABC failed to adequately perform risk assessment procedures, or document its risk assessment procedures, over each of its subrecipients.

**Cause:** ABC developed and implemented policies and procedures with respect to management and monitoring procedures of subrecipients, and applied pre-award risk assessment procedures prospectively over new subrecipients whose grants were awarded in 2016. However, ABC did not apply retrospective risk assessment procedures (or did not document these procedures) on its existing subrecipients under significant multi-year grants that were awarded in 2015, but that span into future years, some extending through the year 2020.

**Effect:** ABC could inadvertently engage in relationships with subrecipients of higher risk without the appropriate level of oversight (monitoring) to ensure subrecipients are expending funds in accordance with the provisions and terms of the subaward.

**Identification as a Repeat Finding, if Applicable:** 2015-001

**Questioned Costs:** None noted

**Recommendation:** We recommend ABC perform and document its risk assessment procedures over these said grants, and determine (and document) if any additional monitoring tools are necessary based on the results of these procedures.

**Views of Responsible Officials and Planned Corrective Actions:** ABC is retroactively performing risk assessments on all subrecipients open in 2016, whether those agreements ended in 2016 or continue beyond. This process will be completed and reviewed by the CFO by July 30, 2017.

AMERICAN BIRD CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a)) (Continued)

**Finding 2016-002: Financial Reporting to the Federal Government**

**Federal Program: CFDA 10.932**

**Criteria:** The U.S. Department of Agriculture (USDA) requires that ABC submit a quarterly Federal Financial Report (FFR), SF-425, in accordance with the quarterly schedule indicated in its grant agreements, and are due within 30 days of the end of each quarter.

**Condition:** We noted instances in which these reports were not submitted timely.

Our audit procedures consisted of testwork over all quarterly FFRs that applied to 2016 and to our major Federal programs, and because we tested 100% of the 2016 quarterly FFRs, our results are representative of the population.

**Context:** ABC failed to prepare and submit the quarterly FFRs on a timely basis.

**Cause:** ABC did not have the appropriate policies and procedures in place to ensure that quarterly FFRs were prepared and submitted on a timely basis.

**Effect:** ABC is not in full compliance with the terms of its grant agreements.

**Identification as a Repeat Finding, if Applicable:** Not applicable

**Questioned Costs:** None noted

**Recommendation:** To ensure full compliance with respect to this requirement, and to avoid potential penalties (such as suspension or termination of the award), we recommend ABC tighten its procedures with respect to the preparation and timely submission of these reports.

**Views of Responsible Officials and Planned Corrective Actions:** ABC will document the reason for any USDA SF-425 final submission exceeding the 30 day period at quarter end. The CFO will review any late submissions and put a corrective plan in place. These reviews are currently being implemented and a tracking mechanism for submission date and status will be developed and implemented by June 30, 2017.



## 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, 2016, and the related notes to the financial statements, which collectively comprise ABC's basic financial statements, and have issued our report thereon dated July 13, 2017.

### **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 CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
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.

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

July 13, 2017

# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

#### 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 Compliance Supplement* that could have a direct and material effect on each of ABC's major federal programs for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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.

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## 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, 2016.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

ABC's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. ABC's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## 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 the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-001 and 2016-002, that we consider to be significant deficiencies.

ABC's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. ABC's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Gelman Rosenberg & Freedman*

July 13, 2017