



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2017

AMERICAN BIRD CONSERVANCY

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FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, 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, 2017 and 2016, 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-(22 - 28), 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 3, 2018, 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 this report is solely 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 the effectiveness of ABC's internal control over financial reporting or on compliance. This 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 3, 2018

AMERICAN BIRD CONSERVANCY

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,513,821	\$ 1,010,889
Investments	3,678,417	3,079,649
Program-related investments	-	12,000
Contributions and grants receivable	5,494,816	2,337,687
Sub-grantee advances	158,574	-
Prepaid expenses and other assets	<u>145,881</u>	<u>163,126</u>
Total current assets	<u>10,991,509</u>	<u>6,603,351</u>
FURNITURE AND EQUIPMENT , net of accumulated depreciation and amortization of \$179,371 and \$276,396 for 2017 and 2016, respectively	<u>70,460</u>	<u>80,503</u>
OTHER ASSETS		
Contributions and grants receivable, net of current portion	<u>300,000</u>	<u>72,596</u>
TOTAL ASSETS	<u>\$ 11,361,969</u>	<u>\$ 6,756,450</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 358,398	\$ 606,908
Accrued salaries and related benefits	223,267	238,474
Deferred rent	<u>5,739</u>	<u>-</u>
Total current liabilities	<u>587,404</u>	<u>845,382</u>
NONCURRENT LIABILITIES		
Deferred rent, net of current portion	<u>34,627</u>	<u>41,323</u>
Total liabilities	<u>622,031</u>	<u>886,705</u>
NET ASSETS		
Unrestricted:		
Undesignated	688,930	653,930
Board designated	<u>3,256,554</u>	<u>2,878,127</u>
Total unrestricted net assets	3,945,484	3,532,057
Temporarily restricted	6,516,709	2,160,830
Permanently restricted	<u>277,745</u>	<u>176,858</u>
Total net assets	<u>10,739,938</u>	<u>5,869,745</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,361,969</u>	<u>\$ 6,756,450</u>

See accompanying notes to financial statements.

AMERICAN BIRD CONSERVANCY

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 3,628,249	\$ 8,315,666	\$ 55,000	\$ 11,998,915
Grants	-	5,115,600	-	5,115,600
Interest and investment income	459,046	-	45,887	504,933
Other revenue	85,940	-	-	85,940
Net assets released from donor restrictions	<u>9,075,387</u>	<u>(9,075,387)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>13,248,622</u>	<u>4,355,879</u>	<u>100,887</u>	<u>17,705,388</u>
EXPENSES				
Program Services:				
Bird Conservation Projects	9,747,484	-	-	9,747,484
Education and Outreach	620,104	-	-	620,104
Membership	<u>363,025</u>	<u>-</u>	<u>-</u>	<u>363,025</u>
Total program services	<u>10,730,613</u>	<u>-</u>	<u>-</u>	<u>10,730,613</u>
Supporting Services:				
Management and General	1,468,742	-	-	1,468,742
Fundraising	<u>635,840</u>	<u>-</u>	<u>-</u>	<u>635,840</u>
Total supporting services	<u>2,104,582</u>	<u>-</u>	<u>-</u>	<u>2,104,582</u>
Total expenses	<u>12,835,195</u>	<u>-</u>	<u>-</u>	<u>12,835,195</u>
Changes in net assets	413,427	4,355,879	100,887	4,870,193
Net assets at beginning of year	<u>3,532,057</u>	<u>2,160,830</u>	<u>176,858</u>	<u>5,869,745</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,945,484</u>	<u>\$ 6,516,709</u>	<u>\$ 277,745</u>	<u>\$ 10,739,938</u>

2016			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 3,456,750	\$ 4,071,589	\$ 37,500	\$ 7,565,839
-	5,189,854	-	5,189,854
200,090	-	18,509	218,599
122,188	-	-	122,188
<u>9,968,631</u>	<u>(9,968,631)</u>	<u>-</u>	<u>-</u>
<u>13,747,659</u>	<u>(707,188)</u>	<u>56,009</u>	<u>13,096,480</u>
10,047,106	-	-	10,047,106
801,212	-	-	801,212
<u>262,345</u>	<u>-</u>	<u>-</u>	<u>262,345</u>
<u>11,110,663</u>	<u>-</u>	<u>-</u>	<u>11,110,663</u>
1,367,576	-	-	1,367,576
<u>523,583</u>	<u>-</u>	<u>-</u>	<u>523,583</u>
<u>1,891,159</u>	<u>-</u>	<u>-</u>	<u>1,891,159</u>
<u>13,001,822</u>	<u>-</u>	<u>-</u>	<u>13,001,822</u>
745,837	(707,188)	56,009	94,658
<u>2,786,220</u>	<u>2,868,018</u>	<u>120,849</u>	<u>5,775,087</u>
<u>\$ 3,532,057</u>	<u>\$ 2,160,830</u>	<u>\$ 176,858</u>	<u>\$ 5,869,745</u>

AMERICAN BIRD CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services				Total Expenses
	Bird Conservation Projects	Education and Outreach	Membership	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 3,736,822	\$ 356,891	\$ 124,523	\$ 4,218,236	\$ 850,032	\$ 429,651	\$ 1,279,683	\$ 5,497,919
Payroll taxes and benefits	856,234	81,776	28,533	966,543	210,834	98,448	309,282	1,275,825
Printing	1,951	30,488	77,941	110,380	-	-	-	110,380
Occupancy	169,612	15,178	5,296	190,086	36,151	18,272	54,423	244,509
Grants	3,814,509	15,000	-	3,829,509	-	-	-	3,829,509
Travel	416,815	2,976	38	419,829	6,201	27,945	34,146	453,975
Professional fees	423,789	73,229	39,089	536,107	137,837	23,572	161,409	697,516
Postage	3,191	4,403	30,146	37,740	3,540	4,220	7,760	45,500
Advertising	32,239	-	4,603	36,842	1,225	2,297	3,522	40,364
Meetings and conferences	73,168	930	-	74,098	28,613	773	29,386	103,484
Miscellaneous	6,587	2,818	1,500	10,905	79,904	9,778	89,682	100,587
Telephone	21,139	2,019	704	23,862	4,809	2,431	7,240	31,102
Office supplies	90,843	626	4,481	95,950	27,603	2,048	29,651	125,601
Depreciation and amortization	30,662	2,928	1,022	34,612	6,975	3,525	10,500	45,112
Insurance	13,086	1,250	436	14,772	2,977	1,505	4,482	19,254
Office equipment	16,773	26,956	43,329	87,058	63,804	2,303	66,107	153,165
Bank charges	19,161	1,830	639	21,630	4,359	2,203	6,562	28,192
Equipment rental	7,444	711	248	8,403	1,693	856	2,549	10,952
Dues	10,214	95	-	10,309	1,243	-	1,243	11,552
Books	1,757	-	-	1,757	117	-	117	1,874
Licenses and permits	1,488	-	497	1,985	825	6,013	6,838	8,823
TOTAL	\$ 9,747,484	\$ 620,104	\$ 363,025	\$ 10,730,613	\$ 1,468,742	\$ 635,840	\$ 2,104,582	\$ 12,835,195

See accompanying notes to financial statements.

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
TOTAL	\$ 10,047,106	\$ 801,212	\$ 262,345	\$ 11,110,663	\$ 1,367,576	\$ 523,583	\$ 1,891,159	\$ 13,001,822

See accompanying notes to financial statements.

AMERICAN BIRD CONSERVANCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 4,870,193	\$ 94,658
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	45,112	39,649
Unrealized gain on investments	(193,315)	(93,265)
Realized gain on sales of investments	(163,905)	(12,339)
Permanently restricted contributions	(55,000)	(37,500)
Loss on disposal of furniture and equipment	4,268	-
Decrease (increase) in:		
Program-related investments	12,000	-
Contributions and grants receivable	(3,384,533)	543,431
Sub-grantee advances	(158,574)	-
Inventory	-	17,960
Prepaid expenses and other assets	17,245	12,282
(Decrease) increase in:		
Accounts payable and accrued liabilities	(248,510)	364,791
Accrued salaries and related benefits	(15,207)	2,941
Deferred rent	(957)	41,323
Net cash provided by operating activities	<u>728,817</u>	<u>973,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(39,337)	(43,400)
Purchases of investments	(962,469)	(1,186,897)
Proceeds from sales of investments	<u>720,921</u>	<u>43,808</u>
Net cash used by investing activities	<u>(280,885)</u>	<u>(1,186,489)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>55,000</u>	<u>37,500</u>
Net cash provided by financing activities	<u>55,000</u>	<u>37,500</u>
Net increase (decrease) in cash and cash equivalents	502,932	(175,058)
Cash and cash equivalents at beginning of year	<u>1,010,889</u>	<u>1,185,947</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,513,821</u>	<u>\$ 1,010,889</u>
SUPPLEMENTAL INFORMATION:		
Donated Investments	<u>\$ 455,440</u>	<u>\$ 281,073</u>

AMERICAN BIRD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The American Bird Conservancy (ABC) is a not-for-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 the Financial Accounting Standards Board (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, 2017 and 2016, there were \$1,037,353 and \$608,989, 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, dividends and interest are included in interest and investment income in the Statements of Activities and Changes in Net Assets. Donated investments are sold immediately upon receipt, and are reflected as contributions at their sale price.

Program-related investments -

Program-related investments represented funds that ABC loaned to partner organizations to carry out the donor's specified purpose. As of December 31, 2016, program-related investments totaled \$12,000. During the year ended December 31, 2017, management deemed the balance to be uncollectible, and accordingly, it was written off.

Sub-grantee advances, payables and expense -

Sub-grantee advances consist of amounts provided to partners/sub-grantees to execute project objectives.

AMERICAN BIRD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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

Sub-grantee advances, payables and expense (continued) -

Project costs incurred by partners/sub-grantees are recorded in the accompanying financial statements when reported to ABC; accordingly, advances are reduced and expenses are increased. Amounts not reimbursed by ABC (to partners/sub-grantees) as of fiscal year-end are recorded as sub-grants payable.

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.

Net asset classification -

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

- **Unrestricted net assets** include 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.
- **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 donor 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.

AMERICAN BIRD CONSERVANCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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

Uncertain tax positions -

For the years ended December 31, 2017 and 2016, 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.

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 pronouncements (not yet adopted) -

In August 2016, the FASB issued 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. 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.

AMERICAN BIRD CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

New accounting pronouncements (not yet adopted) (continued) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018.

Early adoption is permitted. ABC has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

ABC plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,037,353	\$ 1,037,353	\$ 608,989	\$ 608,989
Mutual funds	<u>2,115,651</u>	<u>2,641,064</u>	<u>2,138,562</u>	<u>2,470,660</u>
TOTAL INVESTMENTS	<u>\$ 3,153,004</u>	<u>\$ 3,678,417</u>	<u>\$ 2,747,551</u>	<u>\$ 3,079,649</u>

Included in interest and investment income are the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 147,713	\$ 112,995
Unrealized gain on investments	193,315	93,265
Realized gain on sales of investments	<u>163,905</u>	<u>12,339</u>
TOTAL INTEREST AND INVESTMENT INCOME	<u>\$ 504,933</u>	<u>\$ 218,599</u>

AMERICAN BIRD CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are due over the following two years and consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Total current portion of contributions and grants receivable	\$ 5,494,816	\$ 2,337,687
Total noncurrent portion of contributions and grants receivable (due in one to five years)	300,000	72,596
TOTAL CONTRIBUTIONS AND GRANTS RECEIVABLE	\$ <u>5,794,816</u>	\$ <u>2,410,283</u>

4. 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, 2017 and 2016:

	2017	2016
William Belton Grant Fund	\$ 352,028	\$ 331,609
Bird Conservation Board Endowment	2,904,526	2,546,518
TOTAL BOARD DESIGNATED NET ASSETS	\$ <u>3,256,554</u>	\$ <u>2,878,127</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Bird Conservation Projects	\$ 6,486,709	\$ 2,110,830
Education and Outreach	30,000	-
Time Restricted	-	50,000
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>6,516,709</u>	\$ <u>2,160,830</u>

AMERICAN BIRD CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

6. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions during the years ended December 31, 2017 and 2016 by incurring expenses (or through the passage of time), satisfying the restricted purposes specified by the donors:

	<u>2017</u>	<u>2016</u>
Bird Conservation Projects	\$ 9,015,387	\$ 8,856,837
Education and Outreach	10,000	14,955
Passage of Time	<u>50,000</u>	<u>1,096,839</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 9,075,387</u>	<u>\$ 9,968,631</u>

7. 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 years ended December 31, 2017 and 2016, ABC contributed \$61,186 and \$29,277, respectively, to the Plan.

8. 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 which expired 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, 2018.
- Alpine, Texas: under an agreement that expired September 30, 2016. Subsequent to the lease expiration, the arrangement was modified to a month-to-month basis.

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.

AMERICAN BIRD CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

8. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

Year Ending December 31

2018	\$ 166,890
2019	169,116
2020	174,189
2021	<u>74,246</u>
TOTAL	<u>\$ 584,441</u>

Rent expense during the years ended December 31, 2017 and 2016 totaled \$234,778 and \$226,379, respectively, and is included in occupancy in the accompanying Statements of Functional Expenses.

9. CONTINGENCY

ABC receives grants from various agencies of the U.S. Government. For the years ended December 31, 2017 and 2016, such grants were 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 2017. 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.

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.

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.

AMERICAN BIRD CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

10. FAIR VALUE MEASUREMENT (Continued)

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, 2017 and 2016.

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by ABC are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. Mutual funds held by ABC are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, ABC's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Money market funds	\$ 1,037,353	\$ -	\$ -	\$ 1,037,353
Mutual funds	<u>2,641,064</u>	<u>-</u>	<u>-</u>	<u>2,641,064</u>
TOTAL	<u>\$ 3,678,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,678,417</u>

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

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

11. ENDOWMENTS

ABC's endowments consist 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 allowing ABC to appropriate for expenditures or accumulate so much of an endowment fund as ABC determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors.

AMERICAN BIRD CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

11. ENDOWMENTS (Continued)

As a result of this interpretation, ABC has not changed the way permanently restricted net assets are classified. See Note 1 for further information on net asset classification. 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 ABC in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, ABC 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.

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 initially established with a conditional gift from a donor, and has grown with additional contributions received from other donors. During the year ended 2016, ABC received another promise to give from a donor in the amount of \$120,000 over a three-year period, conditional on receipt of matching funds of 50%. ABC satisfied a portion of this matching requirement, and accordingly recognized a proportionate amount of revenue of \$55,000 and \$37,500 during the years ended December 31, 2017 and 2016, respectively.

Endowment net asset composition by type of fund as of December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 277,745	\$ 277,745
Board-Designated Endowment Funds	<u>2,904,526</u>	<u>-</u>	<u>-</u>	<u>2,904,526</u>
TOTAL FUNDS	<u>\$ 2,904,526</u>	<u>\$ -</u>	<u>\$ 277,745</u>	<u>\$ 3,182,271</u>

Changes in endowment net assets during the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,546,518	\$ -	\$ 176,858	\$ 2,723,376
Investment income	352,091	-	45,887	397,978
Contributions	30,819	-	55,000	85,819
Appropriation of endowment assets for expenditure	<u>(24,902)</u>	<u>-</u>	<u>-</u>	<u>(24,902)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 2,904,526</u>	<u>\$ -</u>	<u>\$ 277,745</u>	<u>\$ 3,182,271</u>

AMERICAN BIRD CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

11. ENDOWMENTS (Continued)

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>
TOTAL FUNDS	<u>\$ 2,546,518</u>	<u>\$ -</u>	<u>\$ 176,858</u>	<u>\$ 2,723,376</u>

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>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 2,546,518</u>	<u>\$ -</u>	<u>\$ 176,858</u>	<u>\$ 2,723,376</u>

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, 2017 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.

AMERICAN BIRD CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

12. SUBSEQUENT EVENTS

In preparing these financial statements, ABC has evaluated events and transactions for potential recognition or disclosure through July 3, 2018, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

AMERICAN BIRD CONSERVANCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Interior - Bureau of Land Management:						
Fish, Wildlife and Plant Conservation Resource Management	N/A	N/A	15.231	L13AC00272	\$ -	\$ 1,113
Fish, Wildlife and Plant Conservation Resource Management	N/A	N/A	15.231	0103.17.055344 (L08AC15666)	-	44,020
Subtotal 15.231					-	45,133
U.S. Department of Interior - U.S. Fish and Wildlife Service:						
Wildlife Restoration and Basic Hunter Education	Texas Parks and Wildlife Department	431523	15.611	F11AF00023/		
		431523	15.611	F15AF01084	25,500	58,020
Wildlife Restoration and Basic Hunter Education	Tennessee Wildlife Resources Agency	52994	15.611	F16AF00737	7,500	7,500
Subtotal 15.611					33,000	65,520
Cooperative Endangered Species Conservation Fund	Texas Parks and Wildlife Department	504286	15.615	F17AP01046	6,402	6,402
Subtotal 15.615					6,402	6,402
Coastal Program	N/A	N/A	15.630	F16AC00824	68,587	102,534
Coastal Program	N/A	N/A	15.630	F15AC00765	-	386
Coastal Program	N/A	N/A	15.630	F17AC00415	14,865	30,437
Subtotal 15.630					83,452	133,357

AMERICAN BIRD CONSERVANCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Interior - U.S. Fish and Wildlife Service (continued):						
State Wildlife Grants	Center for Natural Lands Management	WA-S-2015-037-0	15.634	F14AP00801	\$ -	\$ 4,384
State Wildlife Grants	Oregon Department of Fish and Wildlife	635-002-17	15.634	F13AF00913	14,841	49,999
Subtotal 15.634					14,841	54,383
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F15AP01021	27,140	35,868
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F17AP00678	15,973	53,827
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F15AP00992	86,902	115,806
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F16AP00452	723	13,916
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F17AP00663	63,000	71,206
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F17AP00674	23,850	32,788
Subtotal 15.635					217,588	323,411
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00917	-	27,304
Migratory Bird Joint Ventures	N/A	N/A	15.637	F12AC01625	17,250	87,250
Migratory Bird Joint Ventures	N/A	N/A	15.637	F12AC01624	26,305	197,075
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00082	25,567	100,585

AMERICAN BIRD CONSERVANCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Interior - U.S. Fish and Wildlife Service (continued):						
Migratory Bird Joint Ventures	N/A	N/A	15.637	F16AC00461	\$ -	\$ 322,377
Migratory Bird Joint Ventures	N/A	N/A	15.637	F12A00672	-	95,507
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00424	-	69,069
Migratory Bird Joint Ventures	N/A	N/A	15.637	F16AC00767	1,000	194,934
Migratory Bird Joint Ventures	N/A	N/A	15.637	F15AC01073	27,884	51,260
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00426	-	71,878
Migratory Bird Joint Ventures	N/A	N/A	15.637	F16AC00769	-	182,724
Migratory Bird Joint Ventures	N/A	N/A	15.637	F15AC01072	6,304	6,304
Subtotal 15.637					104,310	1,406,267
Research Grants (Generic)	N/A	N/A	15.650	F15AC00633	-	5,650
Subtotal 15.650					-	5,650
Migratory Bird Monitoring, Assessment and Conservation	N/A	N/A	15.655	F11AC00817	-	968
Migratory Bird Monitoring, Assessment and Conservation	N/A	N/A	15.655	F17AC00121	21,500	24,431
Subtotal 15.655					21,500	25,399

AMERICAN BIRD CONSERVANCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Interior - U.S. Fish and Wildlife Service (continued):						
Natural Resource Damage Assessment, Restoration and Implementation	N/A	N/A	15.658	F15AC00322	\$ 33,301	\$ 77,747
Subtotal 15.658					33,301	77,747
National Fish and Wildlife Foundation	N/A	N/A	15.663	0101.14.045580/ FA.A064	62,653	74,508
National Fish and Wildlife Foundation	N/A	N/A	15.663	2004.16.054623	-	13,624
National Fish and Wildlife Foundation	N/A	N/A	15.663	0101.17.055244/ F17AP00569	-	25,617
National Fish and Wildlife Foundation	N/A	N/A	15.663	0101.16.051242/ F16AP00398	276,094	276,094
National Fish and Wildlife Foundation	N/A	N/A	15.663	0101.16.051243/ F15A00569	7,840	10,757
Subtotal 15.663					346,587	400,600
U.S. Department of Agriculture - Forest Service:						
National Fish and Wildlife Foundation	N/A	N/A	10.000	55699 / 15-PA- 11050700-016	4,237	22,703
Subtotal 10.000					4,237	22,703
National Fish and Wildlife Foundation	N/A	N/A	10.683	0101.14.045580 FA.A063	-	24,843

AMERICAN BIRD CONSERVANCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture - Forest Service (continued):						
National Fish and Wildlife Foundation	N/A	N/A	10.683	0101.17.055244/17-CA-11132422-109	\$ -	\$ 4,457
National Fish and Wildlife Foundation	N/A	N/A	10.683	0103.17.055344 (16-CA-11132422-213)	6,636	20,009
National Fish and Wildlife Foundation	N/A	N/A	10.683	0403.17.057061	1,858	2,795
Subtotal 10.683					8,494	52,104
Partnership Agreements	N/A	N/A	10.699	15-CS-11092100-016	-	15,360
Partnership Agreements	N/A	N/A	10.699	17-CS-11090500-036 / 17-CS-11090500-037	3,215	3,215
Partnership Agreements	N/A	N/A	10.699	17-CS-11090500-036 / 17-CS-11090500-038	2,190	2,190
Subtotal 10.699					5,405	20,765
Soil and Water Conservation	N/A	N/A	10.902	0103.17.055344 (65-0325-15-017)	-	28,012
Soil and Water Conservation	N/A	N/A	10.902	2004.15.049762/FC.R256	158,393	158,393
Soil and Water Conservation	N/A	N/A	10.902	2004.16.054528/68387516813	-	50,396

**AMERICAN BIRD CONSERVANCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture - Forest Service (continued):						
Soil and Water Conservation	University of Pennsylvania	ABC RI 1415-055.002	10.902	68-7482-15-501	\$ -	\$ 6,365
Subtotal 10.902					158,393	243,166
Regional Conservation Partnership Program	N/A	N/A	10.932	65-6322-15-01	-	246,450
Regional Conservation Partnership Program	N/A	N/A	10.932	68-3D47-15-16	159,297	316,635
Subtotal 10.932					159,297	563,085
National Park Service - Terlingua Creek	N/A	N/A	10.954	P17AC00084	1,400	1,400
Subtotal 10.954					1,400	1,400
U.S. Department of Defense:						
Basic and Applied Scientific Research	N/A	N/A	12.300	HQ0034-15-2-0008	20,000	21,000
Subtotal 12.300					20,000	21,000
Streak-Horned Lark	Lands Management	WA-S-2016-073-0	*	FS: W9124J-15-2-0002	7,500	15,000
SW Riparian			*	W912HZ-16-2-0009	-	2,426
Subtotal					7,500	17,426
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 1,225,707	\$ 3,485,518

*No CFDA number provided

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. 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 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, 2017

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	15.637	\$ 1,406,267

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, 2017

Section II - Financial Statement Findings

Finding 2017-001: Reconciliation of Asset and Liability Accounts

Criteria: As stated in 2 CFR 200.303, the non-federal entity (i.e. ABC) must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or in the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: At the commencement of our audit fieldwork, we noted that several asset and liability accounts (i.e. cash, receivables, prepaid expenses, fixed assets, accounts payable) were not properly reconciled as of December 31, 2017. As a result, a significant amount of time was spent by management during the audit process reconciling accounts. Upon further inquiry, it was noted that management does not perform monthly close-out procedures of its accounts, and thus, most accounts remain unreconciled throughout the duration of the year. Additionally, certain schedules are prepared by the Chief Financial Officer, and do not undergo a proper review and approval process. We believe these practices could result in possible unreliable internal financial information, and also represent a weakness in internal controls.

Context: Asset and liability account reconciliations were not performed on a timely basis.

Cause: ABC did not have the proper internal controls in place to ensure timely and accurate reconciliations of its asset and liability accounts.

Effect: Without timely and accurate reconciliations of asset and liability accounts, there exists the potential for undetected errors or misappropriation of funds, as well as internal financial statements that are incomplete, inaccurate and unreliable.

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

Questioned Costs: None noted.

Recommendation: We recommend that asset and liability accounts be reconciled on a regular basis (i.e. monthly), as well as before the start of the audit. We also recommend that supporting subsidiary schedules be maintained and reconciled to the corresponding general ledger account balances. All supporting schedules should be prepared by a designated member of the accounting department, and reviewed and approved by the appropriate member of management. This process should be performed within a reasonable time frame following the end of each month, and the review and approval process should be clearly documented.

Views of Responsible Officials and Planned Corrective Actions: ABC will institute a monthly reconciliation of asset and liability accounts. These reconciliations will be done by the finance staff and be reviewed and documented by the Chief Financial Officer (CFO). ABC will begin this process with the July 2018 monthly close.

Anticipated Completion Date: July 2018

Responsible Official: Chief Financial Officer

AMERICAN BIRD CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Finding 2017-002: Subaward Documentation

Federal Program: CFDA 15.637

Criteria: As stated in 2 CFR 200.331 part (a), all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward, and that the award documents include all required data elements at the time of the subaward, and if any of these data elements change, include the changes in a subsequent award modification.

Condition: Our audit work over subrecipient expenditures disclosed instances in which the subaward did not identify the CFDA number.

Our audit procedures consisted of testwork over a haphazard selection of subrecipient transactions, based on prescribed sampling forms. Our sample is representative of the population.

Context: ABC did not disclose the CFDA numbers to certain subrecipients in the subaward documents.

Cause: Based on discussions with management, the omission of CFDA numbers in the subaward documents was a typo caused by human error.

Effect: Without disclosure of the CFDA number to which the subaward is charged, ABC's subrecipients could lack knowledge of the applicable requirements to which they are obligated to follow.

Identification as a Repeat Finding, if Applicable: Not applicable

Questioned Costs: None noted

Recommendation: We recommend a more detailed review of ABC's subaward documents prior to the issuance of these to potential subawardees to ensure that all required data elements are included within the award document, and hence, are properly communicated to its subrecipients.

Views of Responsible Officials and Planned Corrective Actions: ABC will review sub-awards and insure all data elements are in the award. Inclusion of the CFDA number is a standard part of the sub-award template that was instituted in 2017. By July 31, 2018, a review of all sub-awards issued prior to July 2017 to assure CFDA numbers have been included.

Anticipated Completion Date: July 2018

Responsible Official: Chief Financial Officer

Finding 2017-003: Financial Reporting to the Federal Government

Federal Program: CFDA 15.637

Criteria: The U.S. Department of Interior 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 calendar quarter.

AMERICAN BIRD CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Finding 2017-003: Financial Reporting to the Federal Government (Continued)

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 2017 and to the major Federal program. Since we tested 100% of the population, 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: 2016-002

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 that ABC improve its procedures with respect to timely preparation and submission of these reports.

Views of Responsible Officials and Planned Corrective Actions: ABC has a system in place for tracking the timely submission of FFRs. In 2018, first quarter reporting shows zero late reports. A report is run quarterly and reviewed by the CFO. Reasons of any late reports are analyzed. There were no first quarter 2018 late reports.

Anticipated Completion Date: First quarter of 2018

Responsible Official: Chief Financial Officer



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, 2017, and the related notes to the financial statements, which collectively comprise ABC's basic financial statements, and have issued our report thereon dated July 3, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001, that we consider to be a significant deficiency.

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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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001.

ABC's Response to the Finding

ABC's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. ABC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.



July 3, 2018

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 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, 2017. 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.

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 during the year ended December 31, 2017.

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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

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 2017-002 and 2017-003. 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 them.

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 2017-002 and 2017-003, 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 them.

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.



July 3, 2018