



**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

# AMERICAN BIRD CONSERVANCY

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**FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

# AMERICAN BIRD CONSERVANCY

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## CPAs & ADVISORS

### 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, 2018 and 2017, 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, 2018 and 2017, 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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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### **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-(23 - 29), 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 September 19, 2019, 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.



September 19, 2019

## AMERICAN BIRD CONSERVANCY

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 AND 2017

## ASSETS

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,356,198	\$ 1,513,821
Investments	5,720,220	3,678,417
Contributions and grants receivable	2,770,920	5,494,816
Sub-grantee advances	29,683	158,574
Prepaid expenses and other assets	<u>145,306</u>	<u>145,881</u>
Total current assets	<u>11,022,327</u>	<u>10,991,509</u>
<b>FURNITURE AND EQUIPMENT</b> , net of accumulated depreciation and amortization of \$221,085 and \$179,371 for 2018 and 2017, respectively	<u>43,853</u>	<u>70,460</u>
<b>OTHER ASSETS</b>		
Contributions and grants receivable, net of current portion	<u>100,000</u>	<u>300,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,166,180</u></b>	<b><u>\$ 11,361,969</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 536,987	\$ 358,398
Accrued salaries and related benefits	254,908	223,267
Deferred rent	<u>10,665</u>	<u>5,739</u>
Total current liabilities	<u>802,560</u>	<u>587,404</u>
<b>NONCURRENT LIABILITIES</b>		
Deferred rent, net of current portion	<u>23,962</u>	<u>34,627</u>
Total liabilities	<u>826,522</u>	<u>622,031</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	619,521	688,930
Board designated	<u>4,561,586</u>	<u>3,256,554</u>
Total net assets without donor restrictions	5,181,107	3,945,484
With donor restrictions	<u>5,158,551</u>	<u>6,794,454</u>
Total net assets	<u>10,339,658</u>	<u>10,739,938</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,166,180</u></b>	<b><u>\$ 11,361,969</u></b>

**AMERICAN BIRD CONSERVANCY**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 4,114,066	\$ 4,226,004	\$ 8,340,070
Grants	-	5,126,888	5,126,888
Interest and investment (loss) income, net	(115,079)	(20,434)	(135,513)
Contributed services	3,612	-	3,612
Other revenue	46,500	-	46,500
Net assets released from donor restrictions	<u>10,968,361</u>	<u>(10,968,361)</u>	<u>-</u>
Total support and revenue	<u>15,017,460</u>	<u>(1,635,903)</u>	<u>13,381,557</u>
<b>EXPENSES</b>			
Program Services:			
Bird Conservation Projects	10,770,916	-	10,770,916
Education and Outreach	<u>721,532</u>	<u>-</u>	<u>721,532</u>
Total program services	<u>11,492,448</u>	<u>-</u>	<u>11,492,448</u>
Supporting Services:			
Management and General	1,407,803	-	1,407,803
Fundraising	590,750	-	590,750
Membership Development	<u>290,836</u>	<u>-</u>	<u>290,836</u>
Total supporting services	<u>2,289,389</u>	<u>-</u>	<u>2,289,389</u>
Total expenses	<u>13,781,837</u>	<u>-</u>	<u>13,781,837</u>
Changes in net assets	1,235,623	(1,635,903)	(400,280)
Net assets at beginning of year	<u>3,945,484</u>	<u>6,794,454</u>	<u>10,739,938</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 5,181,107</u></b>	<b><u>\$ 5,158,551</u></b>	<b><u>\$ 10,339,658</u></b>



<b>2017</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 3,628,249	\$ 8,370,666	\$ 11,998,915
-	5,115,600	5,115,600
456,349	45,887	502,236
-	-	-
85,940	-	85,940
<u>9,075,387</u>	<u>(9,075,387)</u>	<u>-</u>
<u>13,245,925</u>	<u>4,456,766</u>	<u>17,702,691</u>
9,747,484	-	9,747,484
<u>620,104</u>	<u>-</u>	<u>620,104</u>
<u>10,367,588</u>	<u>-</u>	<u>10,367,588</u>
1,466,045	-	1,466,045
635,840	-	635,840
<u>363,025</u>	<u>-</u>	<u>363,025</u>
<u>2,464,910</u>	<u>-</u>	<u>2,464,910</u>
<u>12,832,498</u>	<u>-</u>	<u>12,832,498</u>
413,427	4,456,766	4,870,193
<u>3,532,057</u>	<u>2,337,688</u>	<u>5,869,745</u>
<b><u>\$ 3,945,484</u></b>	<b><u>\$ 6,794,454</u></b>	<b><u>\$ 10,739,938</u></b>

**AMERICAN BIRD CONSERVANCY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services			Supporting Services				
	Bird Conservation Projects	Education and Outreach	Total Program Services	Management and General	Fundraising	Membership Development	Total Supporting Services	
Salaries	\$ 3,741,868	\$ 434,314	\$ 4,176,182	\$ 756,701	\$ 381,633	\$ 119,528	\$ 1,257,862	\$ 5,434,044
Payroll taxes and benefits	931,938	108,169	1,040,107	188,462	95,048	29,769	313,279	1,353,386
Printing	46	50,000	50,046	-	4,758	68,011	72,769	122,815
Occupancy	172,376	18,480	190,856	32,198	16,239	5,086	53,523	244,379
Grants	4,502,052	10,750	4,512,802	-	-	7,500	7,500	4,520,302
Travel	437,574	7,601	445,175	13,453	24,793	829	39,075	484,250
Professional fees	686,538	40,588	727,126	93,837	30,836	180	124,853	851,979
Postage	4,143	717	4,860	2,791	908	34,735	38,434	43,294
Advertising	8,690	5,645	14,335	1,197	4,330	882	6,409	20,744
Meetings and conferences	33,742	876	34,618	85,166	1,643	155	86,964	121,582
Miscellaneous	1,962	365	2,327	111,389	872	-	112,261	114,588
Telephone	18,751	2,176	20,927	3,792	1,912	599	6,303	27,230
Office supplies	88,734	2,233	90,967	33,809	1,947	498	36,254	127,221
Depreciation and amortization	28,724	3,334	32,058	5,808	2,930	918	9,656	41,714
Insurance	28,140	3,266	31,406	5,691	2,870	899	9,460	40,866
Office equipment	31,272	18,772	50,044	62,782	1,686	19,924	84,392	134,436
Bank charges	28,347	3,290	31,637	5,733	2,891	906	9,530	41,167
Equipment rental	6,007	697	6,704	1,215	613	192	2,020	8,724
Dues	17,454	10,159	27,613	3,452	8,215	-	11,667	39,280
Books	1,258	-	1,258	38	85	-	123	1,381
Licenses and permits	1,300	100	1,400	289	6,541	225	7,055	8,455
<b>TOTAL</b>	<b><u>\$ 10,770,916</u></b>	<b><u>\$ 721,532</u></b>	<b><u>\$11,492,448</u></b>	<b><u>\$ 1,407,803</u></b>	<b><u>\$ 590,750</u></b>	<b><u>\$ 290,836</u></b>	<b><u>\$ 2,289,389</u></b>	<b><u>\$ 13,781,837</u></b>

See accompanying notes to financial statements.

**AMERICAN BIRD CONSERVANCY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services			Supporting Services				
	Bird Conservation Projects	Education and Outreach	Total Program Services	Management and General	Fundraising	Membership Development	Total Supporting Services	
Salaries	\$ 3,736,822	\$ 356,891	\$ 4,093,713	\$ 850,032	\$ 429,651	\$ 124,523	\$ 1,404,206	\$ 5,497,919
Payroll taxes and benefits	856,234	81,776	938,010	210,834	98,448	28,533	337,815	1,275,825
Printing	1,951	30,488	32,439	-	-	77,941	77,941	110,380
Occupancy	169,612	15,178	184,790	36,151	18,272	5,296	59,719	244,509
Grants	3,814,509	15,000	3,829,509	-	-	-	-	3,829,509
Travel	416,815	2,976	419,791	6,201	27,945	38	34,184	453,975
Professional fees	423,789	73,229	497,018	137,837	23,572	39,089	200,498	697,516
Postage	3,191	4,403	7,594	3,540	4,220	30,146	37,906	45,500
Advertising	32,239	-	32,239	1,225	2,297	4,603	8,125	40,364
Meetings and conferences	73,168	930	74,098	28,613	773	-	29,386	103,484
Miscellaneous	6,587	2,818	9,405	79,904	9,778	1,500	91,182	100,587
Telephone	21,139	2,019	23,158	4,809	2,431	704	7,944	31,102
Office supplies	90,843	626	91,469	27,603	2,048	4,481	34,132	125,601
Depreciation and amortization	30,662	2,928	33,590	6,975	3,525	1,022	11,522	45,112
Insurance	13,086	1,250	14,336	2,977	1,505	436	4,918	19,254
Office equipment	16,773	26,956	43,729	63,804	2,303	43,329	109,436	153,165
Bank charges	19,161	1,830	20,991	1,662	2,203	639	4,504	25,495
Equipment rental	7,444	711	8,155	1,693	856	248	2,797	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	-	1,488	825	6,013	497	7,335	8,823
<b>TOTAL</b>	<b>\$ 9,747,484</b>	<b>\$ 620,104</b>	<b>\$ 10,367,588</b>	<b>\$ 1,466,045</b>	<b>\$ 635,840</b>	<b>\$ 363,025</b>	<b>\$ 2,464,910</b>	<b>\$ 12,832,498</b>

See accompanying notes to financial statements.

**AMERICAN BIRD CONSERVANCY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (400,280)	\$ 4,870,193
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	41,714	45,112
Unrealized loss (gain) on investments	377,965	(193,315)
Realized gain on sales of investments	(34,926)	(163,905)
Contributions to be invested in perpetuity	(60,000)	(55,000)
Loss on disposal of furniture and equipment	-	4,268
Decrease (increase) in:		
Program-related investments	-	12,000
Contributions and grants receivable	2,923,896	(3,384,533)
Sub-grantee advances	128,891	(158,574)
Prepaid expenses and other assets	575	17,245
Increase (decrease) in:		
Accounts payable and accrued liabilities	178,589	(248,510)
Accrued salaries and related benefits	31,641	(15,207)
Deferred rent	<u>(5,739)</u>	<u>(957)</u>
Net cash provided by operating activities	<u>3,182,326</u>	<u>728,817</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of furniture and equipment	(15,107)	(39,337)
Purchases of investments	(2,599,155)	(962,469)
Proceeds from sales of investments	<u>214,313</u>	<u>720,921</u>
Net cash used by investing activities	<u>(2,399,949)</u>	<u>(280,885)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions to be invested in perpetuity	<u>60,000</u>	<u>55,000</u>
Net cash provided by financing activities	<u>60,000</u>	<u>55,000</u>
Net increase in cash and cash equivalents	842,377	502,932
Cash and cash equivalents at beginning of year	<u>1,513,821</u>	<u>1,010,889</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,356,198</u></b>	<b><u>\$ 1,513,821</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
<b>Donated Investments</b>	<b><u>\$ 720,326</u></b>	<b><u>\$ 455,440</u></b>

## AMERICAN BIRD CONSERVANCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

#### 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) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended December 31, 2018 and applied retrospectively.

##### 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, 2018 and 2017, there were \$3,141,337 and \$1,037,353, 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, net of investment expenses provided by external investment advisors, 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.

##### Sub-grantee advances, payables and expense -

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

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 and are included in accounts payable and accrued liabilities in the accompanying financial statements.

## AMERICAN BIRD CONSERVANCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

##### Furniture and equipment -

Furniture and equipment in excess of \$2,000 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 -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

##### Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions 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 net assets with donor restrictions in the accompanying financial statements. Grant funding received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

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. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. ABC is not a private foundation.

## AMERICAN BIRD CONSERVANCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

##### Uncertain tax positions -

For the years ended December 31, 2018 and 2017, 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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of ABC are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

##### 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.

##### Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$3,945,484 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets and permanently restricted restricted net assets in the amount of \$6,516,709 and \$277,745, respectively, are now classified as net assets with donor restrictions.

## AMERICAN BIRD CONSERVANCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

New accounting pronouncements (not yet adopted) -

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 fiscal 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 June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. ABC has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

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 Statement 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, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 3,141,337	\$ 3,141,337	\$ 1,037,353	\$ 1,037,353
Mutual funds	2,223,435	2,371,185	2,115,651	2,641,064
Corporate bonds	<u>208,000</u>	<u>207,698</u>	<u>-</u>	<u>-</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 5,572,772</u></b>	<b><u>\$ 5,720,220</u></b>	<b><u>\$ 3,153,004</u></b>	<b><u>\$ 3,678,417</u></b>



**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**2. INVESTMENTS (Continued)**

Included in interest and investment (loss) income are the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 213,039	\$ 147,713
Unrealized (loss) gain on investments	(377,965)	193,315
Realized gain on sales of investments	34,926	163,905
Investment expenses	<u>(5,513)</u>	<u>(2,697)</u>
<b>TOTAL INTEREST AND INVESTMENT (LOSS) INCOME, NET</b>	<b><u>\$ (135,513)</u></b>	<b><u>\$ 502,236</u></b>

**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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Total current portion of contributions and grants receivable	\$ 2,770,920	\$ 5,494,816
Total noncurrent portion of contributions and grants receivable (due in one to five years)	<u>100,000</u>	<u>300,000</u>
<b>TOTAL CONTRIBUTIONS AND GRANTS RECEIVABLE</b>	<b><u>\$ 2,870,920</u></b>	<b><u>\$ 5,794,816</u></b>

**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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
William Belton Grant Fund	\$ 326,318	\$ 352,028
Bird Conservation Board Endowment	<u>4,235,268</u>	<u>2,904,526</u>
<b>TOTAL BOARD DESIGNATED NET ASSETS</b>	<b><u>\$ 4,561,586</u></b>	<b><u>\$ 3,256,554</u></b>

**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Bird Conservation Projects	\$ 4,841,240	\$ 6,486,709
Education and Outreach	-	30,000
Land Endowment Fund	44,811	65,245
Endowments to be invested in perpetuity:		
Land Endowment Fund	<u>272,500</u>	<u>212,500</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 5,158,551</u></b>	<b><u>\$ 6,794,454</u></b>

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

The following net assets with donor restrictions were released from donor restrictions during the years ended December 31, 2018 and 2017 by incurring expenses (or through the passage of time), satisfying the restricted purposes specified by the donors:

	<u>2018</u>	<u>2017</u>
Purpose restrictions satisfied:		
Bird Conservation Projects	\$ 10,938,361	\$ 9,015,387
Education and Outreach	30,000	10,000
Passage of time	<u>-</u>	<u>50,000</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 10,968,361</u></b>	<b><u>\$ 9,075,387</u></b>

**7. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 2,356,198	\$ 1,513,821
Investments	5,720,220	3,678,417
Contributions and grants receivable	<u>2,870,920</u>	<u>5,794,816</u>
Subtotal financial assets available within one year	10,947,338	10,987,054
Less: Board-designated funds	(4,561,586)	(3,256,554)
Less: Funds subject to donor-imposed purpose restrictions	(4,886,051)	(6,581,954)
Less: Endowment funds to be invested in perpetuity	<u>(272,500)</u>	<u>(212,500)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 1,227,201</u></b>	<b><u>\$ 936,046</u></b>

**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**7. LIQUIDITY AND AVAILABILITY (Continued)**

ABC has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018 and 2017, ABC has financial assets equal to a minimum of one month of operating expenses. In addition, board-designated funds totaling \$4,561,586 can be drawn upon if the Board of Directors approves such action.

**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 years ended December 31, 2018 and 2017, ABC contributed \$65,047 and \$61,186, respectively, to the Plan.

**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, 2017 and was not renewed subsequent to this date.
- McAllen, Texas: under an agreement that expired September 30, 2016. The lease was renewed for additional one-year terms, and now expires September 30, 2019.
- Okemos, Michigan: under a two year lease term that is to expire July 31, 2020. Base rental and utility payments are \$797 per month.

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.

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

**Year Ending December 31**

2019	\$	181,384
2020		179,771
2021		<u>74,246</u>
	\$	<u><b>435,401</b></u>

## AMERICAN BIRD CONSERVANCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

#### 9. LEASE COMMITMENTS (Continued)

Rent expense during the years ended December 31, 2018 and 2017 totaled \$229,779 and \$234,778, respectively, and is included in occupancy in the accompanying Statements of Functional Expenses.

#### 10. CONTINGENCY

ABC receives grants from various agencies of the U.S. Government. For the years ended December 31, 2018 and 2017, 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 2018. 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, 2018 and 2017. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2018 and 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money market funds* - The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission and is deemed to be actively traded.

**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

- *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.
- *Corporate bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy, ABC's investments as of December 31, 2018:

<b>Asset Class:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 3,141,337	\$ -	\$ -	\$ 3,141,337
Mutual funds	2,371,185	-	-	2,371,185
Corporate bonds	<u>-</u>	<u>207,698</u>	<u>-</u>	<u>207,698</u>
<b>TOTAL</b>	<b><u>\$ 5,512,522</u></b>	<b><u>\$ 207,698</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,720,220</u></b>

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

<b>Asset Class:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>
<b>TOTAL</b>	<b><u>\$ 3,678,417</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,678,417</u></b>

**12. 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. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. ABC has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, ABC considers a fund to be underwater if the fair value of the fund is less than the sum the (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. ABC has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, ABC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**12. ENDOWMENTS (Continued)**

ABC has interpreted 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.

- 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 \$60,000 and \$55,000 during the years ended December 31, 2018 and 2017, respectively.

Endowment net asset composition by type of fund as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 4,235,268	\$ -	\$ 4,235,268
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	272,500	272,500
Accumulated investment earnings	<u>-</u>	<u>44,811</u>	<u>44,811</u>
<b>TOTAL FUNDS</b>	<b><u>\$ 4,235,268</u></b>	<b><u>\$ 317,311</u></b>	<b><u>\$ 4,552,579</u></b>

Changes in endowment net assets during the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,904,526	\$ 277,745	\$ 3,182,271
Investment loss, net	(41,515)	(20,434)	(61,949)
Contributions	2,259,181	60,000	2,319,181
Appropriation of endowment assets for expenditure	<u>(886,924)</u>	<u>-</u>	<u>(886,924)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ 4,235,268</u></b>	<b><u>\$ 317,311</u></b>	<b><u>\$ 4,552,579</u></b>

**AMERICAN BIRD CONSERVANCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**12. ENDOWMENTS (Continued)**

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 2,904,526	\$ -	\$ 2,904,526
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	212,500	212,500
Accumulated investment earnings	<u>-</u>	<u>65,245</u>	<u>65,245</u>
<b>TOTAL FUNDS</b>	<b><u>\$ 2,904,526</u></b>	<b><u>\$ 277,745</u></b>	<b><u>\$ 3,182,271</u></b>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,546,518	\$ 176,858	\$ 2,723,376
Investment income, net	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>(24,902)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ 2,904,526</u></b>	<b><u>\$ 277,745</u></b>	<b><u>\$ 3,182,271</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, 2018 and 2017.

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, 2018 AND 2017**

**13. SUBSEQUENT EVENTS**

In preparing these financial statements, ABC has evaluated events and transactions for potential recognition or disclosure through September 19, 2019, the date the financial statements were issued.



**SUPPLEMENTAL INFORMATION**

**AMERICAN BIRD CONSERVANCY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Interior - Bureau of Land Management:</b>						
Fish, Wildlife and Plant Conservation Resource Management	N/A	N/A	15.231	0103.17.055344 (L08AC15666)	\$ 537	\$ 41,558
Subtotal 15.231					<u>537</u>	<u>41,558</u>
<b>U.S. Department of Interior - U.S. Fish and Wildlife Service:</b>						
Wildlife Restoration and Basic Hunter Education	Texas Parks and Wildlife Department	431523	15.611	F11AF00023/ F15AF01084	32,702	36,006
Wildlife Restoration and Basic Hunter Education	Tennessee Wildlife Resources Agency	60854	15.611	F18AF00534	-	2,417
Wildlife Restoration and Basic Hunter Education	Tennessee Wildlife Resources Agency	60854	15.611	F18AF00534	4,000	4,963
Wildlife Restoration and Basic Hunter Education	Tennessee Wildlife Resources Agency	32801-00813	15.611	F18AF00534	<u>10,000</u>	<u>10,000</u>
Subtotal 15.611					<u>46,702</u>	<u>53,386</u>
Cooperative Endangered Species Conservation Fund	Texas Parks and Wildlife Department	504286	15.615	F17AP01046	<u>36,958</u>	<u>37,257</u>
Subtotal 15.615					<u>36,958</u>	<u>37,257</u>
Coastal Program	N/A	N/A	15.630	F16AC00824	-	299
Coastal Program	N/A	N/A	15.630	F15AC00765	-	413
Coastal Program	N/A	N/A	15.630	F17AC00415	14,049	19,563
Coastal Program	N/A	N/A	15.630	F18AC00927	10,774	19,158
Coastal Program	N/A	N/A	15.630	F18AC00503	<u>-</u>	<u>200</u>
Subtotal 15.630					<u>24,823</u>	<u>39,633</u>

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Interior - U.S. Fish and Wildlife Service (continued):</b>						
State Wildlife Grants	Center for Natural Lands Management	WA-S-2018-007-0	15.634	F14AP00801	\$ 29,322	\$ 29,405
State Wildlife Grants	North Dakota Game and Fish Department	635-002-17	15.634	F17AF01012	-	3,662
Subtotal 15.634					<u>29,322</u>	<u>33,067</u>
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F17AP00678	64,269	64,269
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F16AP00452	2,284	25,600
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F17AP00663	26,298	28,794
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F17AP00674	6,148	17,523
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F18AP00631	15,794	15,794
Subtotal 15.635					<u>114,793</u>	<u>151,980</u>
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00917	-	55,131
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00754	40,000	40,000
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00924	7,750	11,000
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00082	1,497	161,501
Migratory Bird Joint Ventures	N/A	N/A	15.637	F16AC00461	1,425	315,601
Migratory Bird Joint Ventures	N/A	N/A	15.637	F12A00672	-	42,192
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00424	-	199,931
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00915	-	55,103

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Interior - U.S. Fish and Wildlife Service (continued):</b>						
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00943	\$ -	\$ 55,945
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00426	-	197,122
Migratory Bird Joint Ventures	N/A	N/A	15.637	F16AC00769	-	13,416
Migratory Bird Joint Ventures	N/A	N/A	15.637	F18AC00383	-	48,809
Migratory Bird Joint Ventures	N/A	N/A	15.637	F18AC00216	-	83,694
Migratory Bird Joint Ventures	N/A	N/A	15.637	F18AC00217	-	80,773
Subtotal 15.637					50,672	1,360,218
Research Grants (Generic)	N/A	N/A	15.650	F15AC00633	-	37
Research Grants (Generic)	N/A	N/A	15.650	F17AC01250	31,177	81,778
Subtotal 15.650					31,177	81,815
Migratory Bird Monitoring, Assessment and Conservation	N/A	N/A	15.655	F11AC00817	1,000	1,479
Migratory Bird Monitoring, Assessment and Conservation	N/A	N/A	15.655	F17AC00121	17,000	20,597
Subtotal 15.655					18,000	22,076
National Fish and Wildlife Foundation	N/A	N/A	15.663	2004.16.054623	44,292	54,598
National Fish and Wildlife Foundation	N/A	N/A	15.663	0101.17.055244/ F17AP00569	207,251	287,409
National Fish and Wildlife Foundation	N/A	N/A	15.663	0801.17.059316/ F17AP00569	-	8,120
Subtotal 15.663					251,543	350,127

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Interior - U.S. Fish and Wildlife Service (continued):</b>						
Northern Great Plains	Ducks Unlimited	XX-13-5	15.664	F17AP00371	\$ -	\$ 20,000
Subtotal 15.664					-	20,000
<b>U.S. Department of Agriculture - Forest Service:</b>						
National Fish and Wildlife Foundation	N/A	N/A	10.000	55699 / 15-PA-11050700-016	67,180	77,006
Subtotal 10.000					67,180	77,006
National Fish and Wildlife Foundation	N/A	N/A	10.683	0101.17.055244/17-CA-11132422-109	14,369	19,927
National Fish and Wildlife Foundation	N/A	N/A	10.683	0103.17.055344/16-CA-11132422-213	244	18,890
National Fish and Wildlife Foundation	N/A	N/A	10.683	0403.17.057061	53,267	57,824
National Fish and Wildlife Foundation	N/A	N/A	10.683	0801.17.059316/15-CA-11132422-241	-	6
National Fish and Wildlife Foundation	N/A	N/A	10.683	0801.17.059316/14-CA-11132422-195	-	1,357
National Fish and Wildlife Foundation	N/A	N/A	10.683	0801.17.059316/13-CA-11132422-120	-	15
National Fish and Wildlife Foundation	N/A	N/A	10.683	0407.17.058709/17-CA-11132422-109	25,790	69,548
Subtotal 10.683					93,670	167,567
Partnership Agreements	N/A	N/A	10.699	15-CS-11092100-016	-	2,157
Partnership Agreements	N/A	N/A	10.699	17-CS-11090500-036 / 17-CS-11090500-037	13,146	13,146
Subtotal 10.699					13,146	15,303

AMERICAN BIRD CONSERVANCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture - Forest Service (Continued):</b>						
Soil and Water Conservation	N/A	N/A	10.902	0103.17.055344 (65-0325-15-017)	\$ 342	\$ 26,446
Soil and Water Conservation	N/A	N/A	10.902	2004.15.049762/ FC.R256	25,040	30,682
Soil and Water Conservation	N/A	N/A	10.902	2004.16.054528/ 68387516813	-	58,031
Soil and Water Conservation	N/A	N/A	10.902	NR183D47XXXXC012	-	2,168
Soil and Water Conservation	N/A	N/A	10.902	68-9104-17-023	-	64,810
Subtotal 10.902					25,382	182,137
Central Harwoods	N/A	N/A	10.924	NR184741XXXXC014	-	4,196
Subtotal 10.924					-	4,196
Regional Conservation Partnership Program	N/A	N/A	10.932	65-6322-15-01	-	283,558
Regional Conservation Partnership Program	N/A	N/A	10.932	68-3D47-15-16	132,690	250,086
Subtotal 10.932					132,690	533,644
National Park Service - Terlingua Creek	N/A	N/A	10.954	P17AC00084	40,003	46,400
Subtotal 10.954					40,003	46,400
<b>U.S. Department of Commerce:</b>						
Coastal Zone Management	Texas General Land Office	18-081-000-A590	11.419	NA17NOS4190139	60,671	66,739
Subtotal 11.419					60,671	66,739

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Granting Agency and Program Title	Pass-Through Entity	Pass-Through Identification Number	CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Defense:</b>						
Basic and Applied Scientific Research	N/A	N/A	12.300	HQ0034-18-2-0002	\$ 20,000	\$ 23,500
Subtotal 12.300					20,000	23,500
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					<b>\$ 1,057,269</b>	<b>\$ 3,307,609</b>

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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, 2018. 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, 2018

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	\$ 1,360,218
National Fish and Wildlife Foundation	15.663	\$ 350,127

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, 2018**

**Section II - Financial Statement Findings**

There were no reportable findings.

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

There were no reportable findings.



## CPAs & ADVISORS

### 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, 2018, and the related notes to the financial statements, which collectively comprise ABC's basic financial statements, and have issued our report thereon dated September 19, 2019.

#### **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 CROWE GLOBAL  
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 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.

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

September 19, 2019



## CPAs & ADVISORS

### 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, 2018. 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, 2018.

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## Report on Internal Control Over Compliance

Management of ABC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ABC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



September 19, 2019