



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2020

AMERICAN BIRD CONSERVANCY

CONTENTS

	PAGE NO.
I. Financial Section	
Financial Statements, for the Years Ended December 31, 2020 and 2019, Including the Schedules of Expenditures of Federal Awards and Findings and Questioned Costs	I-(1 - 33)
II. 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	II-(1 - 2)
III. Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by <i>Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i>	III-(1 - 2)

CONSOLIDATED FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

AMERICAN BIRD CONSERVANCY

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	I-(3 - 4)
EXHIBIT A - Consolidated Statements of Financial Position, as of December 31, 2020 and 2019	I-5
EXHIBIT B - Consolidated Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2020 and 2019	I-(6 - 7)
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended December 31, 2020	I-8
EXHIBIT D - Consolidated Statement of Functional Expenses, for the Year Ended December 31, 2019	I-9
EXHIBIT E - Consolidated Statements of Cash Flows, for the Years Ended December 31, 2020 and 2019	I-10
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	I-(11 - 23)
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Schedule of Expenditures of Federal Awards, for the Year Ended December 31, 2020	I-(24 - 30)
SCHEDULE 2 - Schedule of Findings and Questioned Costs, for the Year Ended December 31, 2020	I-(31 - 33)



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 consolidated financial statements of the American Bird Conservancy (ABC), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ABC as of December 31, 2020 and 2019, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
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 consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(24 - 30), 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 consolidated 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 consolidated 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 27, 2021, 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 27, 2021

AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,217,540	\$ 2,826,048
Investments	8,029,350	6,415,624
Contributions and grants receivable	3,357,146	9,840,248
Prepaid expenses and other assets	<u>84,623</u>	<u>76,158</u>
Total current assets	<u>21,688,659</u>	<u>19,158,078</u>
FURNITURE AND EQUIPMENT , net of accumulated depreciation and amortization of \$230,043 and \$251,865 for 2020 and 2019, respectively	<u>5,328</u>	<u>20,506</u>
OTHER ASSETS		
Contributions and grants receivable, net of current portion	<u>-</u>	<u>50,000</u>
TOTAL ASSETS	<u>\$ 21,693,987</u>	<u>\$ 19,228,584</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loan payable	\$ 1,410,994	\$ -
Accounts payable and accrued liabilities	251,477	474,690
Accrued salaries and related benefits	319,622	286,854
Deferred rent	<u>8,224</u>	<u>15,738</u>
Total current liabilities	<u>1,990,317</u>	<u>777,282</u>
NONCURRENT LIABILITIES		
Deferred rent, net of current portion	<u>-</u>	<u>8,224</u>
Total liabilities	<u>1,990,317</u>	<u>785,506</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	162,834	1,881,608
Board designated	<u>14,279,334</u>	<u>11,120,106</u>
Total net assets without donor restrictions	14,442,168	13,001,714
With donor restrictions	<u>5,261,502</u>	<u>5,441,364</u>
Total net assets	<u>19,703,670</u>	<u>18,443,078</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,693,987</u>	<u>\$ 19,228,584</u>

AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 5,565,910	\$ 1,779,219	\$ 7,345,129
Grants	4,383,975	2,581,907	6,965,882
Interest and investment income, net	791,567	52,891	844,458
Contributed services	10,243	-	10,243
Other revenue	160,020	-	160,020
Net assets released from donor restrictions	<u>4,593,879</u>	<u>(4,593,879)</u>	<u>-</u>
Total support and revenue	<u>15,505,594</u>	<u>(179,862)</u>	<u>15,325,732</u>
EXPENSES			
Program Services:			
Bird Conservation Projects	9,686,063	-	9,686,063
Education and Outreach	<u>610,237</u>	<u>-</u>	<u>610,237</u>
Total program services	<u>10,296,300</u>	<u>-</u>	<u>10,296,300</u>
Supporting Services:			
Management and General	3,016,207	-	3,016,207
Fundraising	536,528	-	536,528
Membership Development	<u>216,105</u>	<u>-</u>	<u>216,105</u>
Total supporting services	<u>3,768,840</u>	<u>-</u>	<u>3,768,840</u>
Total expenses	<u>14,065,140</u>	<u>-</u>	<u>14,065,140</u>
Changes in net assets	1,440,454	(179,862)	1,260,592
Net assets at beginning of year	<u>13,001,714</u>	<u>5,441,364</u>	<u>18,443,078</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,442,168</u>	<u>\$ 5,261,502</u>	<u>\$ 19,703,670</u>

AMERICAN BIRD CONSERVANCY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 11,988,862	\$ 3,521,909	\$ 15,510,771
Grants	3,460,054	2,006,290	5,466,344
Interest and investment income, net	627,870	76,777	704,647
Contributed services	8,968	-	8,968
Other revenue	193,637	-	193,637
Net assets released from donor restrictions	<u>5,322,163</u>	<u>(5,322,163)</u>	<u>-</u>
Total support and revenue	<u>21,601,554</u>	<u>282,813</u>	<u>21,884,367</u>
EXPENSES			
Program Services:			
Bird Conservation Projects	10,597,326	-	10,597,326
Education and Outreach	<u>861,291</u>	<u>-</u>	<u>861,291</u>
Total program services	<u>11,458,617</u>	<u>-</u>	<u>11,458,617</u>
Supporting Services:			
Management and General	1,368,300	-	1,368,300
Fundraising	648,433	-	648,433
Membership Development	<u>305,597</u>	<u>-</u>	<u>305,597</u>
Total supporting services	<u>2,322,330</u>	<u>-</u>	<u>2,322,330</u>
Total expenses	<u>13,780,947</u>	<u>-</u>	<u>13,780,947</u>
Changes in net assets	7,820,607	282,813	8,103,420
Net assets at beginning of year	<u>5,181,107</u>	<u>5,158,551</u>	<u>10,339,658</u>
NET ASSETS AT END OF YEAR	<u>\$ 13,001,714</u>	<u>\$ 5,441,364</u>	<u>\$ 18,443,078</u>

AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services			Supporting Services				Total Expenses
	Bird Conservation Projects	Education and Outreach	Total Program Services	Management and General	Fundraising	Membership Development	Total Supporting Services	
Salaries	\$ 3,763,305	\$ 321,210	\$ 4,084,515	\$ 2,063,427	\$ 331,290	\$ 60,630	\$ 2,455,347	\$ 6,539,862
Payroll taxes and benefits	924,201	78,883	1,003,084	506,742	81,359	14,890	602,991	1,606,075
Printing	738	21,901	22,639	1,300	21,935	97,449	120,684	143,323
Occupancy	161,483	13,783	175,266	88,541	14,216	2,602	105,359	280,625
Grants	3,703,853	1,200	3,705,053	-	-	-	-	3,705,053
Travel	124,799	238	125,037	4,262	4,282	42	8,586	133,623
Professional fees	649,108	79,533	728,641	104,047	22,225	5,306	131,578	860,219
Postage	2,506	8	2,514	4,227	8,974	25,904	39,105	41,619
Advertising	61,175	45,331	106,506	4,538	4,922	1,753	11,213	117,719
Meetings and conferences	12,595	50	12,645	3,949	1,526	-	5,475	18,120
Miscellaneous	54,536	-	54,536	32,841	1,025	-	33,866	88,402
Telephone	17,702	1,511	19,213	9,706	1,558	285	11,549	30,762
Office supplies	49,475	1,041	50,516	19,101	2,273	1,436	22,810	73,326
Depreciation and amortization	7,923	676	8,599	4,343	698	128	5,169	13,768
Insurance	50,519	4,312	54,831	27,699	4,447	814	32,960	87,791
Office equipment	57,470	25,716	83,186	98,946	15,106	1,646	115,698	198,884
Bank charges	19,898	1,698	21,596	10,910	1,752	321	12,983	34,579
Equipment rental	-	113	113	6,998	-	2,649	9,647	9,760
Dues	19,380	6,145	25,525	21,184	11,886	10	33,080	58,605
Books	3,797	6,888	10,685	55	-	-	55	10,740
Licenses and permits	1,600	-	1,600	3,391	7,054	240	10,685	12,285
TOTAL	\$ 9,686,063	\$ 610,237	\$ 10,296,300	\$ 3,016,207	\$ 536,528	\$ 216,105	\$ 3,768,840	\$ 14,065,140

See accompanying notes to consolidated financial statements.

AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services			Supporting Services				Total Expenses
	Bird Conservation Projects	Education and Outreach	Total Program Services	Management and General	Fundraising	Membership Development	Total Supporting Services	
Salaries	\$ 4,228,949	\$ 528,237	\$ 4,757,186	\$ 782,768	\$ 446,982	\$ 94,044	\$ 1,323,794	\$ 6,080,980
Payroll taxes and benefits	1,046,772	130,752	1,177,524	193,755	110,639	23,278	327,672	1,505,196
Printing	12,844	517	13,361	-	2,403	90,529	92,932	106,293
Occupancy	173,802	21,710	195,512	32,170	18,370	3,865	54,405	249,917
Grants	3,339,070	-	3,339,070	-	-	-	-	3,339,070
Travel	494,120	4,178	498,298	13,965	17,968	-	31,933	530,231
Professional fees	902,857	75,901	978,758	77,406	7,750	13,080	98,236	1,076,994
Postage	2,591	3,127	5,718	4,311	4,416	51,729	60,456	66,174
Advertising	6,364	29,510	35,874	13,572	1,539	7,746	22,857	58,731
Meetings and conferences	79,120	1,667	80,787	46,976	5,575	-	52,551	133,338
Miscellaneous	19,549	75	19,624	33,029	107	-	33,136	52,760
Telephone	18,720	2,338	21,058	3,465	1,979	416	5,860	26,918
Office supplies	111,513	705	112,218	27,024	829	7,132	34,985	147,203
Depreciation and amortization	21,406	2,674	24,080	3,962	2,262	476	6,700	30,780
Insurance	65,256	8,151	73,407	12,079	6,897	1,451	20,427	93,834
Office equipment	28,838	23,819	52,657	96,986	6,501	9,095	112,582	165,239
Bank charges	27,509	3,436	30,945	3,272	2,908	612	6,792	37,737
Equipment rental	-	-	-	7,742	165	1,883	9,790	9,790
Dues	13,410	3,739	17,149	14,485	5,197	36	19,718	36,867
Books	3,048	20,755	23,803	135	-	-	135	23,938
Licenses and permits	1,588	-	1,588	1,198	5,946	225	7,369	8,957
TOTAL	\$ 10,597,326	\$ 861,291	\$ 11,458,617	\$ 1,368,300	\$ 648,433	\$ 305,597	\$ 2,322,330	\$ 13,780,947

See accompanying notes to consolidated financial statements.

AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,260,592	\$ 8,103,420
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,768	30,780
Receipt of contributed securities	(367,901)	(403,996)
Proceeds from the sales of contributed securities	317,413	409,032
Unrealized gain on investments	(649,183)	(437,219)
Realized loss on sales of investments	271	-
Loss on disposal of furniture and equipment	1,783	-
Decrease (increase) in:		
Contributions and grants receivable	6,533,102	(7,019,328)
Sub-grantee advances	-	29,683
Prepaid expenses and other assets	(8,465)	69,148
(Decrease) increase in:		
Accounts payable and accrued liabilities	(223,213)	(62,297)
Accrued salaries and related benefits	32,768	31,946
Deferred rent	(15,738)	(10,665)
Net cash provided by operating activities	<u>6,895,197</u>	<u>740,504</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(373)	(7,433)
Purchases of investments	(914,326)	(263,221)
Net cash used by investing activities	<u>(914,699)</u>	<u>(270,654)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>1,410,994</u>	<u>-</u>
Net cash provided by financing activities	<u>1,410,994</u>	<u>-</u>
Net increase in cash and cash equivalents	7,391,492	469,850
Cash and cash equivalents at beginning of year	<u>2,826,048</u>	<u>2,356,198</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,217,540</u>	<u>\$ 2,826,048</u>

AMERICAN BIRD CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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.

In August 2020, the American Bird Conservancy Action Fund Inc. (Action Fund) was incorporated. The American Bird Conservancy Action Fund is dedicated to building political support for the American Bird Conservancy's mission to conserve wild birds and their habitats throughout the Americas.

Principles of consolidation -

The accounts of ABC have been consolidated with the Action Fund (collectively, ABC) pursuant to the criterion established by FASB ASC 958-810, Not-for-Profit Entities Consolidation. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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** - Net assets may be subject to donor-imposed stipulations that are more restrictive than ABC mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

New accounting pronouncements adopted -

During 2020, ABC adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended.

AMERICAN BIRD CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

New accounting pronouncements adopted (continued) -

The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way ABC recognized revenue; however, the presentation and disclosures of revenue have been enhanced. ABC has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

During 2019, ABC adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. ABC adopted the ASU using a modified prospective basis.

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, 2020 and 2019, there were \$635,446 and \$630,027, respectively, in money market funds held by investment managers. These are included in investments in the Consolidated 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 Consolidated Statements of Activities and Changes in Net Assets. Donated investments are sold immediately upon receipt, and are reflected as contributions at their sale price.

Contributions and grants receivable -

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.

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 CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

Furniture and equipment -

Furniture and equipment in excess of \$3,000 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.

Contributions and grants -

The majority of ABC's activities are supported by contributions and grants from the U.S. Government and other private entities. These awards are for various activities performed by ABC. Contributions and grants are recognized in the appropriate category of net assets in the period received. ABC performs an analysis of the individual contribution or grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

Contributions and grants qualifying under the contribution rules are recognized as revenue upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional that have 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 consolidated financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied.

Most grants awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and are classified as conditional and recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, ABC recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as contributions, ABC had approximately \$15,658,106 and \$16,170,356 in unrecognized conditional awards as of December 31, 2020 and 2019, respectively.

AMERICAN BIRD CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

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 consolidated financial statements. ABC is not a private foundation.

The Action Fund is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code. The Action Fund is exempt from Federal taxes on income other than 1) unrelated business income; or 2) the lesser of political expenditures under Internal Revenue Code Section 537(f)(3) or net investment income. For the year ended December 31, 2020 the Action Fund had no taxable unrelated business income.

Uncertain tax positions -

For the years ended December 31, 2020 and 2019, 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 consolidated 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 Consolidated Statements of Activities and Changes 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 consolidated 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.

AMERICAN BIRD CONSERVANCY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact ABC's operations. The overall potential impact is unknown at this time.

New accounting pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *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 Consolidated Statements of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

ABC plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 635,446	\$ 635,446	\$ 630,027	\$ 630,027
Mutual funds	3,592,687	4,764,391	5,193,602	5,785,597
Corporate bonds	2,509,822	2,579,296	-	-
Stocks	<u>50,217</u>	<u>50,217</u>	<u>-</u>	<u>-</u>
TOTAL INVESTMENTS	<u>\$ 6,788,172</u>	<u>\$ 8,029,350</u>	<u>\$ 5,823,629</u>	<u>\$ 6,415,624</u>

Included in interest and investment income are the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 196,460	\$ 269,249
Unrealized gain on investments	649,183	437,219
Realized loss on sales of investments	(271)	-
Investment expenses	<u>(914)</u>	<u>(1,821)</u>
TOTAL INTEREST AND INVESTMENT INCOME, NET	<u>\$ 844,458</u>	<u>\$ 704,647</u>

AMERICAN BIRD CONSERVANCY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Total current portion of contributions and grants receivable	\$ 3,357,146	\$ 9,840,248
Total noncurrent portion of contributions and grants receivable (due in one to five years)	<u>-</u>	<u>50,000</u>
TOTAL CONTRIBUTIONS AND GRANTS RECEIVABLE	<u>\$ 3,357,146</u>	<u>\$ 9,890,248</u>

4. LOAN PAYABLE

On April 2020, ABC received loan proceeds in the amount of \$1,410,994 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. ABC intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. ABC intends to apply for forgiveness after completing the 24-week period. If forgiveness is granted, ABC will record revenue from debt extinguishment during the period that forgiveness is approved.

5. BOARD DESIGNATED NET ASSETS

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

- *William Belton Grant Fund* – awards small grants to worthy bird conservation projects and researchers in Latin America.
- *Bird Conservation Board Endowment* – a Board designated endowment for large gifts, bequests, and planned gifts coming to ABC without donor restrictions. The principal can be used with Board authorization. Investment income can be used for operations.
- Operating reserve - funds set aside for future operations at the board's discretion.

Board designated net assets consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
William Belton Grant Fund	\$ 365,686	\$ 341,241
Bird Conservation Board Endowment	11,704,152	10,778,865
Operating Reserve	<u>2,209,496</u>	<u>-</u>
TOTAL BOARD DESIGNATED NET ASSETS	<u>\$ 14,279,334</u>	<u>\$ 11,120,106</u>

AMERICAN BIRD CONSERVANCY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Bird Conservation Projects	\$ 4,814,522	\$ 5,047,276
Land Endowment Fund - accumulated investment earnings	174,480	121,588
Endowments to be invested in perpetuity:		
Land Endowment Fund	272,500	272,500
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 5,261,502	\$ 5,441,364

7. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions during the years ended December 31, 2020 and 2019 by incurring expenses (or through the passage of time), satisfying the restricted purposes specified by the donors:

	2020	2019
Purpose Restrictions Satisfied:		
Bird Conservation Projects	\$ 4,593,879	\$ 5,322,163

8. LIQUIDITY AND AVAILABILITY

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

	2020	2019
Cash and cash equivalents	\$ 10,217,540	\$ 2,826,048
Investments	8,029,350	6,415,624
Contributions and grants receivable	3,357,146	9,890,248
Subtotal financial assets available within one year	21,604,036	19,131,920
Less: Board-designated funds	(14,279,334)	(11,120,106)
Less: Funds subject to donor-imposed purpose restrictions	(4,989,002)	(5,168,864)
Less: Endowment funds to be invested in perpetuity	(272,500)	(272,500)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 2,063,200	\$ 2,570,450

ABC has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2020 and 2019, ABC has financial assets equal to approximately one month and two months, respectively, of operating expenses. In addition, Board-designated funds totaling \$14,279,334 can be drawn upon if the Board of Directors approves such action.

AMERICAN BIRD CONSERVANCY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

9. RETIREMENT PLAN

ABC provides retirement benefits to its employees through a 403(b) Plan covering all full-time employees with one-year of eligible experience. ABC is not required to make contributions to the Plan. During the years ended December 31, 2020 and 2019, ABC contributed \$117,587 and \$97,455, respectively, to the Plan.

10. 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. The lease was extended for an additional twelve months, through May 31, 2022. Base payments under the lease extension are \$14,400 per month.
- McAllen, Texas: under a one year lease term that expires September 30, 2020. The lease was extended for a twelve month period ending October 1, 2021. Rental payments during the extension period are \$300 per month.
- Alpine, Texas: under a two year lease that expires October 31, 2021. Base rent and internet services are \$560 per month.
- Okemos, Michigan: under a two year lease term that expired July 31, 2020 and has continued on a month-to-month basis. Base rental and utility payments are \$797 per month.
- Blacksburg, Virginia: under a one year lease term that expired November 30, 2020. Base rental payment are \$1,631 per month. The lease was extended for an additional twelve month period ending November 30, 2021. Base rental payments are \$1,661 per month during the extension period.

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 Consolidated Statements of Financial Position.

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

Year Ending December 31

2021	\$ 194,513
2022	<u>77,604</u>
	<u>\$ 272,117</u>

AMERICAN BIRD CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

10. LEASE COMMITMENTS (Continued)

Rent expense during the years ended December 31, 2020 and 2019 totaled \$265,678 and \$237,189, respectively, and is included in occupancy in the accompanying Consolidated Statements of Functional Expenses.

11. CONTINGENCY

ABC receives grants from various agencies of the U.S. Government. For the years ended December 31, 2020 and 2019, 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 2020. 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.

12. 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 Consolidated 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, 2020 and 2019. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2020 and 2019. 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 CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

12. 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.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, ABC's investments as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Money market funds	\$ 635,446	\$ -	\$ -	\$ 635,446
Mutual funds	4,764,391	-	-	4,764,391
Corporate bonds	2,579,296	-	-	2,579,296
Stocks	<u>50,217</u>	<u>-</u>	<u>-</u>	<u>50,217</u>
TOTAL	<u>\$ 8,029,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,029,350</u>

The table below summarizes, by level within the fair value hierarchy, ABC's investments as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Money market funds	\$ 630,027	\$ -	\$ -	\$ 630,027
Mutual funds	<u>5,785,597</u>	<u>-</u>	<u>-</u>	<u>5,785,597</u>
TOTAL	<u>\$ 6,415,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,415,624</u>

13. 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.

AMERICAN BIRD CONSERVANCY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

13. ENDOWMENTS (Continued)

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.

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.

Endowment net asset composition by type of fund as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 11,704,152	\$ -	\$ 11,704,152
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	272,500	272,500
Accumulated investment earnings	-	174,480	174,480
TOTAL FUNDS	<u>\$ 11,704,152</u>	<u>\$ 446,980</u>	<u>\$ 12,151,132</u>

Changes in endowment net assets during the year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 10,778,865	\$ 394,088	\$ 11,172,953
Investment income, net	795,761	52,891	848,652
Contributions	1,327,691	-	1,327,691
Appropriation of endowment assets for expenditure	(1,198,165)	-	(1,198,165)
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 11,704,152</u>	<u>\$ 446,979</u>	<u>\$ 12,151,131</u>

AMERICAN BIRD CONSERVANCY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

13. ENDOWMENTS (Continued)

Endowment net asset composition by type of fund as of December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 10,778,865	\$ -	\$ 10,778,865
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>121,588</u>	<u>121,588</u>
TOTAL FUNDS	<u>\$ 10,778,865</u>	<u>\$ 394,088</u>	<u>\$ 11,172,953</u>

Changes in endowment net assets during the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,235,268	\$ 317,311	\$ 4,552,579
Investment income, net	592,916	76,777	669,693
Contributions	8,278,969	-	8,278,969
Appropriation of endowment assets for expenditure	<u>(2,328,288)</u>	<u>-</u>	<u>(2,328,288)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 10,778,865</u>	<u>\$ 394,088</u>	<u>\$ 11,172,953</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, 2020 and 2019.

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 CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

14. SUBSEQUENT EVENTS

In preparing these financial statements, ABC has evaluated events and transactions for potential recognition or disclosure through September 27, 2021, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

AMERICAN BIRD CONSERVANCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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:						
Wildlife Restoration and Basic Hunter Education	Tennessee Wildlife Resources Agency	60854	15.611	F18AF00534	\$ 350	\$ 45,000
Wildlife Restoration and Basic Hunter Education	Tennessee Wildlife Resources Agency	60806	15.611	F19AF00465	-	7,500
Wildlife Restoration and Basic Hunter Education	Virginia Department of Game and Inland Fisheries	20134	15.611	F18AF00664	-	5,000
Subtotal 15.611					350	57,500
Oaks and Prairies Joint Ventures	N/A	N/A	15.628	F19AP00104	10,000	65,247
Subtotal 15.628					10,000	65,247
Coastal Program	N/A	N/A	15.630	F16AC00824	-	6,746
Coastal Program	N/A	N/A	15.630	F18AC00927	-	8,652
Coastal Program	N/A	N/A	15.630	F15AC00765	-	3,295
Coastal Program	N/A	N/A	15.630	F18AC00503	29,269	44,377
Coastal Program	N/A	N/A	15.630	F19AC00788	-	59,744
Subtotal 15.630					29,269	122,814
State Wildlife Grants	Center for Natural Lands Management	WA-S-2018-007-0	15.634	F17AP00813	4,586	6,326
State Wildlife Grants	North Dakota Game and Fish Department	635-002-17	15.634	F17AF01012	-	2,454
Subtotal 15.634					4,586	8,780

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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):						
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F19AP00600	\$ 54,900	\$ 94,023
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F17AP00674	65,718	78,452
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F18AP00631	52,000	73,960
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F19AP00606	58,400	62,548
Neotropical Migratory Bird Conservation	N/A	N/A	15.635	F17AP00659	-	1,475
Subtotal 15.635					231,018	310,458
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00917	-	116,661
Migratory Bird Joint Ventures	N/A	N/A	15.637	F17AC00082	774	303,562
Migratory Bird Joint Ventures	N/A	N/A	15.637	F16AC00461	-	293,342
Migratory Bird Joint Ventures	N/A	N/A	15.637	F20AC11102	-	26,389
Migratory Bird Joint Ventures	N/A	N/A	15.637	F20AC11201	-	61,625
Migratory Bird Joint Ventures	N/A	N/A	15.637	F18AC00383	6,760	184,905
Migratory Bird Joint Ventures	N/A	N/A	15.637	F18AC00216	-	1,193
Migratory Bird Joint Ventures	N/A	N/A	15.637	F19AC00936	-	197,252
Migratory Bird Joint Ventures	N/A	N/A	15.637	F19AC00938	-	193,362
Subtotal 15.637					7,534	1,378,291
Migratory Bird Joint Ventures	N/A	N/A	15.650	F15AC00633	-	33,404
Subtotal 15.650					-	33,404

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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):						
National Outreach and Communication	N/A	N/A	15.653	1201.18.062818/ F18AP00036	\$ -	\$ 36,247
Subtotal 15.653					-	36,247
Migratory Bird Monitoring, Assessment and Conservation	N/A	N/A	15.655	F17AC00121	33,000	38,863
Subtotal 15.655					33,000	38,863
Endangered Species Recovery Implementation	N/A	N/A	15.657	0113.20.066974/ F20AC10145-00	-	41,229
Subtotal 15.657					-	41,229
National Fish and Wildlife Foundation	N/A	N/A	15.663	0115.19.066267/ F18AP00036	98,387	133,237
National Fish and Wildlife Foundation	N/A	N/A	15.663	0113.19.063493	195,188	234,685
National Fish and Wildlife Foundation	N/A	N/A	15.663	0105.18.061801/ F17AP00569	429	16,800
National Fish and Wildlife Foundation	N/A	N/A	15.663	0403.19.066450/ F18AC00707	180,802	183,601
Subtotal 15.663					474,806	568,323
Mosquitoes	N/A	N/A	15.670	F19AP00418	-	54,387
Subtotal 15.670					-	54,387
Cooperative Ecosystem Studies Units	N/A	N/A	15.678	080300.331382.01/ F17AC00899	2,280	2,280
Subtotal 15.678					2,280	2,280

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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. Environmental Protection Agency:						
Gulf of Mexico Program	N/A	N/A	66.475	MX-01D07120-0	\$ 6,427	\$ 51,884
Subtotal 66.475					6,427	51,884
U.S. Department of Agriculture - Forest Service:						
Cooperative Forestry Assistance	N/A	N/A	10.664	20-DG-11094200-034	1,766	11,780
Cooperative Forestry Assistance	N/A	N/A	10.664	20-DG-11094200-010	-	2,464
Subtotal 10.664					1,766	14,244
National Fish and Wildlife Foundation	N/A	N/A	10.683	0113.19.063493	34,445	41,415
National Fish and Wildlife Foundation	N/A	N/A	10.683	0407.19.066268/19-CA-11132422-155	75,000	75,000
National Fish and Wildlife Foundation	N/A	N/A	10.683	6001.18.061144/17-CA-11132422-109	93,535	103,052
National Fish and Wildlife Foundation	N/A	N/A	10.683	0407.18.062160/18-CA-11132422-180	114,881	114,881
Subtotal 10.683					317,861	334,348
International Forestry Programs	N/A	N/A	10.684	19-DG-11132762-024	2,500	7,452
International Forestry Programs	N/A	N/A	10.684	19-DG-11132762-306	6,625	13,162
Subtotal 10.684					9,125	20,614

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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	N/A	N/A	10.902	NR203A750027C002	\$ -	\$ 3,149
Soil and Water Conservation	N/A	N/A	10.902	2004.19.066587/ FC.R426	-	41,772
Soil and Water Conservation	N/A	N/A	10.902	2004.19.066446/ FC.R426	-	24,811
Soil and Water Conservation	N/A	N/A	10.902	NR205F48XXXXC007	-	4,295
Soil and Water Conservation	N/A	N/A	10.902	1907.18.059520/ 38-7103-17-101	74,800	118,043
Soil and Water Conservation	N/A	N/A	10.902	58699/ 68-3a75-17-262	-	28,654
Soil and Water Conservation	N/A	N/A	10.902	0501.18.061035/ 68-5D21-17-122	-	79,324
Soil and Water Conservation	N/A	N/A	10.902	NRCS 68-7442- 17-036	-	5,823
Soil and Water Conservation	N/A	N/A	10.902	2004.16.054528/ 68387516813	-	58,372
Soil and Water Conservation	N/A	N/A	10.902	NR183D47XXXXC012	-	49,300
Soil and Water Conservation	N/A	N/A	10.902	68-9104-17-023	-	17,167
Subtotal 10.902					74,800	430,710
Environmental Quality Incentives Program	N/A	N/A	10.912	NR205F48XXXXC007	-	8,590
Environmental Quality Incentives Program	N/A	N/A	10.912	0801.17.062144/ 68-3A75-17-308	-	84,335
Subtotal 10.912					-	92,925

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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	N/A	N/A	10.917	NR183D47XXXXC012	\$ -	\$ 49,300
Subtotal 10.917					-	49,300
Central Harwoods	N/A	N/A	10.924	NR205F48XXXXC007	-	8,590
Central Harwoods	N/A	N/A	10.924	NR184741XXXXC014	86,820	100,880
Subtotal 10.924					86,820	109,470
Regional Conservation Partnership Program	N/A	N/A	10.932	65-6322-15-01	-	125,974
Regional Conservation Partnership Program	N/A	N/A	10.932	68-3D47-15-16	112,594	149,140
Regional Conservation Partnership Program	N/A	N/A	10.932	NR184741XXXXC014	86,820	100,880
Subtotal 10.932					199,414	375,994
U.S. Department of Defense:						
Basic and Applied Scientific Research	N/A	N/A	12.300	HQ0034-18-2-0002	2,500	13,125
Subtotal 12.300					2,500	13,125
Legacy Resource Management Program	N/A	N/A	12.632	W911KB-20-2-8000	-	70,211
Subtotal 12.632					-	70,211
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 1,491,556	\$ 4,280,648

AMERICAN BIRD CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. 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.

Note 3. Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Expenditures per the Schedule of Expenditures of Federal Awards	\$ 4,280,648
Non-Federal grants	<u>103,327</u>

U.S. GOVERNMENT GRANTS PER STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS	<u>\$ 4,383,975</u>
--	----------------------------

AMERICAN BIRD CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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>
Soil and Water Conservation	10.902	\$ 430,710
NFWF-USFWS Conservation Partnership	15.663	\$ 568,323

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, 2020

Section II - Financial Statement Findings

Finding 2020-001: Reconciliation of Asset and Liability Accounts

Federal Programs: All Federal Awards

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. receivables, prepaid expenses, accounts payable, accrued salaries) were not properly reconciled as of December 31, 2020. As a result, a significant amount of time was spent by management during the audit process reconciling accounts. We believe the number of unreconciled accounts at year end represents a significant deficiency in internal controls.

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

Effect or Potential 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.

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: ABC agrees with finding 2020-001. ABC will begin to do monthly reconciliations to allow time to investigate and make the proper adjustments as needed. The Senior Accountant will begin to reconcile monthly, ensuring that the assets and liability accounts are accurately being maintained and updated. The CFO will cross check all reconciliations for accuracy. ABC will implement a closing schedule for the finance team. Using the new Accounting Software System, a dash board at a glance will be set up to quickly see all Asset and Liability accounts.

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

Finding 2020-002: Preparation of the Schedule of Federal Expenditures (SEFA)

Criteria: In accordance with 2 CFR 200.302 (Financial Management) the auditee must be able to identify all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

AMERICAN BIRD CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Finding 2020-002: Preparation of the Schedule of Federal Expenditures (SEFA) (continued)

Condition: During our review of the substantiation for the amounts reported as expenditures for the current year for our major programs, we noted the expenses reported for multiple awards did not agree to the underlying internal financial reports. Management performed an analysis over all grants on the SEFA which revealed additional awards that were not accurately represented on the original SEFA.

Cause: During fiscal year 2020, ABC tracked grant activity outside of the accounting system in excel "forecast sheets". Each grant manager was responsible for ensuring their grants activity was included in the SEFA worksheet. The information from the forecast sheets was not properly represented in the SEFA.

Effect or Potential Effect: Inaccurate and incomplete information on the SEFA could lead to unreliable and erroneous grant reporting, internal record keeping and decision making.

Questioned Costs: Undetermined

Context: Our audit testwork consisted of substantive procedures over the expenditures reported for our major program. We determined that the issue was systemic in nature.

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation: We recommend ABC review the SEFA and supporting schedules prior to the audit to ensure the SEFA is complete and all numbers are accurate and can be supported. Additionally, to reduce the risk of human error, we recommend all grant activity be tracked within the accounting system.

Views of Responsible Officials: ABC agrees with finding 2020-002. During 2020, reports were not being reviewed properly to ensure that the expenses were accurate and in alignment with the internal financial reports, due to ABC being short staffed. ABC has added two additional employees to the finance team. The Senior Accountant will begin to review all Financial Reports to ensure that all expenses are within the year reporting. ABC transitioned to a new financial software system to help sufficiently equate expenses within the appropriate year for each award.



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, 2020, and the related notes to the financial statements, which collectively comprise ABC's basic financial statements, and have issued our report thereon dated September 27, 2021.

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) as a basis for designing 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 deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001, that we consider to be a significant deficiency.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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 financial statements. 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 2020-001.

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.



September 27, 2021



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, 2020. 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, 2020.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

ABC's response to the noncompliance 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 compliance and, accordingly, we express no opinion on it.

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, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-002, that we consider to be a significant deficiency.

ABC's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on it.

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 27, 2021