

**CONSOLIDATED FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

# AMERICAN BIRD CONSERVANCY

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Consolidated Statements of Financial Position, as of December 31, 2022 and 2021	4
EXHIBIT B - Consolidated Statement of Activities and Changes in Net Assets, for the Year Ended December 31, 2022	5
EXHIBIT C - Consolidated Statement of Activities and Changes in Net Assets, for the Year Ended December 31, 2021	6
EXHIBIT D - Consolidated Statement of Functional Expenses, for the Year Ended December 31, 2022	7
EXHIBIT E - Consolidated Statement of Functional Expenses, for the Year Ended December 31, 2021	8
EXHIBIT F - Consolidated Statements of Cash Flows, for the Years Ended December 31, 2022 and 2021	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10 - 21



## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

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

#### Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ABC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ABC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023, on our consideration of ABC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ABC's internal control over financial reporting and compliance.



September 28, 2023

## AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2022 AND 2021**

<b>ASSETS</b>		<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	3,924,391	\$ 7,113,737
Investments		11,109,953	13,758,409
Contributions and grants receivable		3,512,506	3,553,574
Prepaid expenses and other assets		<u>65,433</u>	<u>61,033</u>
Total current assets		<u>18,612,283</u>	<u>24,486,753</u>
<b>FURNITURE AND EQUIPMENT, NET</b>		<u>28,256</u>	<u>2,850</u>
<b>OTHER ASSETS</b>			
Right-of-use asset, net		<u>252,262</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>18,892,801</u></b>	<b>\$ <u>24,489,603</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$	990,541	\$ 283,247
Accrued salaries and related benefits		617,992	408,348
Deferred rent		-	12,371
Operating lease liability		<u>184,165</u>	<u>-</u>
Total current liabilities		1,792,698	703,966
<b>NONCURRENT LIABILITIES</b>			
Operating lease liability, net of current portion		<u>102,325</u>	<u>-</u>
Total liabilities		<u>1,895,023</u>	<u>703,966</u>
<b>NET ASSETS</b>			
Without donor restrictions:			
Undesignated		801,143	(269,534)
Board designated		<u>10,615,982</u>	<u>14,191,129</u>
Total net assets without donor restrictions		11,417,125	13,921,595
With donor restrictions		<u>5,580,653</u>	<u>9,864,042</u>
Total net assets		<u>16,997,778</u>	<u>23,785,637</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>18,892,801</u></b>	<b>\$ <u>24,489,603</u></b>

## AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants	\$ 9,688,725	\$ 1,642,638	\$ 11,331,363
Contributions	5,028,420	4,521,785	9,550,205
Program service fees	444,960	-	444,960
Interest and investment loss, net	(2,577,359)	(103,639)	(2,680,998)
Contributed services	15,493	-	15,493
Other revenue	72,069	-	72,069
Net assets released from donor restrictions	<u>10,344,173</u>	<u>(10,344,173)</u>	<u>-</u>
Total support and revenue	<u>23,016,481</u>	<u>(4,283,389)</u>	<u>18,733,092</u>
<b>EXPENSES</b>			
Program Services:			
Bird Conservation Projects	17,593,327	-	17,593,327
Education and Outreach	<u>2,268,977</u>	<u>-</u>	<u>2,268,977</u>
Total program services	<u>19,862,304</u>	<u>-</u>	<u>19,862,304</u>
Supporting Services:			
Management and General	3,993,409	-	3,993,409
Fundraising	1,027,991	-	1,027,991
Membership Development	<u>637,247</u>	<u>-</u>	<u>637,247</u>
Total supporting services	<u>5,658,647</u>	<u>-</u>	<u>5,658,647</u>
Total expenses	<u>25,520,951</u>	<u>-</u>	<u>25,520,951</u>
Changes in net assets	(2,504,470)	(4,283,389)	(6,787,859)
Net assets at beginning of year	<u>13,921,595</u>	<u>9,864,042</u>	<u>23,785,637</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 11,417,125</u></b>	<b><u>\$ 5,580,653</u></b>	<b><u>\$ 16,997,778</u></b>

## AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants	\$ 6,289,873	\$ 4,230,330	\$ 10,520,203
Contributions	4,920,407	2,635,320	7,555,727
Program service fees	334,965	-	334,965
Interest and investment income, net	1,408,737	91,419	1,500,156
Contributed services	15,296	-	15,296
Other revenue	125,191	-	125,191
Net assets released from donor restrictions	<u>2,354,529</u>	<u>(2,354,529)</u>	<u>-</u>
Total support and revenue	<u>15,448,998</u>	<u>4,602,540</u>	<u>20,051,538</u>
<b>EXPENSES</b>			
Program Services:			
Bird Conservation Projects	12,137,486	-	12,137,486
Education and Outreach	<u>1,284,733</u>	<u>-</u>	<u>1,284,733</u>
Total program services	<u>13,422,219</u>	<u>-</u>	<u>13,422,219</u>
Supporting Services:			
Management and General	2,659,872	-	2,659,872
Fundraising	883,411	-	883,411
Membership Development	<u>415,063</u>	<u>-</u>	<u>415,063</u>
Total supporting services	<u>3,958,346</u>	<u>-</u>	<u>3,958,346</u>
Total expenses	<u>17,380,565</u>	<u>-</u>	<u>17,380,565</u>
Changes in net assets before other item	(1,931,567)	4,602,540	2,670,973
<b>OTHER ITEM</b>			
Extinguishment of debt	<u>1,410,994</u>	<u>-</u>	<u>1,410,994</u>
Changes in net assets	(520,573)	4,602,540	4,081,967
Net assets at beginning of year	<u>14,442,168</u>	<u>5,261,502</u>	<u>19,703,670</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 13,921,595</u></b>	<b><u>\$ 9,864,042</u></b>	<b><u>\$ 23,785,637</u></b>

## AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services			Supporting Services			Total Supporting Services	Total Expenses
	Bird Conservation Projects	Education and Outreach	Total Program Services	Management and General	Fundraising	Membership Development		
Salaries	\$ 5,903,894	\$1,061,756	\$ 6,965,650	\$ 1,759,428	\$ 736,093	\$ 166,880	\$ 2,662,401	\$ 9,628,051
Payroll taxes and benefits	1,349,630	242,717	1,592,347	402,838	168,271	38,148	609,257	2,201,604
Grants	8,045,444	9,440	8,054,884	75,837	-	-	75,837	8,130,721
Professional fees	1,220,008	370,727	1,590,735	783,695	63,225	140,990	987,910	2,578,645
Travel	487,741	19,683	507,424	136,783	9,900	370	147,053	654,477
Printing	14,098	169,731	183,829	9,067	63	175,609	184,739	368,568
Meetings and conferences	95,233	10,907	106,140	162,458	4,205	-	166,663	272,803
IT and telecoms	52,329	56,353	108,682	152,991	7,834	13	160,838	269,520
Advertising	1,810	215,249	217,059	24,409	4,599	-	29,008	246,067
Occupancy	62,382	-	62,382	181,236	-	-	181,236	243,618
Bad debt	208,431	-	208,431	-	-	-	-	208,431
Postage	5,331	88,642	93,973	7,748	22,524	63,188	93,460	187,433
Fieldwork costs	95,044	6,994	102,038	53,758	3,343	3,993	61,094	163,132
Miscellaneous	31,198	514	31,712	69,158	950	1,017	71,125	102,837
Dues	4,864	11,010	15,874	55,779	5,328	6	61,113	76,987
Bank charges	-	-	-	29,909	-	46,583	76,492	76,492
Insurance	1,566	-	1,566	55,556	-	-	55,556	57,122
Office supplies	14,324	5,254	19,578	32,759	1,656	450	34,865	54,443
<b>TOTAL</b>	<b>\$ 17,593,327</b>	<b>\$2,268,977</b>	<b>\$ 19,862,304</b>	<b>\$ 3,993,409</b>	<b>\$ 1,027,991</b>	<b>\$ 637,247</b>	<b>\$ 5,658,647</b>	<b>\$ 25,520,951</b>

See accompanying notes to consolidated financial statements.



## AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services			Supporting Services			Total Supporting Services	Total Expenses
	Bird Conservation Projects	Education and Outreach	Total Program Services	Management and General	Fundraising	Membership Development		
Salaries	\$ 5,209,194	\$ 624,432	\$ 5,833,626	\$ 1,221,387	\$ 567,658	\$ 144,340	\$ 1,933,385	\$ 7,767,011
Payroll taxes and benefits	1,341,898	187,109	1,529,007	333,458	170,144	43,231	546,833	2,075,840
Grants	4,066,249	1,200	4,067,449	16,352	-	-	16,352	4,083,801
Professional fees	659,631	121,831	781,462	187,930	45,168	23,813	256,911	1,038,373
Bad debt	-	-	-	427,182	-	-	427,182	427,182
Travel	266,784	89,655	356,439	11,913	16,614	5,069	33,596	390,035
Occupancy	163,872	13,987	177,859	89,851	14,426	2,641	106,918	284,777
Fieldwork costs	111,733	21,537	133,270	112,007	13,724	4,245	129,976	263,246
IT and telecoms	119,871	19,098	138,969	104,354	10,620	3,763	118,737	257,706
Printing	(840)	91,607	90,767	27,184	7,894	127,200	162,278	253,045
Advertising	42,525	80,485	123,010	8,568	6,688	-	15,256	138,266
Postage	5,846	26,119	31,965	4,011	17,077	31,941	53,029	84,994
Miscellaneous	60,043	342	60,385	4,444	2,648	2,423	9,515	69,900
Insurance	1,624	-	1,624	67,917	-	-	67,917	69,541
Bank charges	37,666	3,190	40,856	602	3,290	20,194	24,086	64,942
Office supplies	26,029	2,259	28,288	15,688	5,177	6,203	27,068	55,356
Meetings and conferences	18,261	1,882	20,143	7,669	2,283	-	9,952	30,095
Dues	7,100	-	7,100	19,355	-	-	19,355	26,455
<b>TOTAL</b>	<b>\$ 12,137,486</b>	<b>\$ 1,284,733</b>	<b>\$ 13,422,219</b>	<b>\$ 2,659,872</b>	<b>\$ 883,411</b>	<b>\$ 415,063</b>	<b>\$ 3,958,346</b>	<b>\$ 17,380,565</b>

See accompanying notes to consolidated financial statements.

## AMERICAN BIRD CONSERVANCY

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (6,787,859)	\$ 4,081,967
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	9,542	2,478
Receipt of contributed securities	(414,200)	(656,125)
Proceeds from the sales of contributed securities	412,593	654,622
Realized loss on sales of contributed securities	1,607	-
Unrealized loss (gain) on investments	2,873,774	(723,293)
Realized gain on sales of investments	(1,439)	(188,095)
Extinguishment of debt	-	(1,410,994)
Amortization of right-of-use asset	52,673	-
Decrease (increase) in:		
Contributions and grants receivable	41,068	(196,428)
Prepaid expenses and other assets	(4,400)	23,590
Increase (decrease) in:		
Accounts payable and accrued liabilities	707,294	31,770
Accrued salaries and related benefits	209,644	88,726
Deferred rent	-	4,147
Operating lease liability	(30,816)	-
Net cash (used) provided by operating activities	<u>(2,930,519)</u>	<u>1,712,365</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of furniture and equipment	(34,948)	-
Purchases of investments, net	(223,879)	(4,816,168)
Net cash used by investing activities	<u>(258,827)</u>	<u>(4,816,168)</u>
Net decrease in cash and cash equivalents	(3,189,346)	(3,103,803)
Cash and cash equivalents at beginning of year	<u>7,113,737</u>	<u>10,217,540</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,924,391</u></b>	<b><u>\$ 7,113,737</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
<b>Right-of-Use Asset</b>	<b><u>\$ 304,935</u></b>	<b><u>\$ -</u></b>
<b>Operating Lease Liability for Right-of-Use Asset</b>	<b><u>\$ 317,306</u></b>	<b><u>\$ -</u></b>

## AMERICAN BIRD CONSERVANCY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

#### 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 2022, ABC adopted ASU 2019-01, *Leases (Topic 842)* which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statements of Financial Position and disclosure of key information about leasing arrangements.

## AMERICAN BIRD CONSERVANCY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

##### New accounting pronouncements adopted (continued) -

ABC applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 9 for further details.

During the year ended December 31, 2022, ABC adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

##### 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, 2022 and 2021, there were \$506,811 and \$558,166, 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 (loss) 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. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor. Management considers all amounts to be collectable within one year from the date of the Statement of Financial Position.

##### Furniture and equipment -

Furniture and equipment in excess of \$3,000 are capitalized and stated at cost.

## AMERICAN BIRD CONSERVANCY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

##### Furniture and equipment (continued) -

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 \$10,155,000 and \$17,205,000 in unrecognized conditional awards as of December 31, 2022 and 2021, respectively.

##### Program service fees -

Contracts classified as exchange transactions for program service fees follow ASU 2014-09, Revenue from Contracts With Customers, and record revenue when the performance obligations are met. ABC has elected to opt out of all (or certain) disclosures not required for nonpublic entities. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the contract agreements. Accounts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue, if applicable.

## AMERICAN BIRD CONSERVANCY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

##### Program service fees (continued) -

There were no accounts receivable or deferred revenue related to program service fees as of December 31, 2022 and 2021.

##### 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 years ended December 31, 2022 and 2021, the Action Fund had no taxable unrelated business income.

##### Uncertain tax positions -

For the years ended December 31, 2022 and 2021, 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 consolidated 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*.

## AMERICAN BIRD CONSERVANCY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

Fair value measurement (continued) -

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

New accounting pronouncement (not yet adopted) -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326) replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for ABC for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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 AND FAIR MARKET VALUE

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, 2022 and 2021. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2022 and 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

**AMERICAN BIRD CONSERVANCY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**2. INVESTMENTS AND FAIR MARKET VALUE (Continued)**

- *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.
- *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, 2022:

<b>Asset Class</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 506,811	\$ -	\$ -	\$ 506,811
Mutual funds	<u>10,603,142</u>	<u>-</u>	<u>-</u>	<u>10,603,142</u>
<b>TOTAL</b>	<b><u>\$ 11,109,953</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,109,953</u></b>

The table below summarizes, by level within the fair value hierarchy, ABC's investments as of December 31, 2021:

<b>Asset Class</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 558,166	\$ -	\$ -	\$ 558,166
Mutual funds	10,192,179	-	-	10,192,179
Corporate bonds	<u>3,008,064</u>	<u>-</u>	<u>-</u>	<u>3,008,064</u>
<b>TOTAL</b>	<b><u>\$ 13,758,409</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 13,758,409</u></b>

Included in interest and investment (loss) income are the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 243,361	\$ 589,244
Unrealized (loss) gain on investments	(2,873,774)	723,293
Realized (loss) gain on sales of investments	(168)	188,095
Investment expenses	<u>(50,417)</u>	<u>(476)</u>
<b>TOTAL INTEREST AND INVESTMENT (LOSS) INCOME, NET</b>	<b><u>\$ (2,680,998)</u></b>	<b><u>\$ 1,500,156</u></b>

**3. LOAN PAYABLE**

In April 2020, ABC received loan proceeds in the amount of \$1,410,994 under the Paycheck Protection Program. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to be ultimately forgiven by the Small Business Administration (SBA). ABC expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and met all conditions set forth for full forgiveness.



**AMERICAN BIRD CONSERVANCY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**3. LOAN PAYABLE (Continued)**

ABC received notification that the total amount of the loan was forgiven by the SBA on May 21, 2021. Accordingly, ABC recorded revenue from extinguishment of debt during the year ended December 31, 2021.

**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 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
William Belton Grant Fund	\$ 349,763	\$ 436,549
Bird Conservation Board Endowment	9,681,860	12,524,841
Operating Reserve	<u>584,359</u>	<u>1,229,739</u>
<b>TOTAL BOARD DESIGNATED NET ASSETS</b>	<b><u>\$ 10,615,982</u></b>	<b><u>\$ 14,191,129</u></b>

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Bird Conservation Projects	\$ 5,145,893	\$ 9,325,644
Land Endowment Fund - accumulated investment earnings	162,259	265,898
Endowments to be invested in perpetuity:		
Land Endowment Fund	<u>272,500</u>	<u>272,500</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 5,580,652</u></b>	<b><u>\$ 9,864,042</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, 2022 and 2021 by incurring expenses (or through the passage of time), satisfying the restricted purposes specified by the donors:

	<u>2022</u>	<u>2021</u>
<b>Purpose Restrictions Satisfied:</b>		
Bird Conservation Projects	<b><u>\$ 10,344,173</u></b>	<b><u>\$ 2,354,529</u></b>

**AMERICAN BIRD CONSERVANCY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**7. 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,924,391	\$ 7,113,737
Investments	11,109,953	13,758,409
Contributions and grants receivable	<u>3,512,506</u>	<u>3,553,574</u>
Subtotal financial assets available within one year	18,546,850	24,425,720
Less: Board-designated funds	(10,615,982)	(14,191,129)
Less: Funds subject to donor-imposed purpose restrictions	(5,308,152)	(9,591,542)
Less: Endowment funds to be invested in perpetuity	<u>(272,500)</u>	<u>(272,500)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 2,350,216</u></b>	<b><u>\$ 370,549</u></b>

ABC has a policy to structure its financial assets to be available and liquid as its obligations become due. Board-designated funds totaling \$10,615,982 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. ABC is not required to make contributions to the Plan. During the years ended December 31, 2022 and 2021, ABC contributed \$132,634 and \$119,220, 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 expired on 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. Subsequent to year-end, the lease was extended through August 31, 2025.
- 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. Subsequent to the lease expiration, the arrangement was modified to a month-to-month basis. Rental payments are \$300 per month.
- Alpine, Texas: under a two year lease that expires October 31, 2021. Subsequent to the lease expiration, the arrangement was modified to a month-to-month basis. Base rent and internet services are \$560 per month.

## AMERICAN BIRD CONSERVANCY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

#### 9. LEASE COMMITMENTS (Continued)

- 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 and has continued on a month-to-month basis. Base rental payments are \$1,661 per month during the extension period.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statements of Financial Position and disclosure of key information about leasing arrangements. ABC elected on January 1, 2022 to implement the ASU and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases.

ABC also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. ABC adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. The Washington D.C. office lease is the only lease that qualified to be recorded under the ASU. As a result, ABC recorded a right-of-use asset in the amount of \$558,166. ABC recorded an operating lease liability in the amount of \$317,306 by calculating the present value using the discount rate of 2.71%.

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

<u>Year Ending December 31</u>	
2023	\$ 108,590
2024	111,847
2025	<u>76,330</u>
Subtotal	296,767
Less: Imputed interest	(10,277)
Less: Short-term portion	<u>(184,165)</u>
<b>TOTAL</b>	<b>\$ <u>102,325</u></b>

Lease expense during the years ended December 31, 2022 and 2021 totaled \$241,500 and \$282,645, respectively, and is included in occupancy in the accompanying Consolidated Statements of Functional Expenses.

#### 10. CONTINGENCY

ABC receives grants from various agencies of the U.S. Government. For the years ended December 31, 2022 and 2021, 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)*.

## AMERICAN BIRD CONSERVANCY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

#### 10. CONTINGENCY (Continued)

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 2022. 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. 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. 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.

**AMERICAN BIRD CONSERVANCY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**11. ENDOWMENTS (Continued)**

Endowment net asset composition by type of fund as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 9,681,860	\$ -	\$ 9,681,860
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	272,500	272,500
Accumulated investment earnings	-	162,259	162,259
<b>TOTAL FUNDS</b>	<b><u>\$ 9,681,860</u></b>	<b><u>\$ 434,759</u></b>	<b><u>\$ 10,116,619</u></b>

Changes in endowment net assets during the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 12,524,841	\$ 538,398	\$ 13,063,239
Investment loss, net	(2,453,015)	(103,639)	(2,556,654)
Contributions	1,098,453	-	1,098,453
Appropriation of endowment assets for expenditure	(1,488,419)	-	(1,488,419)
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ 9,681,860</u></b>	<b><u>\$ 434,759</u></b>	<b><u>\$ 10,116,619</u></b>

Endowment net asset composition by type of fund as of December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 12,524,841	\$ -	\$ 12,524,841
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	272,500	272,500
Accumulated investment earnings	-	265,898	265,898
<b>TOTAL FUNDS</b>	<b><u>\$ 12,524,841</u></b>	<b><u>\$ 538,398</u></b>	<b><u>\$ 13,063,239</u></b>

Changes in endowment net assets during the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 11,704,152	\$ 446,979	\$ 12,151,131
Investment income, net	1,252,573	91,419	1,343,992
Contributions	471,395	-	471,395
Appropriation of endowment assets for expenditure	(903,279)	-	(903,279)
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ 12,524,841</u></b>	<b><u>\$ 538,398</u></b>	<b><u>\$ 13,063,239</u></b>

**AMERICAN BIRD CONSERVANCY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**11. ENDOWMENTS (Continued)**

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, 2022 and 2021.

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.

**12. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, ABC has evaluated events and transactions for potential recognition or disclosure through September 28, 2023, the date the consolidated financial statements were issued.