

Wildlife Conservation Network, Inc.

Financial Statements

December 31, 2018
(With Comparative Totals for 2017)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wildlife Conservation Network, Inc.
San Francisco, California

We have audited the accompanying financial statements of Wildlife Conservation Network, Inc. (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildlife Conservation Network, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 3 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Wildlife Conservation Network, Inc.'s 2017 financial statements, and our report dated April 24, 2018 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2018 financial statements, we also audited the adjustments to the 2017 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Jose, California

May 24, 2019

Wildlife Conservation Network, Inc.
Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 13,621,511	\$ 14,254,670
Grants and contributions receivable	9,600	1,207,425
Prepaid expenses and deposits	<u>179,755</u>	<u>28,525</u>
Total current assets	<u>13,810,866</u>	<u>15,490,620</u>
Other assets		
Investments	9,588,131	4,953,216
Property and equipment, net	<u>172,449</u>	<u>177,876</u>
Total other assets	<u>9,760,580</u>	<u>5,131,092</u>
Total assets	<u><u>\$ 23,571,446</u></u>	<u><u>\$ 20,621,712</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 175,455	\$ 285,207
Grants payable, current portion	2,880,650	1,752,806
Accrued liabilities	47,694	51,075
Deferred revenue	<u>2,790</u>	<u>17,112</u>
Total current liabilities	3,106,589	2,106,200
Grants payable, net of current portion	<u>480,000</u>	<u>-</u>
Total liabilities	<u>3,586,589</u>	<u>2,106,200</u>
Net assets		
Without donor restrictions		
Undesignated	3,603,101	3,516,030
Board designated	<u>2,687,405</u>	<u>2,531,707</u>
Total without donor restrictions	6,290,506	6,047,737
With donor restrictions	<u>13,694,351</u>	<u>12,467,775</u>
Total net assets	<u>19,984,857</u>	<u>18,515,512</u>
Total liabilities and net assets	<u><u>\$ 23,571,446</u></u>	<u><u>\$ 20,621,712</u></u>

The accompanying notes are an integral part of these financial statements.

Wildlife Conservation Network, Inc.
Statement of Activities
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Support and revenue				
Contributions	\$ 3,952,886	\$ 17,231,885	\$ 21,184,771	\$ 20,698,512
Contributions in-kind	153,749	26,637	180,386	167,020
Sale of merchandise (net of cost of goods sold of \$7,085 in 2018 and \$2,210 in 2017)	4,447	64,303	68,750	57,965
Event admission fees	57,558	83,641	141,199	287,275
Sponsorship	42,500	-	42,500	25,000
Other income	93,351	287,427	380,778	88,275
Investment income (loss) (net of investment expenses of \$22,276 in 2018 and \$20,608 in 2017)	(245,837)	(60,356)	(306,193)	670,399
Auction	-	34,247	34,247	9,845
Net assets released from restriction	<u>16,441,208</u>	<u>(16,441,208)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and net assets released from restriction	<u>20,499,862</u>	<u>1,226,576</u>	<u>21,726,438</u>	<u>22,004,291</u>
Functional expenses				
Program services				
Wildlife programs	17,156,546	-	17,156,546	14,687,628
Program support services	499,141	-	499,141	665,362
Public education and outreach	924,881	-	924,881	687,788
Total program services	<u>18,580,568</u>	<u>-</u>	<u>18,580,568</u>	<u>16,040,778</u>
Support services				
Management and general	1,494,013	-	1,494,013	1,463,584
Fundraising	182,512	-	182,512	123,445
Total support services	<u>1,676,525</u>	<u>-</u>	<u>1,676,525</u>	<u>1,587,029</u>
Total functional expenses	<u>20,257,093</u>	<u>-</u>	<u>20,257,093</u>	<u>17,627,807</u>
Change in net assets	242,769	1,226,576	1,469,345	4,376,484
Net assets, beginning of year	<u>6,047,737</u>	<u>12,467,775</u>	<u>18,515,512</u>	<u>14,139,028</u>
Net assets, end of year	<u>\$ 6,290,506</u>	<u>\$ 13,694,351</u>	<u>\$ 19,984,857</u>	<u>\$ 18,515,512</u>

The accompanying notes are an integral part of these financial statements.

Wildlife Conservation Network, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Program Services				Support Services			2018	2017
	Wildlife Programs	Program Support Services	Public Education and Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	Total	Total
Personnel expenses									
Salaries and wages	\$ 441,650	\$ 44,295	\$ 214,957	\$ 700,902	\$ 625,728	\$ 66,972	\$ 692,700	\$ 1,393,602	\$ 1,220,243
Salaries in-kind	21,281	47	70,091	91,419	37,882	25,699	63,581	155,000	155,000
Employee benefits	46,222	6,936	22,470	75,628	65,485	6,999	72,484	148,112	130,248
Payroll taxes	38,194	3,831	18,566	60,591	54,109	5,783	59,892	120,483	101,357
Total personnel expenses	<u>547,347</u>	<u>55,109</u>	<u>326,084</u>	<u>928,540</u>	<u>783,204</u>	<u>105,453</u>	<u>888,657</u>	<u>1,817,197</u>	<u>1,606,848</u>
Other expenses									
Grants	16,345,326	312,118	-	16,657,444	-	-	-	16,657,444	14,331,507
Travel	98,477	29,954	259,693	388,124	54,727	7,417	62,144	450,268	428,026
Professional services	-	2,129	73,026	75,155	316,768	-	316,768	391,923	379,646
Occupancy	54,791	5,279	32,893	92,963	78,437	10,631	89,068	182,031	182,031
Contract labor	17,299	74,747	15,906	107,952	24,765	3,356	28,121	136,073	114,063
Printing	14,640	5,724	37,823	58,187	55,333	8,855	64,188	122,375	103,438
Expo and other receptions	-	1,116	92,358	93,474	-	19,588	19,588	113,062	164,942
Office expenses	17,984	3,049	20,174	41,207	25,745	3,489	29,234	70,441	52,366
Depreciation	20,100	1,937	12,066	34,103	28,774	3,900	32,674	66,777	30,737
Bank fees	-	-	-	-	64,601	-	64,601	64,601	83,807
Donor events and recognition	-	480	28,334	28,814	-	12,536	12,536	41,350	38,862
Other	12,434	1,052	8,505	21,991	13,710	1,858	15,568	37,559	39,533
Telephone	8,145	2,017	5,086	15,248	11,659	1,580	13,239	28,487	18,883
Outside services	6,496	626	4,725	11,847	9,299	1,260	10,559	22,406	14,529
Dues and subscriptions	3,794	2,865	2,277	8,936	5,431	736	6,167	15,103	14,412
Utilities	3,572	344	2,145	6,061	5,113	693	5,806	11,867	11,357
Repairs and maintenance	3,170	305	1,904	5,379	4,539	615	5,154	10,533	-
Insurance	744	75	361	1,180	8,720	113	8,833	10,013	6,774
Postage and shipping	2,227	215	1,521	3,963	3,188	432	3,620	7,583	6,046
Total other expenses	<u>16,609,199</u>	<u>444,032</u>	<u>598,797</u>	<u>17,652,028</u>	<u>710,809</u>	<u>77,059</u>	<u>787,868</u>	<u>18,439,896</u>	<u>16,020,959</u>
	<u>\$ 17,156,546</u>	<u>\$ 499,141</u>	<u>\$ 924,881</u>	<u>\$ 18,580,568</u>	<u>\$ 1,494,013</u>	<u>\$ 182,512</u>	<u>\$ 1,676,525</u>	<u>\$ 20,257,093</u>	<u>\$ 17,627,807</u>
Percentage of total	<u>85 %</u>	<u>2 %</u>	<u>5 %</u>	<u>92 %</u>	<u>7 %</u>	<u>1 %</u>	<u>8 %</u>	<u>100 %</u>	

The accompanying notes are an integral part of these financial statements.

Wildlife Conservation Network, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 1,469,345	\$ 4,376,484
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	66,777	30,737
Donated investments	(2,084,001)	(2,108,125)
Proceeds from sale of donated investments	2,084,001	2,108,125
Net realized and unrealized (gains) losses on investments	449,332	(590,630)
Changes in operating assets and liabilities		
Grants and contributions receivable	1,197,825	(742,152)
Prepaid expenses and deposits	(151,230)	30,862
Accounts payable	(109,752)	(19,291)
Grants payable	1,607,844	903,411
Accrued liabilities	(3,381)	13,479
Deferred revenue	(14,322)	(1,616)
Net cash provided by operating activities	<u>4,512,438</u>	<u>4,001,284</u>
Cash flows from investing activities		
Principal payments received on notes receivable	-	65,000
Purchase of property and equipment	(61,350)	(161,945)
Proceeds from sale of investments	366,397	365,340
Purchase of investments	(5,450,644)	(586,618)
Net cash used in investing activities	<u>(5,145,597)</u>	<u>(318,223)</u>
Net increase (decrease) in cash and cash equivalents	(633,159)	3,683,061
Cash and cash equivalents, beginning of year	<u>14,254,670</u>	<u>10,571,609</u>
Cash and cash equivalents, end of year	<u>\$ 13,621,511</u>	<u>\$ 14,254,670</u>

The accompanying notes are an integral part of these financial statements.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

1. NATURE OF OPERATIONS

Wildlife Conservation Network, Inc. ("WCN" or the "Organization"), is a California nonprofit public benefit corporation founded in 2002 to save the endangered species and their habitat by investing in the growth of individual conservationists focused on implementing community-based conservation programs in Africa, Asia, Eastern Europe, and Latin America. WCN provides back office support for fundraising, marketing, administrative, and technical expertise to field-based individual conservationists and organizations, enabling them to work more effectively and spend more time in the field. WCN uses a venture capital (VC) fundraising model based on the relationships that have evolved between high technology entrepreneurs, investors, and corporations. Acting as a very efficient VC, WCN identifies high potential individual conservationists and organizations, ensuring due diligence is completed up front, providing ongoing advisory services, and forging alliances between donor "investors" and conservationists. WCN is the first to use this approach to fund and support worldwide conservation efforts.

2. PROGRAM SERVICES

Wildlife Programs

Provide direct support to wildlife conservation partners, with a long-term commitment to endangered flagship species in over 30 developing countries. This support includes short-term and long-term grants to enhance WCN's field-based conservation partners' and associates' ability to save endangered species in the wild through programs such as reducing human-wildlife conflict, improving wildlife-friendly livestock, land and crop management, developing alternative livelihood programs, monitoring wildlife, anti-poaching, building capacity in and around protected areas, providing community education for children and adults, and raising public awareness about wildlife.

The Wildlife Programs include a wide range of support for species such as elephants, and deep focused support to organizations including, but not limited to, the Andean Cat Alliance, Cheetah Conservation Botswana, Cheetah Conservation Fund, Ethiopian Wolf Conservation Program, Ewaso Lions, Global Penguin Society, Grévy's Zebra Trust, MarAlliance, Niassa Lion Project, Okapi Conservation Project, Painted Dog Conservation, Saiga Conservation Alliance, Save the Elephants, Small Cat Conservation Alliance, Snow Leopard Conservancy, Spectacled Bear Conservation, and other mission relevant organizations in Africa, Asia, Europe, and North and South America.

Program Support Services

Provide a wide variety of technical assistance and support services to maximize the long-term impacts of field-based wildlife conservation partners and associates by enhancing their organizational capacity. These services include student internships, graduate scholarship support, cross site exchanges, leadership development, infrastructural improvement, training workshops, and access to expert advice and short term support (e.g. building capacity to improve accounting, donor outreach and management, grant writing, use of technology, etc).

Wildlife Conservation Network, Inc.
Notes to Financial Statements
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(With Comparative Totals for 2017)

2. PROGRAM SERVICES (continued)

Public Education and Outreach

Inform the public of wildlife conservation challenges and community-based solutions implemented by some of the world's most innovative and successful wildlife conservationists through a series of annual wildlife conservation events (including the Wildlife Conservation Expo), newsletters, and website.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

Financial statement presentation follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - represent assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, property and equipment fund plus any net assets designated by the Board for specific purposes.
- *Net assets with donor restrictions* - represent assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

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 support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets with donor restrictions.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Grants and contributions receivable

The Organization considers all grants and contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions receivable (continued)

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. The Organization considers all unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$5,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 7 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of December 31, 2018 and 2017 and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of December 31, 2018 and 2017 was \$32,245 and \$36,451, respectively.

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, an unconditional promise. Contributions are recorded as without donor restrictions or with donor restrictions depending on the nature of donor restrictions.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
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(With Comparative Totals for 2017)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions in-kind

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the financial statements the estimated value of these services is disclosed in Note 10.

Sale of merchandise

The Organization sells various merchandise items during partner hosted events. For some events the Organization communicates to the public that 100% of the proceeds go to the partners' programs. Merchandise sales during these specific events are recognized as unrestricted and temporarily restricted income.

Event admission fees

The Organization hosts various events to benefit partners' programs. For some events the Organization communicates to the public that 100% of the proceeds go to the partners' programs. Event admission fees for these specific events are recognized as without restrictions and with restrictions income.

Expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Indirect functional expenses are allocated to program and support services based on an analysis of personnel time.

Uncertainty in income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
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(With Comparative Totals for 2017)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncertainty in income taxes (continued)

The Organization's federal returns for the years ended December 31, 2015 and beyond remain subject to possible examination by federal taxing authorities, generally for three years after they are filed. The Organization's state returns for the years ended December 31, 2014 and beyond remain subject to possible examination by state taxing authorities, generally for four years after they are filed.

Income taxes

Wildlife Conservation Network, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

New accounting standard

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and funds available (Note 9).

Subsequent events

The Organization has evaluated subsequent events through May 24, 2019, the date the financial statements were available to be issued. There were no subsequent events that would have a material impact on the presentation of the Organization's financial statements.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are scheduled to be fully collected in less than one year. Grants and contributions receivables totaled \$9,600 and \$1,207,425 at December 31, 2018 and 2017, respectively.

5. INVESTMENTS

The Organization's investment policy is to maintain a moderately conservative but balanced portfolio with the primary investment objectives being the preservation of purchasing power and the preservation of capital.

It is the intent to always maintain a corpus for the WCN Scholarship Fund for Wildlife Conservation (Sidney Byers Scholarship Fund and Pat J. Miller Scholarship Fund) of \$1,670,685 and to use the income and capital appreciation above this amount to fund scholarships. However, should the corpus investment value go below the original level for whatever reason, it will be at the discretion of the three person Selection Committee to decide as to whether to continue to award and fund scholarships or to wait until the corpus grows and exceeds the original level.

During the year ended December 31, 2018, the three-person selection Committee decided to award and fund scholarships totaling \$147,546 which resulted in the fair value of the WCN Scholarship fund falling below the original corpus level of \$1,670,685 by \$47,213.

During the year ended December 31, 2013, the Organization received a bequest of \$2,852,550 from an estate. The Organization intends to use the bequest funds in a manner that reflects the donor's lifetime giving. These unrestricted funds were transferred to the Organization through a Real Estate Investment Trust ("REIT"). During the year ended December 31, 2015, investments in the REIT were liquidated. On January 29, 2016, the Organization transferred these liquidated funds to an investment account at Wealthfront, which holds the other Mary S. Boardman Funds. These funds are invested in publicly traded equities, which is consistent with the Organization's investment strategy.

The Organization had requested and the Board had approved the disbursements of \$455,000, of which \$325,000 was allocated to the Save the Elephants program and \$130,000 was allocated to the Niassa Lion Project on an annual basis for two years ended December 31, 2018 and 2017. The Organization has requested and the Board has approved the disbursements of \$585,000, of which \$65,000 will be allocated to the Niassa Lion Project, and \$130,000 will be allocated to the Save the Elephants program on an annual basis for three years ending December 31, 2019, 2020 and 2021.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

5. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, Organization's assets at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equities	\$ 2,598,477	\$ -	\$ -	\$ 2,598,477
Exchange traded funds	4,576,686	-	-	4,576,686
Fixed income	<u>2,412,968</u>	<u>-</u>	<u>-</u>	<u>2,412,968</u>
	<u>\$ 9,588,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,588,131</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equities	\$ 1,247,525	\$ -	\$ -	\$ 1,247,525
Exchange traded funds	3,031,645	-	-	3,031,645
Fixed income	<u>674,046</u>	<u>-</u>	<u>-</u>	<u>674,046</u>
	<u>\$ 4,953,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,953,216</u>

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is possible that the value of the Organization's investments and total net assets balance could fluctuate materially.

The following schedule summarizes the investment returns and their classifications in the statement of activities for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 135,189	\$ 30,226	\$ 165,415
Net unrealized losses	(370,002)	(161,872)	(531,874)
Net realized gains (losses)	(6,686)	89,228	82,542
Investment expenses	<u>(4,338)</u>	<u>(17,938)</u>	<u>(22,276)</u>
	<u>\$ (245,837)</u>	<u>\$ (60,356)</u>	<u>\$ (306,193)</u>

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5. INVESTMENTS (continued)

The following schedule summarizes the investment returns and their classifications in the statement of activities for the year ended December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 72,391	\$ 27,986	\$ 100,377
Net unrealized gains	57,724	411,677	469,401
Net realized gains	12,653	108,576	121,229
Investment expenses	<u>(20,608)</u>	<u>-</u>	<u>(20,608)</u>
	<u><u>\$ 122,160</u></u>	<u><u>\$ 548,239</u></u>	<u><u>\$ 670,399</u></u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 279,021	\$ 279,021
Website development	96,611	35,261
Leasehold improvements	<u>13,836</u>	<u>13,836</u>
	389,468	328,118
Accumulated depreciation	<u>(217,019)</u>	<u>(150,242)</u>
	<u><u>\$ 172,449</u></u>	<u><u>\$ 177,876</u></u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$66,777 and \$30,737, respectively.

7. BOARD DESIGNATED NET ASSETS

The Organization has established a reserve to fulfill a donor's commitment to wildlife conservation. The commitment reflects the prior giving behavior of the donor.

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7. BOARD DESIGNATED NET ASSETS (continued)

Board designated net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Mary Boardman fund	\$ 1,689,767	\$ 2,531,707
Save the elephants	402,500	-
Niassa lion project	214,000	-
African wild dog (Painted dog conservation)	156,393	-
Ethiopian wolf conservation	131,105	-
Grévy's zebra trust	38,000	-
Solar project	15,000	-
Lion recovery fund	7,500	-
Okapi conservation project	6,550	-
Spectacled bear	5,640	-
Elephant crisis fund	5,500	-
Small wild cat conservation alliance	5,000	-
Saiga conservation alliance	3,500	-
Save pangolins	2,000	-
Conservation acceleration fund	1,250	-
Penguin	1,000	-
Sharks and rays	1,000	-
Blue whale	500	-
Great green macaw	500	-
Black rhino	370	-
African lion (Ewaso)	330	-
	<u>\$ 2,687,405</u>	<u>\$ 2,531,707</u>

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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2018	2017
Lion recovery fund	\$ 4,976,945	\$ 3,318,746
Elephant crisis fund	3,012,198	4,083,527
WCN scholarship fund - corpus	1,670,685	1,670,685
WCN scholarship fund - accumulated investment gains (losses) (including distributions in excess of corpus)	(47,213)	149,679
Save the elephants	988,238	259,152
Conservation acceleration fund	424,347	585,589
African wild dog (Painted dog conservation)	373,470	435,898
Penguin	350,813	384,774
Andean cat alliance	283,624	279,363
African lion (Ewaso)	244,378	562,541
Rhino fund	234,435	-
Spectacled bear	184,912	209,491
Save pangolins	173,745	42,827
Other	131,324	32,500
Internship program	73,935	38,695
Great green macaw	63,003	1,686
Grévy's zebra trust	58,500	14,267
Saiga conservation alliance	56,812	6,946
Cheetah conservation - Botswana	53,072	55,832
Black rhino	45,585	100
Blue whale	41,199	12,568
African manatee	35,612	-
Snow leopard conservancy	33,581	38,772
Cheetah conservation fund - Namibia	27,905	13,038
Okapi conservation project	23,819	12,277
Cotton-top tamarin (Proyecto tit)	22,041	62,253
Wild earth allies	19,049	-
Pangolin	19,045	785
Sharks, rays and marine mammals	17,958	6,045
Coral fund	15,106	-
Orangutan - Malaysia	15,000	5,000
Saola	13,417	1,725
Small wild cat conservation alliance	11,714	28,548
Gorilla - Uganda	10,000	10,000
Workings dogs for conservation	10,000	-

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8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

	2018	2017
Dhole	6,932	-
African wild dog research	6,751	48,254
Bonobo and Congo biodiversity initiative	5,056	5,000
Grey crowned crane	4,361	-
Wildlife crime	1,350	-
Tapir	700	-
Giraffe	464	2,875
Polar bear	364	1,680
Rhino - Zimbabwe	119	119
Solar project	-	12,864
Ethiopian wolf conservation	-	23,589
Niassa lion project	-	28,108
Jane Goodall Institute	-	20,000
Marine biodiversity	-	1,955
Tiger-Siberia	-	22
	<u>\$ 13,694,351</u>	<u>\$ 12,467,775</u>

Net assets with donor restrictions released from restriction during the year were as follows:

Purpose Restriction	Country	2018	2017
Wildlife Programs			
Elephant crisis fund	Various countries	\$ 6,677,609	\$ 3,777,103
Save the elephants	Kenya	2,264,567	3,773,241
Lion recovery fund	Various countries	2,126,965	1,035,077
African wild dog (Painted dog conservation)	Zimbabwe	847,801	551,309
African lion (Ewaso)	Kenya	830,290	298,937
Niassa lion project	Mozambique	633,618	1,101,747
Cotton-top Tamarin (Proyecto titi)	Colombia	378,196	456,151
Grévy's zebra trust	Kenya	290,072	343,475
Ethiopian wolf conservation	Ethiopia	233,256	165,492
Spectacled Bear	Peru	271,173	78,445
Cheetah conservation - Botswana	Botswana	247,317	372,494
Penguin	Argentina	181,992	148,274
	Gulf, Caribbean and		
Sharks, rays and marine mammals	Argentina	157,652	313,389
African wild dog research	Zimbabwe	118,754	100,751
Small wild cat conservation alliance	Various countries	110,213	97,898
	Argentina, Bolivia,		
Andean cat alliance	Chile and Peru	91,375	148,774
Snow leopard conservancy	India, Nepal	82,107	79,953
Black rhino	Malawi	62,223	142,553
	Democratic Republic		
Okapi conservation project	of Congo	58,605	253,168
Saiga conservation alliance	Uzbekistan	56,354	86,121

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8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Purpose Restriction	Country	2018	2017
Cheetah conservation fund - Namibia	Namibia	37,006	89,994
Giraffe	Various countries	36,160	55,321
Great green macaw	Costa Rica	30,312	5,307
Jane Goodall Institute	United States	20,000	525,315
Other	Various Countries	12,000	80,098
Saola	Laos	11,470	34,107
Tiger - Siberia	Siberia	10,020	20,020
Gorilla - Uganda	Uganda	10,000	10,000
Wildlife crime	Zambia	9,286	-
Pangolin	Vietnam	8,639	69,302
Save pangolins	United States	7,914	-
Working dogs for conservation	Various countries	7,000	24,115
	Democratic Republic		
Bonobo and Congo biodiversity initiative	of Congo	5,000	5,000
Orangutan - Malaysia	Malaysia	5,000	18,000
Grey crowned crane	Rwanda	1,980	-
Marine biodiversity	Various countries	1,955	3,302
Polar bear	Various countries	1,805	9,907
Tapir	Brazil	1,000	2,000
African manatee	Cameroon	475	-
Blue whale	Sri Lanka	-	713
Vaquita	Mexico	-	1,050
		<u>15,937,161</u>	<u>14,277,903</u>
Public Education and Outreach			
WCN scholarship fund - scholarship grants	Various countries	158,796	123,010
WCN scholarship fund - investment expenses	United States	27,676	47,067
Conservation acceleration fund	Various countries	224,136	296,589
Internship program	Various countries	14,760	17,146
Solar project	United States	78,679	11,019
		<u>504,047</u>	<u>494,831</u>
		<u>\$ 16,441,208</u>	<u>\$ 14,772,734</u>

9. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization has cash and cash equivalents available. Grants and contributions receivable that are considered current will be collected from donors within one year.

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9. LIQUIDITY AND FUNDS AVAILABLE (continued)

Monthly, Management and members from the Board review the Organization's financial position and discusses a reasonable cash position to maintain. Management and members from the Board have set 180 days in cash as the minimum for 2019.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2018 to fund general expenditures and other obligations as they become due:

Financial assets	
Cash and cash equivalents	\$ 13,621,511
Grants and contributions receivable	9,600
Investments	<u>9,588,131</u>
	<u>23,219,242</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Grants payable	(2,880,650)
Purpose restricted projects	(12,023,666)
Held in perpetuity	<u>(1,670,685)</u>
	<u>(16,575,001)</u>
Less: Board designated net assets	<u>(2,687,405)</u>
	<u><u>\$ 3,956,836</u></u>

Financial assets available to meet cash needs for general expenditures within one year at December 31, 2018 were \$3,956,836.

The Organization has financial assets available at December 31, 2018 to cover approximately 288 days of operating expenses based on the fiscal year 2019 budget.

10. CONTRIBUTIONS IN-KIND

Contributions in-kind consisted of the following:

	<u>2018</u>	<u>2017</u>
Salaries in-kind	\$ 155,000	\$ 155,000
Professional services	25,386	9,360
Computer equipment, software, and educational material	<u>-</u>	<u>2,660</u>
	<u><u>\$ 180,386</u></u>	<u><u>\$ 167,020</u></u>

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10. CONTRIBUTIONS IN-KIND (continued)

The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. The estimated value of these services for the years ended December 31, 2018 and 2017 based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to \$31,448 and \$36,685, respectively. Since these services did not require specialized skills, they have not been recorded as support and expenses in the financial statements.

11. CONFLICT OF INTEREST POLICY

Included among the Organization's Board of Directors and Officers are volunteers from the community who provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of business transactions. The Organization has adopted a conflict of interest policy whereby Board members are disqualified from participation in the final decisions regarding any action affecting their related company or agency.

12. COMMITMENTS AND CONTINGENCIES

The Organization rents 2,500 square feet of office space at the rate of \$6,852 per month under a non-cancelable operating lease extended to February 15, 2019. The payments of \$6,852 remain fixed until January 15, 2017, at which time the rent is adjusted annually. As of December 31, 2018, rent under this lease was \$9,656 per month. Under the terms of the lease, the Organization is responsible for its share of common area maintenance costs.

The Organization also rents 1,500 square feet of additional office space at the rate of \$6,375 per month under a non-cancelable operating lease expiring on February 15, 2019. The payments of \$6,375 remain fixed until February 15, 2017, at which time the rent is adjusted annually. As of December 31, 2018, rent under this lease was \$6,763 per month. Under the terms of the lease, the Organization is responsible for its share of common area maintenance costs.

On November 15, 2018, the Organization signed a new lease agreement, effective March 15, 2019, for the 4,000 square feet of office space at the rate of \$17,000 per month under a non-cancelable operating lease expiring on March 14, 2022. Under the terms of the lease, the Organization is responsible for its share of common area maintenance costs.

Rental expense for the years ended December 31, 2018 and 2017 was \$182,031.

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12. COMMITMENTS AND CONTINGENCIES (continued)

The scheduled minimum lease payments under the lease terms are as follows:

Year ending December 31,

2019	\$ 206,288
2020	210,870
2021	210,870
2022	<u>35,145</u>
	<u><u>\$ 663,173</u></u>

13. RELATED PARTY TRANSACTIONS

Contributions were received from various board members of the Organization. These contributions for the years ended December 31, 2018 and 2017 totaled \$1,059,432 and \$722,500, respectively. The Organization had \$787 and \$3,313 due from related parties at December 31, 2018 and 2017, respectively.

14. ENDOWMENT

General information

The Organization's endowment consists of one donor-restricted endowment fund (the "WCN Scholarship Fund"). As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

WCN Scholarship Fund

On July 13, 2006, the Organization entered into an endowment memorandum of understanding with Sidney S. Byers Charitable Trust to develop and manage the Sidney Byers Scholarship for Wildlife Conservation ("WCN Scholarship Fund"). The endowment consisted of investment securities held at Charles Schwab, Inc. and valued at \$1,000,000. WCN has formed a selection committee which is responsible for advising WCN on the future direction and execution of the scholarships. An addendum to the endowment agreement states that if the corpus falls below \$1,000,000, for whatever reason, it is the intent to fund existing scholarship commitments and it will be at the discretion of the Selection Committee to decide as to whether to continue to award new scholarships or to wait until the corpus grows above the \$1,000,000 level.

Subsequent contributions totaling \$670,685 have been received as of December 31, 2018. These additional subsequent contributions are subject to the same terms and criteria as the original WCN Scholarship Fund.

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14. ENDOWMENT (continued)

Interpretation of relevant law

The Board of Directors of the Organization has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The WCN Scholarship Fund endowment has the following explicit donor stipulations:

- (1) The addendum to the endowment memorandum of understanding states that if the corpus falls below \$1,000,000 for whatever reason, it is the intent to fund existing scholarship commitments and it will be at the discretion of the three person Selection Committee to decide as to whether to continue to award new scholarships or to wait until the corpus grows above the \$1,000,000 level.
- (2) Additional subsequent contributions are subject to the same terms and criteria as the original WCN Scholarship Fund.

As a result of the above listed explicit donor stipulations, the Organization classifies as temporarily restricted net assets the following:

- *WCN Scholarship Fund - corpus* - consisting of (a) the original value of gifts donated to the temporarily restricted endowment and (b) the original value of subsequent gifts to the temporarily restricted endowment.
- *WCN Scholarship Fund - accumulated investment gain (loss)* - consisting of accumulated earnings and losses, capital appreciations and depreciations, and appropriations (distributions).

Investment return objectives, risk parameters and strategies

WCN 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. Endowment assets could include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. WCN expects its endowment funds, over time, to provide an average rate of return of approximately seven percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization 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).

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14. ENDOWMENT (continued)

Spending policy

The Selection Committee may, at its discretion, authorize appropriations each year up to 7% of the fair market value (determined on the average fair market value of the prior 12 quarters through the fiscal year preceding the fiscal year in which the appropriation is planned) from donor-restricted endowment funds. The Selection Committee may also at its discretion authorize appropriations above the 7% if special circumstances arise. During the years ended December 31, 2018 and 2017, the Organization's Selection Committee authorized appropriations in excess of 7% to fund previously awarded scholarships.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original contributed amount by the donor. There were no deficiencies as of December 31, 2017. As of December 31, 2018, the Organization made appropriations in excess of corpus of \$47,213.

Endowment composition

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

	<u>Net Assets With Donor Restrictions</u>		
	Accumulated Investment Gains (Losses) and Appropriations in Excess of Corpus	Corpus	Total
WCN Scholarship Fund	<u>\$ (47,213)</u>	<u>\$ 1,670,685</u>	<u>\$ 1,623,472</u>

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14. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2018 is as follows:

	Net Assets With Donor Restrictions		
	Accumulated Investment Gains (Losses) and Appropriations in Excess of Corpus	Corpus	Total
Balance, December 31, 2017	\$ 149,679	\$ 1,670,685	\$ 1,820,364
Contributions	49,936	-	49,936
Interest and dividend income	30,226	-	30,226
Unrealized losses on investments	(200,798)	-	(200,798)
Realized gains on investments	89,228	-	89,228
Investment expenses	(17,938)	-	(17,938)
Appropriations - scholarship grants	<u>(147,546)</u>	<u>-</u>	<u>(147,546)</u>
Subtitle			
Balance, December 31, 2018	<u>\$ (1,228,565)</u>	<u>\$ 1,670,685</u>	<u>\$ 442,120</u>

15. GRANT COMMITMENTS

On March 31, 2015, the Organization committed \$682,500 of the Mary S. Boardman Conservation Fund to two of its Partners. During January 2018, the Organization and the Board approved disbursements of \$585,000 from the Mary S. Boardman Funds, of which \$130,000 will be allocated to the Save the Elephants program and \$65,000 will be allocated to the Niassa Lion Project on an annual basis for three years ending December 31, 2019, 2020 and 2021. During May 2018, the Organization and the Board approved disbursements of \$270,000 from the Frankie Seffens Grant, of which \$50,000 will be allocated to the Painted Dog Conservation program and \$40,000 will be allocated to the Ethiopian Wolf Conservation program on an annual basis for the three years ending December 31, 2019, 2020 and 2021.

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15. GRANT COMMITMENTS (continued)

Grant commitments consist of the following:

	2018	2017
Save the elephants	\$ 390,000	\$ 162,500
Niassa lion project	\$ 195,000	\$ 65,000
Painted dog conservation	\$ 150,000	\$ -
Ethiopian wolf conservation	\$ 120,000	\$ -

16. EMPLOYEE BENEFIT PLANS

The Organization has a defined contribution 401(k) for its employees. Employees are permitted to make tax-deferred contributions into the 401(k) plan up to limits established by the IRS; employer contributions are discretionary. The Organization made discretionary contributions of \$51,539 and \$42,785 to the plan for the years ended December 31, 2018 and 2017, respectively.

17. CONCENTRATIONS

During the year ended December 31, 2018, one donor accounted for approximately 14% of total contribution revenue.