

**Wildlife Conservation Network, Inc.**

Financial Statements

December 31, 2015

(With Summarized Comparative Information  
For the Year Ended December 31, 2014)



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## INDEPENDENT AUDITOR'S REPORT

To the 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 public benefit corporation), which comprise the statement of financial position as of December 31, 2015, 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 Organization'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 Organization'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, 2015, 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.

## Report on Summarized Comparative Information

We have previously audited Wildlife Conservation Network, Inc.'s financial statements for the year ended December 31, 2014, and we expressed an unmodified opinion on those audited financial statements in our report dated May 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived



Armanino<sup>LLP</sup>  
San Jose, California

March 31, 2016

WILDLIFE CONSERVATION NETWORK, INC.  
Statement of Financial Position  
December 31, 2015  
(With Comparative Totals as of December 31, 2014)

ASSETS

|   | <u>2015</u>          | <u>2014</u>         |
|---|----------------------|---------------------|
| Current assets  |                      |                     |
| Cash and cash equivalents                             | \$ 6,731,473         | \$ 4,963,890        |
| Grants and pledges receivable, current                | 818,702              | 20,587              |
| Prepaid expenses and deposits                         | <u>36,677</u>        | <u>49,094</u>       |
| Total current assets                                  | 7,586,852            | 5,326,233           |
| Property and equipment, net                           | 65,097               | 81,875              |
| Other assets  |                      |                     |
| Grants and pledges receivable, net of current portion | 385,491              | -                   |
| Investments   | <u>4,190,680</u>     | <u>4,344,191</u>    |
| Total other assets                                    | <u>4,576,171</u>     | <u>4,344,191</u>    |
| Total assets  | <u>\$ 12,228,120</u> | <u>\$ 9,459,637</u> |

LIABILITIES AND NET ASSETS

|   |                      |                     |
|---|----------------------|---------------------|
| Current liabilities                           |                      |                     |
| Accounts payable                              | \$ 75,996            | \$ 40,559           |
| Grants payable, current                       | 784,522              | 251,566             |
| Accrued liabilities                           | 33,498               | 36,052              |
| Deferred revenue                              | <u>4,950</u>         | <u>-</u>            |
| Total current liabilities                     | 898,966              | 328,177             |
| Long-term liabilities, net of current portion |                      |                     |
| Grants payable, net of current portion        | <u>455,000</u>       | <u>-</u>            |
| Total liabilities                             | <u>1,353,966</u>     | <u>328,177</u>      |
| Net assets                                    |                      |                     |
| Unrestricted net assets                       |                      |                     |
| Undesignated                                  | 1,386,688            | 597,303             |
| Board designated                              | <u>1,873,500</u>     | <u>2,425,280</u>    |
| Total unrestricted net assets                 | 3,260,188            | 3,022,583           |
| Temporarily restricted net assets             | <u>7,613,966</u>     | <u>6,108,877</u>    |
| Total net assets                              | <u>10,874,154</u>    | <u>9,131,460</u>    |
| Total liabilities and net assets              | <u>\$ 12,228,120</u> | <u>\$ 9,459,637</u> |

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

WILDLIFE CONSERVATION NETWORK, INC.  
Statement of Activities  
Year Ended December 31, 2015  
(With Comparative Totals For the Year Ended December 31, 2014)

|   | <u>2015</u>         |                                   |                      | <u>2014</u>         |
|---|---------------------|-----------------------------------|----------------------|---------------------|
|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>         | <u>Total</u>        |
| Support and revenue   |                     |                                   |                      |                     |
| Contributions   | \$ 2,267,287        | \$ 9,616,601                      | \$ 11,883,888        | \$ 11,364,452       |
| Contributions in-kind   | 210,060             | -                                 | 210,060              | 180,153             |
| Sale of merchandise (net of cost of goods sold<br>of \$1,200 in 2015 and \$3,354 in 2014) | 8,915               | 42,619                            | 51,534               | 33,516              |
| Event admission fees  | 47,209              | 4,166                             | 51,375               | 74,038              |
| Other income  | 1,607               | 4,149                             | 5,756                | -                   |
| Investment income (loss), net   | 156,457             | (4,116)                           | 152,341              | 368,741             |
| Auction   | -                   | 31,322                            | 31,322               | 44,503              |
| Net assets released from restrictions   | <u>8,189,652</u>    | <u>(8,189,652)</u>                | <u>-</u>             | <u>-</u>            |
| Total support and revenue   | <u>10,881,187</u>   | <u>1,505,089</u>                  | <u>12,386,276</u>    | <u>12,065,403</u>   |
| Expenses  |                     |                                   |                      |                     |
| Program services  |                     |                                   |                      |                     |
| Wildlife Programs   | 8,733,993           | -                                 | 8,733,993            | 7,127,936           |
| Program Support Services  | 362,441             | -                                 | 362,441              | 309,058             |
| Public Education and Outreach   | <u>806,535</u>      | <u>-</u>                          | <u>806,535</u>       | <u>1,406,834</u>    |
| Total program services  | <u>9,902,969</u>    | <u>-</u>                          | <u>9,902,969</u>     | <u>8,843,828</u>    |
| Supporting services   |                     |                                   |                      |                     |
| Management and general  | 611,874             | -                                 | 611,874              | 606,162             |
| Fundraising   | <u>128,739</u>      | <u>-</u>                          | <u>128,739</u>       | <u>457,578</u>      |
| Total supporting services   | <u>740,613</u>      | <u>-</u>                          | <u>740,613</u>       | <u>1,063,740</u>    |
| Total expenses  | <u>10,643,582</u>   | <u>-</u>                          | <u>10,643,582</u>    | <u>9,907,568</u>    |
| Change in net assets  | 237,605             | 1,505,089                         | 1,742,694            | 2,157,835           |
| Net assets, beginning of year   | <u>3,022,583</u>    | <u>6,108,877</u>                  | <u>9,131,460</u>     | <u>6,973,625</u>    |
| Net assets, end of year   | <u>\$ 3,260,188</u> | <u>\$ 7,613,966</u>               | <u>\$ 10,874,154</u> | <u>\$ 9,131,460</u> |

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

WILDLIFE CONSERVATION NETWORK, INC.  
Statement of Functional Expenses  
Year Ended December 31, 2015  
(With Comparative Totals For the Year Ended December 31, 2014)

|                                     | Program Services    |                          |                               |                     | Supporting Services    |                   |                   | Total                |                     |
|-------------------------------------|---------------------|--------------------------|-------------------------------|---------------------|------------------------|-------------------|-------------------|----------------------|---------------------|
|                                     | Wildlife Programs   | Program Support Services | Public Education and Outreach | Total               | Management and General | Fundraising       | Total             | 2015                 | 2014                |
| Expenses                            |                     |                          |                               |                     |                        |                   |                   |                      |                     |
| Salaries                            | \$ 130,931          | \$ 38,509                | \$ 308,073                    | \$ 477,513          | \$ 240,562             | \$ 53,913         | \$ 294,475        | \$ 771,988           | \$ 615,548          |
| Salaries in-kind                    | 18,914              | 51                       | 65,500                        | 84,465              | 34,354                 | 23,981            | 58,335            | 142,800              | 142,800             |
| Employee benefits                   | 13,526              | 3,904                    | 32,626                        | 50,056              | 25,152                 | 5,928             | 31,080            | 81,136               | 67,659              |
| Payroll taxes                       | 11,344              | 3,337                    | 26,693                        | 41,374              | 20,687                 | 4,671             | 25,358            | 66,732               | 48,146              |
| Total salaries and related expenses | 174,715             | 45,801                   | 432,892                       | 653,408             | 320,755                | 88,493            | 409,248           | 1,062,656            | 874,153             |
| Grants                              | 8,507,054           | 296,071                  | -                             | 8,803,125           | -                      | -                 | -                 | 8,803,125            | 8,066,278           |
| Expo and other receptions           | -                   | -                        | 196,255                       | 196,255             | -                      | -                 | -                 | 196,255              | 167,485             |
| Professional services               | -                   | -                        | 685                           | 685                 | 88,437                 | -                 | 88,437            | 89,122               | 141,660             |
| Travel                              | 5,982               | 2,772                    | 41,820                        | 50,574              | 31,684                 | 3,035             | 34,719            | 85,293               | 38,221              |
| Printing                            | 5,247               | 1,413                    | 37,682                        | 44,342              | 28,140                 | 7,016             | 35,156            | 79,498               | 36,848              |
| Occupancy                           | 12,169              | 3,276                    | 31,904                        | 47,349              | 24,181                 | 6,474             | 30,655            | 78,004               | 88,591              |
| Bank fees                           | 293                 | -                        | -                             | 293                 | 60,112                 | -                 | 60,112            | 60,405               | 74,324              |
| Donor events                        | 12,917              | -                        | 21,035                        | 33,952              | -                      | 15,411            | 15,411            | 49,363               | 293,709             |
| Depreciation                        | 4,354               | 1,172                    | 11,415                        | 16,941              | 8,652                  | 2,318             | 10,970            | 27,911               | 32,085              |
| Office expenses                     | 4,106               | 1,105                    | 10,907                        | 16,118              | 8,159                  | 2,185             | 10,344            | 26,462               | 31,721              |
| Investment expenses                 | -                   | -                        | -                             | -                   | 18,769                 | -                 | 18,769            | 18,769               | 18,761              |
| Telephone                           | 1,664               | 448                      | 4,362                         | 6,474               | 3,306                  | 885               | 4,191             | 10,665               | 10,077              |
| Other                               | 1,351               | 368                      | 4,954                         | 6,673               | 2,708                  | 719               | 3,427             | 10,100               | 8,826               |
| Utilities                           | 1,505               | 405                      | 3,946                         | 5,856               | 2,991                  | 801               | 3,792             | 9,648                | 5,460               |
| Postage and shipping                | 1,230               | 331                      | 4,549                         | 6,110               | 2,444                  | 654               | 3,098             | 9,208                | 5,239               |
| Contract labor                      | -                   | 6,348                    | 443                           | 6,791               | 1,328                  | -                 | 1,328             | 8,119                | -                   |
| Outside services                    | 1,211               | 326                      | 3,175                         | 4,712               | 2,406                  | 644               | 3,050             | 7,762                | -                   |
| Dues and subscriptions              | -                   | 2,552                    | -                             | 2,552               | 4,100                  | -                 | 4,100             | 6,652                | 6,776               |
| Insurance                           | -                   | -                        | -                             | -                   | 3,315                  | -                 | 3,315             | 3,315                | 1,154               |
| Repairs and maintenance             | 148                 | 40                       | 388                           | 576                 | 294                    | 79                | 373               | 949                  | 451                 |
| Meeting costs                       | 47                  | 13                       | 123                           | 183                 | 93                     | 25                | 118               | 301                  | 245                 |
| Training                            | -                   | -                        | -                             | -                   | -                      | -                 | -                 | -                    | 5,504               |
| Total expenses                      | <u>\$ 8,733,993</u> | <u>\$ 362,441</u>        | <u>\$ 806,535</u>             | <u>\$ 9,902,969</u> | <u>\$ 611,874</u>      | <u>\$ 128,739</u> | <u>\$ 740,613</u> | <u>\$ 10,643,582</u> | <u>\$ 9,907,568</u> |
| Percentage of total                 | <u>82%</u>          | <u>3%</u>                | <u>8%</u>                     | <u>93%</u>          | <u>6%</u>              | <u>1%</u>         | <u>7%</u>         | <u>100%</u>          |                     |

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

WILDLIFE CONSERVATION NETWORK, INC.  
Statement of Cash Flows  
Year Ended December 31, 2015  
(With Comparative Totals For the Year Ended December 31, 2014)

|  | 2015         | 2014         |
|--|--------------|--------------|
| Cash flows from operating activities   |              |              |
| Change in net assets   | \$ 1,742,694 | \$ 2,157,835 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |              |              |
| Depreciation   | 27,911       | 32,085       |
| Donated investments  | (467,761)    | (384,666)    |
| Donated computer equipment, software and educational materials received                    | (37,215)     | (20,639)     |
| Donated computer equipment, software and educational materials granted                     | 37,215       | 20,639       |
| Net realized and unrealized gains on investments   | (7,357)      | (243,579)    |
| Changes in operating assets and liabilities  |              |              |
| Grants and pledges receivable  | (1,183,606)  | (2,801)      |
| Prepaid expenses and deposits  | 12,417       | (31,899)     |
| Accounts payable   | 35,437       | 15,229       |
| Grants payable   | 987,956      | 232,069      |
| Accrued liabilities  | (2,554)      | 14,102       |
| Deferred revenue   | 4,950        | -            |
| Net cash provided by operating activities  | 1,150,087    | 1,788,375    |
| Cash flows from investing activities   |              |              |
| Purchase of furniture and equipment  | (11,133)     | (41,091)     |
| Proceeds from sale of investments  | 1,037,598    | 2,665,952    |
| Purchase of investments  | (408,969)    | (2,092,505)  |
| Net cash provided by investing activities  | 617,496      | 532,356      |
| Net increase in cash and cash equivalents  | 1,767,583    | 2,320,731    |
| Cash and cash equivalents, beginning of year   | 4,963,890    | 2,643,159    |
| Cash and cash equivalents, end of year   | \$ 6,731,473 | \$ 4,963,890 |

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



WILDLIFE CONSERVATION NETWORK, INC.  
Notes to Financial Statements  
December 31, 2015  
(With Comparative Totals for December 31, 2014)

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1. Organization

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- 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 range wide 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, Grévy's Zebra Trust, Niassa Lion Project, Okapi Conservation Project, Painted Dog Conservation, Saiga Conservation Alliance, Save the Elephants, Small Cat Conservation Alliance, Snow Leopard Conservancy, Proyecto Titi 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  
December 31, 2015  
(With Comparative Totals for December 31, 2014)

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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 web based information.

3. Summary of Significant Accounting Policies

Basis of accounting

The financial statements of Wildlife Conservation Network, Inc. have been prepared on the accrual basis of accounting.

Basis of 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those 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.

Temporarily restricted net assets include those 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.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. There are currently no permanently restricted net assets.

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.

WILDLIFE CONSERVATION NETWORK, INC.  
Notes to Financial Statements  
December 31, 2015  
(With Comparative Totals for December 31, 2014)

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3. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a 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.

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 restricted net assets.

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.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

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 pledges receivable

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

WILDLIFE CONSERVATION NETWORK, INC.  
Notes to Financial Statements  
December 31, 2015  
(With Comparative Totals for December 31, 2014)

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3. Summary of Significant Accounting Policies (continued)

Promises to give

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period 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 \$2,000 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, 2015 and 2014 and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of December 31, 2015 and 2014 was \$24,027 and \$14,735, 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 pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions.

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.

WILDLIFE CONSERVATION NETWORK, INC.  
Notes to Financial Statements  
December 31, 2015  
(With Comparative Totals for December 31, 2014)

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3. Summary of Significant Accounting Policies (continued)

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 temporary 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 temporary restricted 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 supporting services benefited. Indirect functional expenses are allocated to program and supporting services based on an analysis of personnel time.

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.

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.

The Organization's federal returns for the years ended December 31, 2012 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, 2011 and beyond remain subject to possible examination by state taxing authorities, generally for four years after they are filed.

WILDLIFE CONSERVATION NETWORK, INC.  
Notes to Financial Statements  
December 31, 2015  
(With Comparative Totals for December 31, 2014)

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3. Summary of Significant Accounting Policies (continued)

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. There were no advertising costs for the years ended December 31, 2015 and 2014.

Reclassifications

Certain amounts in the prior year comparative totals have been reclassified in order to be consistent with the current year presentation.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to December 31, 2015 for potential recognition or disclosure in the financial statements. The Organization has subsequent events that required recognition or disclosure in the financial statements for the year ended December 31, 2015 (see Note 16). Subsequent events have been evaluated through the date the financial statements became available to be issued, March 31, 2016.

4. Grants and Pledges Receivable

Grants and pledges receivable as of December 31, consisted of the following:

|  | 2015       | 2014      |
|--|------------|-----------|
| Receivable in less than one year                   | \$ 818,702 | \$ 20,587 |
| Receivable in one to five years                    | 385,491    | -         |
| Total grant and pledges receivable                 | 1,204,193  | 20,587    |
| Current portion of grants and pledges receivable   | (818,702)  | (20,587)  |
| Long-term portion of grants and pledges receivable | \$ 385,491 | \$ -      |

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 \$1,793,017 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.

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5. Investments (continued)

During the year ended December 31, 2015, the three-person selection Committee decided to award and fund scholarships totaling \$214,951 which resulted in the fair value of the WCN Scholarship fund falling below the corpus original level of \$1,793,017.

During the year ended December 31, 2013, the Organization received a bequest of \$2,852,550 from an estate. These unrestricted funds were transferred to the Organization through a Real Estate Investment Trust (REIT).

REIT funds were valued at the net asset value (NAV) of REIT's portfolio and underlying rental properties. NAVs were appraised quarterly and were performed by independent real estate appraisers selected by the Board of REIT. The Board reviewed the presentation and the underlying analysis of the valuation and either approved or revised the valuation. The market value per share was determined by dividing the REIT's NAV by the number of shares outstanding.

The Organization intends to use the bequest funds in a manner that reflects the donor's lifetime giving. As of December 31, 2015, investments in the REIT were liquidated. These liquidated funds were held in the bank temporarily. 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 has requested and the Board has approved the disbursements of \$227,500, of which \$162,500 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, 2016, 2017 and 2018. The Organization plans to use the balance of the bequest funds in a manner that reflects the donor's lifetime giving.

Investments held at fair value as of December 31, 2015 consisted of the following:

|                             | <u>Fair Value</u>   | <u>Quoted Prices in<br/>Active Markets<br/>for Identical<br/>Assets (Level 1)</u> | <u>Significant Other<br/>Observable<br/>Inputs (Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs (Level 3)</u> |
|-----------------------------|---------------------|---|--|--|
| Equities                    | \$ 2,634,712        | \$ 2,634,712  | \$ -   | \$ -   |
| Cash and money market funds | 1,129,577           | 1,129,577   | -  | -  |
| Exchange traded funds       | 273,444             | 273,444   | -  | -  |
| Fixed income                | <u>152,947</u>      | <u>152,947</u>  | -  | -  |
| Total investments           | <u>\$ 4,190,680</u> | <u>\$ 4,190,680</u>   | <u>\$ -</u>  | <u>\$ -</u>  |

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5. Investments (continued)

Investments held at fair value as of December 31, 2014 consisted of the following:

|                                   | <u>Fair Value</u>   | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant Other<br>Observable<br>Inputs (Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |
|-----------------------------------|---------------------|---|---|---|
| Exchange traded funds             | \$ 1,668,266        | \$ 1,668,266  | \$ -  | \$ -  |
| Equities                          | 1,417,746           | 1,417,746   | -   | -   |
| REIT funds                        | 1,051,660           | -   | -   | 1,051,660                                       |
| Fixed income                      | 100,353             | 100,353   | -   | -   |
| Cash and money market funds       | 65,162              | 65,162  | -   | -   |
| Other - index and utilities funds | 41,004              | 41,004  | -   | -   |
| Total investments                 | <u>\$ 4,344,191</u> | <u>\$ 3,292,531</u>   | <u>\$ -</u>   | <u>\$ 1,051,660</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 Wildlife Conservation Network, Inc.'s investments and total net assets balance could fluctuate materially.

The following schedule summarizes the Organization's Level 3 investments activities for the year ended December 31, 2015:

|   |                    |
|---|--------------------|
| Balance as of December 31, 2014             | \$ 1,051,660       |
| Unrealized/realized gain net of expenses    | 107,527            |
| Interest and dividend income                | 63,311             |
| Proceeds from redemptions and distributions | <u>(1,222,498)</u> |
| Balance as of December 31, 2015             | <u>\$ -</u>        |

The following schedule summarizes the investment returns and their classifications in the consolidated statement of activities for the year ended December 31, 2015:

|                                | <u>Unrestricted</u> | Temporarily<br><u>Restricted</u> | <u>Total</u>      |
|--------------------------------|---------------------|----------------------------------|-------------------|
| Interest and dividend income   | \$ 108,912          | \$ 36,072                        | \$ 144,984        |
| Net unrealized gain (loss)     | 40,934              | (93,478)                         | (52,544)          |
| Net realized gain              | <u>6,611</u>        | <u>53,290</u>                    | <u>59,901</u>     |
| Total investment income (loss) | <u>\$ 156,457</u>   | <u>\$ (4,116)</u>                | <u>\$ 152,341</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, 2014:

|                              | Unrestricted | Temporarily<br>Restricted | Total      |
|------------------------------|--------------|---------------------------|------------|
| Interest and dividend income | \$ 90,096    | \$ 35,066                 | \$ 125,162 |
| Net unrealized gain (loss)   | 149,242      | (13,140)                  | 136,102    |
| Net realized gain (loss)     | (4,172)      | 111,649                   | 107,477    |
| Total investment income      | \$ 235,166   | \$ 133,575                | \$ 368,741 |

6. Property and Equipment

The cost and related accumulated depreciation of the property and equipment as of December 31, consisted of the following:

|                               | 2015       | 2014       |
|-------------------------------|------------|------------|
| Furniture and equipment       | \$ 158,492 | \$ 147,359 |
| Less accumulated depreciation | (93,395)   | (65,484)   |
| Property and equipment, net   | \$ 65,097  | \$ 81,875  |

Depreciation expense for the years ended December 31, 2015 and 2014 was \$27,911 and \$32,085, 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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8. Temporarily Restricted Net Assets

The Organization's temporarily restricted net assets as of December 31, consisted of the following:

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Purpose restrictions   |                     |                     |
| WCN scholarship fund - corpus  | \$ 1,793,017        | \$ 1,781,960        |
| WCN scholarship fund - accumulated investment gain (loss)<br>(including distributions in excess of corpus) | (158,828)           | 77,916              |
| Elephant crisis fund   | 2,603,284           | 2,242,010           |
| Conservation acceleration fund   | 701,676             | 877,629             |
| Save the elephants   | 603,438             | 215,488             |
| Penguin  | 518,316             | 3,490               |
| African wild dog (Painted dog conservation)  | 261,060             | 321,881             |
| African lion (Ewaso)   | 235,874             | 22,801              |
| Andean cat alliance  | 228,094             | 238,183             |
| Niassa lion project  | 106,949             | 34,010              |
| Ethiopian wolf conservation  | 101,418             | 2,890               |
| Sharks and rays and marine mammals   | 75,478              | 4,331               |
| Internship program   | 62,981              | 84,536              |
| Cheetah conservation Botswana  | 55,953              | 32,278              |
| Cheetah conservation fund - Namibia  | 51,737              | 3,110               |
| Snow leopard conservancy   | 51,715              | 14,504              |
| Other  | 44,181              | 53,466              |
| Okapi conservation project   | 38,141              | 1,628               |
| Cotton-top tamarin (Proyecto titi)   | 29,227              | 9,739               |
| Small cat conservation alliance  | 27,976              | 11,562              |
| Pangolin   | 26,745              | -                   |
| Solar project  | 26,694              | 14,976              |
| Grevy's zebra trust  | 20,760              | 7,849               |
| Tree kangaroo  | 15,000              | 500                 |
| Spectacled bear  | 11,634              | -                   |
| Black rhino  | 10,036              | -                   |
| Vaquita  | 10,000              | -                   |
| Tiger - Siberia  | 10,000              | -                   |
| Orangutan - Malaysia   | 10,000              | -                   |
| Gorilla - Uganda   | 10,000              | -                   |
| Saiga conservation alliance  | 8,852               | 730                 |
| African wild dog research  | 7,734               | 7,224               |
| Bonobo and Congo biodiversity initiative   | 5,150               | 2,065               |
| Saola  | 3,465               | 500                 |
| Working dogs for conservation  | 2,442               | -                   |
| Polar bear   | 2,350               | 1,685               |
| Lion - Ruaha   | 1,292               | -                   |
| Rhino - Zimbabwe   | 100                 | 7,201               |
| Sea turtles  | 25                  | 930                 |
| Jane Goodall Institute   | -                   | 31,805              |
| Total temporarily restricted net assets  | <u>\$ 7,613,966</u> | <u>\$ 6,108,877</u> |

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9. Net Assets Released from Restrictions

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

|  | <u>2015</u>  | <u>Country</u>                  |
|--|--------------|---------------------------------|
| Purpose restrictions                           |              |                                 |
| Wildlife Programs                              |              |                                 |
| Save the elephants                             | \$ 1,312,890 | Kenya                           |
| Elephant crisis fund                           | 2,976,360    | Various countries               |
| Niassa lion project                            | 543,921      | Mozambique                      |
| African wild dog (Painted dog conservation)    | 501,626      | Zimbabwe                        |
| Penguin  | 484,592      | Argentina                       |
| African lion (Ewaso)                           | 256,140      | Kenya                           |
| Cheetah conservation Botswana                  | 218,206      | Botswana                        |
| Cotton-top tamarin (Proyecto titi)             | 191,884      | Colombia                        |
| Grevy's zebra trust                            | 190,686      | Kenya                           |
| Small cat conservation alliance                | 150,725      | Various countries               |
| Saiga conservation alliance                    | 147,380      | Uzbekistan                      |
| Okapi conservation project                     | 102,353      | Democratic Republic of Congo    |
| African wild dog research                      | 102,116      | Zimbabwe                        |
| Snow leopard conservancy                       | 97,498       | India, Nepal                    |
| Andean cat alliance                            | 57,383       | Argentina, Bolivia, Chile, Peru |
| Other  | 56,657       | Various countries               |
| Sharks and rays and marine mammals             | 45,664       | Gulf and Caribbean, Argentina   |
| Jane Goodall Institute                         | 40,905       | United States                   |
| Sea turtles                                    | 31,120       | Peru                            |
| Fishing cat                                    | 25,000       | Sri Lanka                       |
| Russian cats (Siberian tiger and Amur leopard) | 25,000       | Siberia                         |
| Black rhino                                    | 24,997       | Malawi                          |
| Saola  | 20,063       | Laos                            |
| Spectacled bear                                | 16,625       | Peru                            |
| Bonobo and Congo biodiversity initiative       | 10,698       | Democratic Republic of Congo    |
| Tapir  | 10,650       | Brazil                          |
| Tree kangaroo                                  | 10,540       | Papua New Guinea                |
| Giant armadillo                                | 10,000       | Brazil                          |
| Cheetah conservation fund - Namibia            | 8,683        | Namibia                         |
| Ethiopian wolf conservation                    | 8,432        | Ethiopia                        |
| Rhino - Zimbabwe                               | 7,654        | Zimbabwe                        |
| Working dogs for conservation                  | 7,028        | Various countries               |
| Pangolin                                       | 6,547        | Vietnam                         |
| Uganda conservation                            | 6,020        | Uganda                          |
| Gorilla - Uganda                               | 5,000        | Uganda                          |
| Vaquita  | 3,680        | Mexico                          |

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9. Net Assets Released from Restrictions (continued)

|   | <u>2015</u>         | <u>Country</u>    |
|---|---------------------|-------------------|
| Polar bear                                  | 1,871               | Various countries |
| Lion - Ruaha                                | 1,028               | Tanzania          |
| Giraffe                                     | 970                 | Multiple          |
| Public Education and Outreach               |                     |                   |
| WCN scholarship fund - scholarship grants   | 214,951             | Various countries |
| WCN scholarship fund - investment expenses  | 17,677              | United States     |
| Conservation acceleration fund              | 186,454             | Various countries |
| Solar project                               | 36,282              | United States     |
| Internship program                          | <u>23,056</u>       | Various countries |
| Total net assets released from restrictions | <u>\$ 8,189,652</u> |                   |

10. Contributions In-Kind

The estimated fair value of donated goods and services received are recorded as contributions. During the years ended December 31, 2015 and 2014 the following in-kind contributions were received by the Organization:

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| Salaries   | \$ 142,800        | \$ 142,800        |
| Computer equipment, software and educational materials | 37,215            | 20,639            |
| Professional services                                  | 30,045            | 5,638             |
| Rent   | -                 | 10,780            |
| Licenses   | <u>-</u>          | <u>296</u>        |
| Total contributions in-kind                            | <u>\$ 210,060</u> | <u>\$ 180,153</u> |

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, 2015 and 2014 based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to \$33,798 and \$32,783, respectively. Since these services did not require specialized skills, they have not been recorded as support and expenses in the financial statements.

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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. Operating Lease Commitments

The Organization rents 6,400 square feet of office space at the rate of \$6,652 per month under a non-cancelable operating lease extended to February 15, 2019. The payments of \$6,652 remain fixed until February 29, 2016, at which time the rent is adjusted annually. Under the terms of the lease, the Organization is responsible for its share of common area maintenance costs. The Organization has the option to extend this lease for one additional three-year period at 95% of the fair market rent.

The Organization also entered in to new lease after the year ended December 31, 2015 for additional office space at the rate of \$6,375 per month under a non-cancelable operating lease extended to February 15, 2019. The payments of \$6,375 remain fixed until February 15, 2017, at which time the rent is adjusted annually. Under the terms of the lease, the Organization is responsible for its share of common area maintenance costs. The Organization has the option to extend this lease for one additional three-year period at 95% of the fair market rent.

Rental expense for the year ended December 31, 2015 and 2014 was \$78,004 and \$77,811, respectively.

Future minimum lease payments are as follows:

| <u>Year ending December 31,</u>     | <u>Amount</u>     |
|-------------------------------------|-------------------|
| 2016                                | \$ 145,574        |
| 2017                                | 188,387           |
| 2018                                | 196,353           |
| 2019                                | <u>33,128</u>     |
| Total future minimum lease payments | <u>\$ 563,442</u> |

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13. Related Party Transactions

The Organization received donated space for its headquarters in Los Altos, California from the Executive Director until April 2014. The value of the rent for the office, which has been included in the financial statements, for the years ended December 31, 2015 and 2014 has been estimated at \$0 and \$10,780, respectively (see Note 10).

In addition, contributions were received from various board members of the Organization. These contributions for the years ended December 31, 2015 and 2014 totaled \$744,346 and \$669,865, respectively.

14. Endowment

General information

Wildlife Conservation Network, Inc.'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, Wildlife Conservation Network, Inc. (WCN) entered into an endowment memorandum of understanding with Sidney S. Byers Charitable Trust (SBCT) 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 \$793,017 have been received as of December 31, 2015. 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 Wildlife Conservation Network, Inc. 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 Sidney Byers Scholarship for Wildlife Conservation (WCN Scholarship Fund) endowment has the following explicit donor stipulations:

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.

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, Wildlife Conservation Network, Inc. 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 7 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 year ended December 31, 2015, 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. In accordance with Generally Accepted Accounting Principles (GAAP), deficiencies of this nature totaled \$(158,828) and \$0 as of December 31, 2015 and 2014, respectively.

Endowment net asset composition by type of fund as of December 31, 2015 consisted of the following:

|                      | <u>Temporarily restricted</u>                     |               |              |
|----------------------|---|---------------|--------------|
|                      | <u>Accumulated<br/>investment<br/>gain (loss)</u> | <u>Corpus</u> | <u>Total</u> |
| WCN scholarship fund | \$ (158,828)                                      | \$ 1,793,017  | \$ 1,634,189 |

Changes in endowment net assets for the fiscal year ended December 31, 2015 consisted of the following:

|   | <u>Temporarily restricted</u>                     |                     |                     |
|---|---|---------------------|---------------------|
|   | <u>Accumulated<br/>investment<br/>gain (loss)</u> | <u>Corpus</u>       | <u>Total</u>        |
| WCN scholarship fund net assets,<br>December 31, 2014 | \$ 77,916   | \$ 1,781,960        | \$ 1,859,876        |
| Contributions   | -   | 11,057              | 11,057              |
| Interest and dividend income                          | 36,072  | -                   | 36,072              |
| Unrealized losses on investments                      | (93,478)  | -                   | (93,478)            |
| Realized gains on investments                         | 53,290  | -                   | 53,290              |
| Investment expense                                    | (17,677)  | -                   | (17,677)            |
| Appropriations - scholarship grants                   | (214,951)   | -                   | (214,951)           |
| WCN Scholarship fund net assets,<br>December 31, 2015 | <u>\$ (158,828)</u>                               | <u>\$ 1,793,017</u> | <u>\$ 1,634,189</u> |



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15. Grant Commitments

On March 31, 2015, the Organization committed \$682,500 of the Mary S. Boardman Conservation Fund to two of its Partners.

The annual commitment made is as follows:

| <u>Partner</u>      | <u>Amount</u> |
|---------------------|---------------|
| Save the Elephants  | \$ 162,500    |
| Niassa Lion Project | \$ 65,000     |

The grants will be paid in the years ending December 31, 2016, 2017 and 2018.

16. Subsequent Events

On February 10, 2016, Wildlife Conservation Network, Inc. registered as an extraprovincial society in the Province of British Columbia, Canada. Subsequent to the registration, Wildlife Conservation Network, Inc. is pursuing charitable organization status under Income Tax Act of the Canada Revenue Agency.