

Wildlife Conservation Network, Inc.

Financial Statements

December 31, 2017
(With Comparative Totals for 2016)



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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) (the "Organization"), which comprise the statement of financial position as of December 31, 2017, 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, 2017, 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 2016 financial statements, and our report dated May 5, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Armanino^{LLP}
San Jose, California

April 24, 2018

Wildlife Conservation Network, Inc.
Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 14,254,670	\$ 10,571,609
Grants and contributions receivable	1,207,425	465,273
Prepaid expenses and deposits	28,525	59,387
Notes receivable	-	65,000
Total current assets	15,490,620	11,161,269
Other assets		
Investments	4,953,216	4,141,308
Property and equipment, net	177,876	46,668
Total other assets	5,131,092	4,187,976
Total assets	\$ 20,621,712	\$ 15,349,245
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 285,207	\$ 304,498
Grants payable, current portion	1,752,806	621,895
Accrued liabilities	51,075	37,596
Deferred revenue	17,112	18,728
Total current liabilities	2,106,200	982,717
Grants payable, net of current portion	-	227,500
Total liabilities	2,106,200	1,210,217
Net assets		
Unrestricted		
Undesignated	3,516,030	2,282,365
Board designated	2,531,707	2,123,013
Total unrestricted	6,047,737	4,405,378
Temporarily restricted	12,467,775	9,733,650
Total net assets	18,515,512	14,139,028
Total liabilities and net assets	\$ 20,621,712	\$ 15,349,245

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

Wildlife Conservation Network, Inc.
Statement of Activities
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Support and revenue				
Contributions	\$ 4,060,838	\$ 16,637,674	\$ 20,698,512	\$ 15,000,296
Contributions in-kind	157,660	9,360	167,020	214,134
Sale of merchandise (net of cost of goods sold of \$2,210 in 2017 and \$1,170 in 2016)	11,553	46,412	57,965	68,968
Event admission fees	68,218	219,057	287,275	55,003
Sponsorship	25,000	-	25,000	-
Other income	52,003	36,272	88,275	83,379
Investment income	142,768	548,239	691,007	445,113
Auction	-	9,845	9,845	23,949
Net assets released from restriction	<u>14,772,734</u>	<u>(14,772,734)</u>	<u>-</u>	<u>-</u>
Total support, revenue and net assets released from restriction	<u>19,290,774</u>	<u>2,734,125</u>	<u>22,024,899</u>	<u>15,890,842</u>
Functional expenses				
Program services				
Wildlife programs	14,687,628	-	14,687,628	10,228,067
Program support services	685,970	-	685,970	497,711
Public education and outreach	<u>687,788</u>	<u>-</u>	<u>687,788</u>	<u>628,434</u>
Total program services	<u>16,061,386</u>	<u>-</u>	<u>16,061,386</u>	<u>11,354,212</u>
Support services				
Management and general	1,463,584	-	1,463,584	1,072,720
Fundraising	<u>123,445</u>	<u>-</u>	<u>123,445</u>	<u>199,036</u>
Total support services	<u>1,587,029</u>	<u>-</u>	<u>1,587,029</u>	<u>1,271,756</u>
Total functional expenses	<u>17,648,415</u>	<u>-</u>	<u>17,648,415</u>	<u>12,625,968</u>
Change in net assets	1,642,359	2,734,125	4,376,484	3,264,874
Net assets, beginning of year	<u>4,405,378</u>	<u>9,733,650</u>	<u>14,139,028</u>	<u>10,874,154</u>
Net assets, end of year	<u>\$ 6,047,737</u>	<u>\$ 12,467,775</u>	<u>\$ 18,515,512</u>	<u>\$ 14,139,028</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, 2017
(With Comparative Totals for 2016)

	Program services				Support services			2017 Total	2016 Total
	Wildlife programs	Program support services	Public education and outreach	Total	Management and general	Fundraising	Total		
Personnel expenses									
Salaries and wages	\$ 198,923	\$ 239,870	\$ 122,619	\$ 561,412	\$ 622,002	\$ 36,829	\$ 658,831	\$ 1,220,243	\$ 1,005,409
Salaries in-kind	21,282	47	70,091	91,420	37,882	25,698	63,580	155,000	155,000
Employee benefits	21,387	25,789	13,168	60,344	65,944	3,960	69,904	130,248	117,319
Payroll taxes	16,643	20,069	10,247	46,959	51,317	3,081	54,398	101,357	84,871
Total personnel expenses	<u>258,235</u>	<u>285,775</u>	<u>216,125</u>	<u>760,135</u>	<u>777,145</u>	<u>69,568</u>	<u>846,713</u>	<u>1,606,848</u>	<u>1,362,599</u>
Other expenses									
Grants	14,187,784	143,723	-	14,331,507	-	-	-	14,331,507	10,076,424
Travel	41,587	53,593	198,032	293,212	123,212	11,602	134,814	428,026	257,324
Occupancy	29,362	32,128	25,357	86,847	86,993	8,191	95,184	182,031	220,386
Professional services	124,602	-	47,124	171,726	207,920	-	207,920	379,646	164,276
Expo and other receptions	852	69,634	91,697	162,183	2,521	238	2,759	164,942	96,758
Contract labor	13,685	43,258	12,757	69,700	40,545	3,818	44,363	114,063	3,444
Printing	4,840	5,296	48,580	58,716	38,426	6,296	44,722	103,438	89,007
Bank fees	-	-	-	-	83,807	-	83,807	83,807	87,856
Office expenses	7,582	8,517	9,029	25,128	25,123	2,115	27,238	52,366	39,937
Other	5,589	6,116	4,967	16,672	21,302	1,559	22,861	39,533	14,921
Donor events and recognition	-	-	22,540	22,540	-	16,322	16,322	38,862	71,007
Depreciation	4,958	5,425	4,282	14,665	14,689	1,383	16,072	30,737	26,110
Investment expenses	-	20,608	-	20,608	-	-	-	20,608	19,523
Telephone	3,046	3,333	2,630	9,009	9,024	850	9,874	18,883	13,327
Outside services	2,344	2,564	2,024	6,932	6,943	654	7,597	14,529	11,650
Dues and subscriptions	-	2,500	-	2,500	11,912	-	11,912	14,412	7,258
Utilities	1,832	2,005	1,582	5,419	5,427	511	5,938	11,357	11,140
Insurance	355	428	219	1,002	5,706	66	5,772	6,774	8,703
Postage and shipping	975	1,067	843	2,885	2,889	272	3,161	6,046	6,276
Services in-kind	-	-	-	-	-	-	-	-	35,126
Repairs and maintenance	-	-	-	-	-	-	-	-	2,916
Total other expenses	<u>14,429,393</u>	<u>400,195</u>	<u>471,663</u>	<u>15,301,251</u>	<u>686,439</u>	<u>53,877</u>	<u>740,316</u>	<u>16,041,567</u>	<u>11,263,369</u>
	<u>\$ 14,687,628</u>	<u>\$ 685,970</u>	<u>\$ 687,788</u>	<u>\$ 16,061,386</u>	<u>\$ 1,463,584</u>	<u>\$ 123,445</u>	<u>\$ 1,587,029</u>	<u>\$ 17,648,415</u>	<u>\$ 12,625,968</u>
Percentage of total	<u>83 %</u>	<u>4 %</u>	<u>4 %</u>	<u>91 %</u>	<u>8 %</u>	<u>1 %</u>	<u>9 %</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, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 4,376,484	\$ 3,264,874
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	30,737	26,110
Donated investments	(2,108,125)	(1,552,585)
Proceeds from sale of donated investments	2,108,125	1,552,585
Net realized and unrealized gains on investments	(590,630)	(339,405)
Changes in operating assets and liabilities		
Grants and contributions receivable	(742,152)	738,920
Prepaid expenses and deposits	30,862	(22,710)
Accounts payable	(19,291)	228,502
Grants payable	903,411	(390,127)
Accrued liabilities	13,479	4,098
Deferred revenue	(1,616)	13,778
Net cash provided by operating activities	<u>4,001,284</u>	<u>3,524,040</u>
Cash flows from investing activities		
Notes receivable	65,000	(65,000)
Purchase of property and equipment	(161,945)	(7,681)
Proceeds from sale of investments	365,340	443,071
Purchase of investments	(586,618)	(54,294)
Net cash provided by (used in) investing activities	<u>(318,223)</u>	<u>316,096</u>
Net increase in cash and cash equivalents	3,683,061	3,840,136
Cash and cash equivalents, beginning of year	<u>10,571,609</u>	<u>6,731,473</u>
Cash and cash equivalents, end of year	<u>\$ 14,254,670</u>	<u>\$ 10,571,609</u>

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

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2017
(With Comparative Totals for 2016)

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 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, 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
December 31, 2017
(With Comparative Totals for 2016)

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

- *Unrestricted net assets* - 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.
- *Temporarily restricted net assets* - 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.
- *Permanently restricted net assets* - represent 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.

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, 2017
(With Comparative Totals for 2016)

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 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 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, 2017
(With Comparative Totals for 2016)

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 \$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, 2017 and 2016 and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of December 31, 2017 and 2016 was \$36,451 and \$26,858, 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 unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2017
(With Comparative Totals for 2016)

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 9.

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 unrestricted and temporarily 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 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 2016)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncertainty in income taxes (continued)

The Organization's federal returns for the years ended December 31, 2014 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, 2013 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, 2016, from which the summarized information was derived.

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 \$1,207,425 and \$465,273 at December 31, 2017 and 2016, 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.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2017
(With Comparative Totals for 2016)

5. INVESTMENTS (continued)

During the year ended December 31, 2017, the three-person selection Committee decided to award and fund scholarships totaling \$123,010 which resulted in the fair value of the WCN Scholarship fund falling below the corpus original level of \$1,670,685.

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 has requested and the Board has approved the disbursements of \$455,000, of which \$325,000 will be allocated to the Save the Elephants program and \$130,000 will be allocated to the Niassa Lion Project on an annual basis for two years ending December 31, 2017, and 2018. As of December 31, 2017, \$227,500 was outstanding, which has been recorded as grants payable, current portion, in the accompanying statement of financial position.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2017
(With Comparative Totals for 2016)

5. INVESTMENTS (continued)

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>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equities	\$ 3,767,624	\$ -	\$ -	\$ 3,767,624
Exchange traded funds	173,576	-	-	173,576
Fixed income	<u>200,108</u>	<u>-</u>	<u>-</u>	<u>200,108</u>
	<u>\$ 4,141,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,141,308</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, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 72,391	\$ 27,986	\$ 100,377
Net unrealized gain	57,724	411,677	469,401
Net realized gain	<u>12,653</u>	<u>108,576</u>	<u>121,229</u>
	<u>\$ 142,768</u>	<u>\$ 548,239</u>	<u>\$ 691,007</u>

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2017
(With Comparative Totals for 2016)

5. INVESTMENTS (continued)

The following schedule summarizes the investment returns and their classifications in the statement of activities for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 57,973	\$ 47,735	\$ 105,708
Net unrealized gain	228,725	28,496	257,221
Net realized gain	<u>6,582</u>	<u>75,602</u>	<u>82,184</u>
	<u>\$ 293,280</u>	<u>\$ 151,833</u>	<u>\$ 445,113</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 279,021	\$ 152,337
Website development	35,261	-
Leasehold improvements	<u>13,836</u>	<u>13,836</u>
	328,118	166,173
Accumulated depreciation	<u>(150,242)</u>	<u>(119,505)</u>
	<u>\$ 177,876</u>	<u>\$ 46,668</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$30,737 and \$26,110, 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

Temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Elephant crisis fund	\$ 4,083,527	\$ 2,651,227
Lion recovery fund	3,318,746	1,241,733
WCN scholarship fund - corpus	1,670,685	1,670,685
WCN scholarship fund - accumulated investment gain (loss) (including distributions in excess of corpus)	149,679	6,100
Conservation acceleration fund	585,589	696,622
African lion (Ewaso)	562,541	333,593
African wild dog (Painted dog conservation)	435,898	360,440
Penguin	384,774	374,668
Andean cat alliance	279,363	300,703
Save the elephants	259,152	988,592
Spectacled bear	209,491	44,752
Cotton-top tamarin (Proyecto Titi)	62,253	28,858
Cheetah conservation Botswana	55,832	84,982
African wild dog research	48,254	26,790
Save pangolins	42,827	-
Snow leopard conservancy	38,772	34,789
Internship program	38,695	55,841
Other	32,500	81,499
Small cat conservation alliance	28,548	26,015
Niassa lion project	28,108	247,660
Ethiopian wolf conservation	23,589	72,614
Jane Goodall Institute	20,000	250
Grevy's zebra trust	14,267	54,962
Cheetah conservation fund - Namibia	13,038	26,496
Solar project	12,864	10,262
Blue whale	12,568	-
Okapi conservation project	12,277	65,576
Gorilla - Uganda	10,000	-
Saiga conservation alliance	6,946	5,884
Sharks, rays, and marine mammals	6,045	157,130
Orangutan - Malaysia	5,000	5,000
Bonobo and Congo biodiversity initiative	5,000	-
Giraffe	2,875	1,074
Marine biodiversity	1,955	3,302
Saola	1,725	5,000
Great green macaw	1,686	-
Polar bear	1,680	6,865
Pangolin	785	29,483
Rhino - Zimbabwe	119	100
Black rhino	100	22,033
Tiger - Siberia	22	10,020
Working dogs for conservation	-	2,000
Vaquita	-	50
	<u>\$ 12,467,775</u>	<u>\$ 9,733,650</u>

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8. TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets released from restriction during the year were as follows:

Purpose Restriction	Country	2017	2016
Wildlife Programs			
Elephant crisis fund	Various countries	\$ 3,777,103	\$ 3,193,852
Save the elephants	Kenya	3,773,241	2,544,290
Niassa lion project	Mozambique	1,101,747	1,043,657
Lion recovery fund	Various countries	1,035,077	-
African wild dog (Painted dog conservation)	Zimbabwe	551,309	437,114
Jane Goodall Institute	United States	525,315	3,000
Cotton-top tamarin (Proyecto titi)	Colombia	456,151	243,336
Cheetah conservation Botswana	Botswana	372,494	169,017
Grevy's zebra trust	Kenya	343,475	137,532
Sharks, rays, and marine mammals	Gulf, Caribbean, and Argentina	313,389	87,162
African lion (Ewaso)	Kenya	298,937	534,886
Okapi conservation project	Democratic Republic of Congo	253,168	127,484
Ethiopian wolf conservation	Ethiopia	165,492	152,653
Andean cat alliance	Argentina, Bolivia, Chile, and Peru	148,774	69,414
Penguin	Argentina	148,274	325,525
Black rhino	Malawi	142,553	49,987
African wild dog research	Zimbabwe	100,751	64,486
Small cat conservation alliance	Various countries	97,898	116,305
Cheetah conservation fund - Namibia	Namibia	89,994	98,104
Saiga conservation alliance	Uzbekistan	86,121	87,267
Other	Various countries	80,098	83,056
Snow leopard conservancy	India, Nepal	79,953	86,948
Spectacled bear	Peru	78,445	65,339
Pangolin	Vietnam	69,302	50,034
Giraffe	Various countries	55,321	-
Saola	Laos	34,107	15,915
Working dogs for conservation	Various countries	24,115	8,442
Tiger - Siberia	Siberia	20,020	10,000
Orangutan - Malaysia	Malaysia	18,000	10,000
Gorilla - Uganda	Uganda	10,000	10,000
Polar bear	Various countries	9,907	47,104
Great green macaw	Costa Rica	5,307	-
Bonobo and Congo biodiversity initiative	Democratic Republic of Congo	5,000	11,150
Marine biodiversity	Various countries	3,302	13,271
Tapir	Brazil	2,000	1,000
Vaquita	Mexico	1,050	12,168
Blue whale	Sri Lanka	713	-
Fishing cat	Sri Lanka	-	26,500
Tree kangaroo	Papua New Guinea	-	15,000

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8. TEMPORARILY RESTRICTED NET ASSETS (continued)

Purpose Restriction	Country	2017	2016
Lion - Ruaha	Tanzania	-	1,542
Sea turtles	Peru	-	125
Rhino - Zimbabwe	Zimbabwe	-	100
		<u>14,277,903</u>	<u>9,952,765</u>
Public Education and Outreach			
WCN scholarship fund - scholarship grants	Various countries	123,010	118,651
WCN scholarship fund - investment expenses	United States	47,067	15,814
Conservation acceleration fund	Various countries	296,589	105,054
Internship program	Various countries	17,146	7,387
Solar project	United States	11,019	67,487
		<u>494,831</u>	<u>314,393</u>
		<u>\$ 14,772,734</u>	<u>\$ 10,267,158</u>

9. CONTRIBUTIONS IN-KIND

Contributions in-kind consisted of the following:

	2017	2016
Salaries	\$ 155,000	\$ 155,000
Professional services	9,360	54,517
Computer equipment, software, and educational materials	<u>2,660</u>	<u>4,617</u>
	<u>\$ 167,020</u>	<u>\$ 214,134</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, 2017 and 2016 based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to \$36,685 and \$33,926, respectively. Since these services did not require specialized skills, they have not been recorded as support and expenses in the financial statements.

10. 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.

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11. COMMITMENTS AND CONTINGENCIES

The Organization rents 6,400 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, 2017, rent under this lease was \$9,375 per month. 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 rents 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, 2017, rent under this lease was \$6,566 per month. 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 years ended December 31, 2017 and 2016 was \$182,031 and \$220,386, respectively.

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

Year Ending December 31,

2018	\$ 196,353
2019	<u>33,128</u>
	<u>\$ 229,481</u>

12. RELATED PARTY TRANSACTIONS

Contributions were received from various board members of the Organization. These contributions for the years ended December 31, 2017 and 2016 totaled \$722,500 and \$485,634, respectively.

13. 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.

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13. ENDOWMENT (continued)

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, 2017. These additional subsequent contributions are subject to the same terms and criteria as the original WCN Scholarship Fund.

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:

- 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, 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).

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13. ENDOWMENT (continued)

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).

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, 2016, the Organization's Selection Committee authorized appropriations in excess of 7% to fund previously awarded scholarships. During the year ended December 31, 2017, the Organization authorized appropriations of 6.9%.

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 and 2016.

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13. ENDOWMENT (continued)

Endowment Composition

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

	Temporarily Restricted		
	Accumulated Investment Gain (loss)	Corpus	Total
WCN Scholarship fund	\$ 149,679	\$ 1,670,685	\$ 1,820,364

Changes in endowment net assets consisted of the following:

	Temporarily restricted		
	Accumulated Investment Gain (loss)	Corpus	Total
Balance, December 31, 2016	\$ 6,100	\$ 1,670,685	\$ 1,676,785
Contributions	57,611	-	57,611
Interest and dividend income	27,986	-	27,986
Unrealized gains on investments	119,483	-	119,483
Realized gains on investments	108,576	-	108,576
Investment expenses	(47,067)	-	(47,067)
Appropriations - scholarship grants	(123,010)	-	(123,010)
Balance, December 31, 2017	\$ 149,679	\$ 1,670,685	\$ 1,820,364

14. GRANT COMMITMENTS

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

Grant commitments consist of the following:

	2017	2016
Save the elephants	\$ 162,500	\$ 325,000
Niassa lion project	\$ 65,000	\$ 130,000

The grants will be paid in the year ending December 31, 2018.

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15. 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 \$42,785 and \$35,055 to the plan for the years ended December 31, 2017 and 2016, respectively.

16. CONCENTRATIONS

As of December 31, 2017, two donors accounted for approximately 91% of total grants receivables.

During the year ended December 31, 2017, one donor accounted for approximately 11% of total contribution revenue.

17. SUBSEQUENT EVENTS

During January 2018, the Organization and the Board approved the disbursements of \$682,500, from the Mary S. Boardman Funds, 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, 2019, 2020, and 2021.

The Organization has evaluated subsequent events through April 24, 2018, the date the financial statements were available to be issued. There were no other subsequent events that would have a material impact on the presentation of the Organization's financial statements.