

Wildlife Conservation Network, Inc.

Financial Statements

December 31, 2016
(With Comparative Totals for 2015)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 23



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, 2016, 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 (the "U.S."); 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 U.S. 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, 2016, 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 U.S.

Report on Summarized Comparative Information

We have previously audited Wildlife Conservation Network, Inc.'s 2015 financial statements, and our report dated March 31, 2016 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, 2015, 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

May 5, 2017

Wildlife Conservation Network, Inc.
Statement of Financial Position
December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,571,609	\$ 6,731,473
Grants and pledges receivable, current	465,273	818,702
Prepaid expenses and deposits	59,387	36,677
Notes receivable	<u>65,000</u>	<u>-</u>
Total current assets	<u>11,161,269</u>	<u>7,586,852</u>
Other assets		
Property and equipment, net	46,668	65,097
Grants and pledges receivable, net of current portion	-	385,491
Investments	<u>4,141,308</u>	<u>4,190,680</u>
Total other assets	<u>4,187,976</u>	<u>4,641,268</u>
Total assets	<u>\$ 15,349,245</u>	<u>\$ 12,228,120</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 304,498	\$ 75,996
Grants payable, current portion	621,895	784,522
Accrued liabilities	37,596	33,498
Deferred revenue	<u>18,728</u>	<u>4,950</u>
Total current liabilities	982,717	898,966
Grants payable, net of current portion	<u>227,500</u>	<u>455,000</u>
Total liabilities	<u>1,210,217</u>	<u>1,353,966</u>
Net assets		
Unrestricted		
Undesignated	2,282,365	1,386,688
Board designated	<u>2,123,013</u>	<u>1,873,500</u>
Total unrestricted	4,405,378	3,260,188
Temporarily restricted	<u>9,733,650</u>	<u>7,613,966</u>
Total net assets	<u>14,139,028</u>	<u>10,874,154</u>
Total liabilities and net assets	<u>\$ 15,349,245</u>	<u>\$ 12,228,120</u>

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

Wildlife Conservation Network, Inc.
Statement of Activities
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Support and revenue				
Contributions	\$ 2,864,790	\$ 12,135,506	\$ 15,000,296	\$ 11,883,888
Contributions in-kind	214,134	-	214,134	210,060
Sale of merchandise (net of cost of goods sold of \$1,170 in 2016 and \$1,200 in 2015)	15,952	53,016	68,968	51,534
Event admission fees	51,046	3,957	55,003	51,375
Other income	64,798	17,012	81,810	5,756
Investment income, net	293,280	151,833	445,113	152,341
Auction	-	23,949	23,949	31,322
Foreign currency exchange gains	-	1,569	1,569	-
Net assets released from restriction	<u>10,267,158</u>	<u>(10,267,158)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>13,771,158</u>	<u>2,119,684</u>	<u>15,890,842</u>	<u>12,386,276</u>
Functional expenses				
Program services				
Wildlife Programs	10,228,067	-	10,228,067	8,733,993
Program Support Services	497,711	-	497,711	362,441
Public Education and Outreach	<u>628,434</u>	<u>-</u>	<u>628,434</u>	<u>806,535</u>
Total program services	<u>11,354,212</u>	<u>-</u>	<u>11,354,212</u>	<u>9,902,969</u>
Support services				
Management and general	1,072,720	-	1,072,720	611,874
Fundraising	<u>199,036</u>	<u>-</u>	<u>199,036</u>	<u>128,739</u>
Total support services	<u>1,271,756</u>	<u>-</u>	<u>1,271,756</u>	<u>740,613</u>
Total functional expenses	<u>12,625,968</u>	<u>-</u>	<u>12,625,968</u>	<u>10,643,582</u>
Change in net assets	1,145,190	2,119,684	3,264,874	1,742,694
Net assets, beginning of year	<u>3,260,188</u>	<u>7,613,966</u>	<u>10,874,154</u>	<u>9,131,460</u>
Net assets, end of year	<u>\$ 4,405,378</u>	<u>\$ 9,733,650</u>	<u>\$ 14,139,028</u>	<u>\$ 10,874,154</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, 2016
(With Comparative Totals for 2015)

	Program services				Support services			2016 Total	2015 Total
	Wildlife Programs	Program Support Services	Public Education and Outreach	Total	Management and General	Fundraising	Total		
Personnel expenses									
Salaries and wages	\$ 198,491	\$ 168,717	\$ 129,019	\$ 496,227	\$ 449,635	\$ 59,547	\$ 509,182	\$ 1,005,409	\$ 771,988
Salaries in-kind	21,700	-	69,750	91,450	37,200	26,350	63,550	155,000	142,800
Employee benefits	23,606	20,065	15,344	59,015	51,223	7,081	58,304	117,319	81,136
Payroll taxes	16,974	14,428	11,033	42,435	37,344	5,092	42,436	84,871	66,732
Total personnel expenses	260,771	203,210	225,146	689,127	575,402	98,070	673,472	1,362,599	1,062,656
Grants	9,874,777	201,647	-	10,076,424	-	-	-	10,076,424	8,803,125
Travel	18,061	15,056	156,032	189,149	61,521	6,654	68,175	257,324	85,293
Occupancy	27,301	21,554	85,060	133,915	76,413	10,058	86,471	220,386	78,004
Professional services	-	-	2,222	2,222	162,054	-	162,054	164,276	89,122
Expo and other receptions	3,923	-	92,835	96,758	-	-	-	96,758	196,255
Printing	6,215	4,907	39,267	50,389	31,806	6,812	38,618	89,007	79,498
Bank fees	-	-	-	-	87,856	-	87,856	87,856	60,405
Donor events and recognition	-	-	-	-	-	71,007	71,007	71,007	49,363
Office expenses	7,407	5,847	7,581	20,835	16,373	2,729	19,102	39,937	26,462
Services in-kind	137	34,513	122	34,772	303	51	354	35,126	-
Depreciation	-	-	-	-	26,110	-	26,110	26,110	27,911
Investment expenses	19,523	-	-	19,523	-	-	-	19,523	18,769
Other	1,128	892	9,854	11,874	2,632	415	3,047	14,921	10,100
Telephone	2,532	1,999	2,266	6,797	5,597	933	6,530	13,327	10,665
Outside services	2,214	1,748	1,981	5,943	4,891	816	5,707	11,650	7,762
Utilities	2,117	1,671	1,894	5,682	4,678	780	5,458	11,140	9,648
Insurance	142	120	92	354	8,306	43	8,349	8,703	3,315
Dues and subscriptions	-	2,500	-	2,500	4,758	-	4,758	7,258	6,652
Postage and shipping	927	731	2,230	3,888	2,047	341	2,388	6,276	9,208
Contract labor	338	878	1,356	2,572	748	124	872	3,444	8,119
Repairs and maintenance	554	438	496	1,488	1,225	203	1,428	2,916	949
Meeting costs	-	-	-	-	-	-	-	-	301
Total expenses	9,967,296	294,501	403,288	10,665,085	497,318	100,966	598,284	11,263,369	9,580,926
	<u>\$ 10,228,067</u>	<u>\$ 497,711</u>	<u>\$ 628,434</u>	<u>\$ 11,354,212</u>	<u>\$ 1,072,720</u>	<u>\$ 199,036</u>	<u>\$ 1,271,756</u>	<u>\$ 12,625,968</u>	<u>\$ 10,643,582</u>
Percentage of total	<u>56 %</u>	<u>29 %</u>	<u>5 %</u>	<u>90 %</u>	<u>8 %</u>	<u>2 %</u>	<u>10 %</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, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 3,264,874	\$ 1,742,694
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	26,110	27,911
Donated investments	(1,552,585)	(467,761)
Net realized and unrealized gains on investments	(339,405)	(7,357)
Donated computer equipment, software and education materials received	-	(37,215)
Donated computer equipment, software and educational materials granted	-	37,215
Changes in operating assets and liabilities		
Grants and pledges receivable	738,920	(1,183,606)
Prepaid expenses and deposits	(22,710)	12,417
Notes receivable	(65,000)	-
Accounts payable	228,502	35,437
Grants payable	(390,127)	987,956
Accrued liabilities	4,098	(2,554)
Deferred revenue	<u>13,778</u>	<u>4,950</u>
Net cash provided by operating activities	<u>1,906,455</u>	<u>1,150,087</u>
Cash flows from investing activities		
Purchase of property and equipment	(7,681)	(11,133)
Proceeds from sale of investments	1,995,656	1,037,598
Purchase of investments	<u>(54,294)</u>	<u>(408,969)</u>
Net cash provided by investing activities	<u>1,933,681</u>	<u>617,496</u>
Net increase in cash and cash equivalents	3,840,136	1,767,583
Cash and cash equivalents, beginning of year	<u>6,731,473</u>	<u>4,963,890</u>
Cash and cash equivalents, end of year	<u>\$ 10,571,609</u>	<u>\$ 6,731,473</u>

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

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

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, 2016
(With Comparative Totals for 2015)

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 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.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

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 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, 2016
(With Comparative Totals for 2015)

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, 2016 and 2015 and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of December 31, 2016 and 2015 was \$26,858 and \$24,027, 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.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

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
December 31, 2016
(With Comparative Totals for 2015)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncertainty in income taxes (continued)

The Organization's federal returns for the years ended December 31, 2013 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, 2012 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.

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, 2016 and 2015.

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, 2015, from which the summarized information was derived. Certain amounts in the 2015 financial statements have been reclassified in order to conform to the 2016 presentation.

Subsequent events

The Organization has evaluated subsequent events through May 5, 2017, the date the financial statements were available to be issued. There were no subsequent events that would have a material impact on the presentation of the Organization's financial statements.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

4. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consist of the following:

	2016	2015
Receivable in less than one year	\$ 465,273	\$ 818,702
Receivable in one to five years	-	385,491
	\$ 465,273	\$ 1,204,193

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 \$1,818,245 and to use the income and capital appreciation above this amount to fund scholarships. However, should the corpus investment value go below the original level for whatever reason, it will be at the discretion of the three person selection Committee to decide as to whether to continue to award and fund scholarships or to wait until the corpus grows and exceeds the original level.

During the year ended December 31, 2016, the three-person selection Committee decided to award and fund scholarships totaling \$118,651 which resulted in the fair value of the WCN Scholarship fund falling below the corpus original level of \$1,818,245.

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 the 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.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

5. INVESTMENTS (continued)

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. The Organization plans to use the balance of the bequest funds in a manner that reflects the donor's lifetime giving.

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>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</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>-</u>	<u>-</u>	<u>152,947</u>
	<u>\$ 4,190,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,190,680</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.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

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>

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>	<u>Temporarily 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>
	<u>\$ 156,457</u>	<u>\$ (4,116)</u>	<u>\$ 152,341</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 152,337	\$ 147,488
Leasehold improvements	<u>13,836</u>	<u>11,004</u>
	166,173	158,492
Accumulated depreciation	<u>(119,505)</u>	<u>(93,395)</u>
	<u>\$ 46,668</u>	<u>\$ 65,097</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$26,110 and \$27,911, 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.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2016	2015
Elephant crisis fund	\$ 2,651,227	\$ 2,603,284
WCN scholarship fund - corpus	1,818,245	1,793,017
WCN scholarship fund - accumulated investment gain (loss) (including distributions in excess of corpus)	(141,460)	(158,828)
Lion recovery fund	1,241,733	-
Save the elephants	988,592	603,438
Conservation acceleration fund	696,622	701,676
Penguin	374,668	518,316
African wild dog (Painted dog conservation)	360,440	261,060
African lion (Ewaso)	333,593	235,874
Andean cat alliance	300,703	228,094
Niassa lion project	247,660	106,949
Sharks, rays, and marine mammals	157,130	75,478
Cheetah conservation Botswana	84,982	55,953
Other	81,499	44,181
Ethiopian wolf conservation	72,614	101,418
Okapi conservation project	65,576	38,141
Internship program	55,841	62,981
Grevy's zebra trust	54,962	20,760
Spectacled bear	44,752	11,634
Snow leopard conservancy	34,789	51,715
Pangolin	29,483	26,745
Cotton-top tamarin (Proyecto titi)	28,858	29,227
African wild dog research	26,790	7,734
Cheetah conservation fund - Namibia	26,496	51,737
Small cat conservation alliance	26,015	27,976
Black rhino	22,033	10,036
Solar project	10,262	26,694
Tiger - Siberia	10,020	10,000
Polar bear	6,865	2,350
Saiga conservation alliance	5,884	8,852
Orangutan - Malaysia	5,000	10,000
Saola	5,000	3,465
Marine biodiversity	3,302	-
Working dogs for conservation	2,000	2,442
Giraffe	1,074	-
Jane Goodall Institute	250	-
Rhino - Zimbabwe	100	100
Vaquita	50	10,000
Tree kangaroo	-	15,000
Gorilla - Uganda	-	10,000
Bonobo and Congo biodiversity initiative	-	5,150
Lion - Ruaha	-	1,292
Sea turtles	-	25
	\$ 9,733,650	\$ 7,613,966

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

8. TEMPORARILY RESTRICTED NET ASSETS (continued)

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

Purpose Restriction	Country	2016	2015
Wildlife Programs			
Elephant crisis fund	Various countries	\$ 3,193,852	\$ 2,969,000
Save the elephants	Kenya	2,544,290	1,312,890
Niassa lion project	Mozambique	1,043,657	543,921
African lion (Ewaso)	Kenya	534,886	256,140
African wild dog (Painted dog conservation)	Zimbabwe	437,114	501,626
Penguin	Argentina	325,525	484,592
Cotton-top tamarin (Proyecto titi)	Colombia	243,336	191,884
Cheetah conservation Botswana	Botswana	169,017	218,206
Ethiopian wolf conservation	Ethiopia	152,653	8,432
Grevy's zebra trust	Kenya	137,532	190,686
	Democratic Republic of Congo	127,484	102,353
Okapi conservation project	Various countries	116,305	150,725
Small cat conservation alliance	Namibia	98,104	8,683
Cheetah conservation fund - Namibia	Uzbekistan	87,267	147,380
Saiga conservation alliance	Gulf, Caribbean, and		
	Argentina	87,162	45,664
Sharks, rays, and marine mammals	India, Nepal	86,948	97,498
Snow leopard conservancy	Various countries	83,056	56,657
Other	Argentina, Bolivia,		
	Chile, and Peru	69,414	57,383
Andean cat alliance	Peru	65,339	16,625
Spectacled bear	Zimbabwe	64,486	102,116
African wild dog research	Vietnam	50,034	6,547
Pangolin	Malawi	49,987	24,997
Black rhino	Various countries	47,104	1,871
Polar bear	Sri Lanka	26,500	25,000
Fishing cat	Laos	15,915	20,063
Saola	Papua New Guinea	15,000	10,540
Tree kangaroo	Various countries	13,271	-
Marine biodiversity	Mexico	12,168	3,680
Vaquita	Democratic Republic of Congo	11,150	10,698
Bonobo and Congo biodiversity initiative	Siberia	10,000	-
Tiger - Siberia	Malaysia	10,000	-
Orangutan - Malaysia	Uganda	10,000	5,000
Gorilla - Uganda	Various countries	8,442	7,028
Working dogs for conservation	United States	3,000	40,905
Jane Goodall Institute	Tanzania	1,542	1,028
Lion - Ruaha	Brazil	1,000	10,650
Tapir	Peru	125	31,120
Sea turtles	Zimbabwe	100	7,654
Rhino - Zimbabwe	Various countries	-	970
Giraffe			

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

8. TEMPORARILY RESTRICTED NET ASSETS (continued)

Purpose Restriction	Country	2016	2015
Russian cats (Siberian tiger and Amur leopard)	Siberia	-	25,000
Giant armadillo	Brazil	-	10,000
Uganda conservation	Uganda	-	6,020
		<u>9,952,765</u>	<u>7,711,232</u>
Public Education and Outreach			
WCN scholarship fund - scholarship grants	Various countries	118,651	214,951
WCN scholarship fund - investment expenses	United States	15,814	17,677
Conservation acceleration fund	Various countries	105,054	186,454
Solar project	United States	67,487	36,282
Internship program	Various countries	<u>7,387</u>	<u>23,056</u>
		<u>\$ 10,267,158</u>	<u>\$ 8,189,652</u>

9. CONTRIBUTIONS IN-KIND

Contributions in-kind consisted of the following:

	2016	2015
Salaries	\$ 155,000	\$ 142,800
Computer equipment, software, and educational materials	4,617	37,215
Professional services	<u>54,517</u>	<u>30,045</u>
	<u>\$ 214,134</u>	<u>\$ 210,060</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, 2016 and 2015 based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to \$33,926 and \$33,798, 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.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

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. 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. 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, 2016 and 2015 was \$220,386 and \$78,004, respectively.

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

<u>Year Ending December 31,</u>	
2017	\$ 188,387
2018	196,353
2019	<u>33,128</u>
	<u>\$ 417,868</u>

12. RELATED PARTY TRANSACTIONS

Contributions were received from various board members of the Organization. These contributions for the years ended December 31, 2016 and 2015 totaled \$485,634 and \$744,346, respectively.

13. 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.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

13. ENDOWMENT (continued)

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 \$818,245 have been received as of December 31, 2016. 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 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.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

13. ENDOWMENT (continued)

Interpretation of relevant law (continued)

- *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).

Spending policy

The Selection Committee may, at its discretion, authorize appropriations each year up to 7% of the fair market value (determined on the average fair market value of the prior 12 quarters through the fiscal year preceding the fiscal year in which the appropriation is planned) from donor-restricted endowment funds. The Selection Committee may also at its discretion authorize appropriations above the 7% if special circumstances arise. During the years ended December 31, 2016 and 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 \$(141,460) and \$(158,828) as of December 31, 2016 and 2015, respectively.

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

13. ENDOWMENT (continued)

Endowment Composition

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	Temporarily Restricted		
	Accumulated Investment Gain (loss)	Corpus	Total
WCN Scholarship fund	\$ (141,460)	\$ 1,818,245	\$ 1,676,785

Changes in endowment net assets consisted of the following:

	Temporarily restricted		
	Accumulated Investment Gain (loss)	Corpus	Total
Balance, December 31, 2015	\$ (158,828)	\$ 1,793,017	\$ 1,634,189
Contributions	-	25,228	25,228
Interest and dividend income	27,735	-	27,735
Unrealized gains on investments	48,496	-	48,496
Realized gains on investments	75,602	-	75,602
Investment expenses	(15,814)	-	(15,814)
Appropriations - scholarship grants	(118,651)	-	(118,651)
Balance, December 31, 2016	\$ (141,460)	\$ 1,818,245	\$ 1,676,785

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:

	2016	2015
Save the elephants	\$ 325,000	\$ 162,500
Niassa lion project	\$ 130,000	\$ 65,000

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

Wildlife Conservation Network, Inc.
Notes to Financial Statements
December 31, 2016
(With Comparative Totals for 2015)

15. CONCENTRATIONS

As of December 31, 2016, three donors accounted for approximately 99% of total grants receivables.

During the year ended December 31, 2016, one donor accounted for approximately 14% of total contribution revenue.