

WILDLIFE HABITAT COUNCIL, INC.

AUDITED FINANCIAL STATEMENTS

For the nine months ended December 31, 2017



WILDLIFE HABITAT COUNCIL, INC.

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REPORT OF INDEPENDENT AUDITOR

Board of Directors
Wildlife Habitat Council, Inc.
Silver Spring, MD

We have audited the accompanying financial statements of Wildlife Habitat Council, Inc. (a nonprofit 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 nine months 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 judgement, including the assessment of the risks of material misstatements 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 Habitat Council, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Columbia, Maryland
June 25, 2018

WILDLIFE HABITAT COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 294,196
Investments	356,123
Accounts receivable	171,998
Grants and contributions receivable	5,596
Other assets and security deposit	56,611
Property and equipment, net	<u>110,188</u>

TOTAL ASSETS \$ 994,712

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 279,436
Accrued vacation and employee benefits	44,098
Deferred revenue	17,000
Line of credit	100,000
Deferred rent	<u>111,613</u>

Total liabilities \$ 552,147

NET ASSETS

Unrestricted	279,565
Temporarily restricted	<u>163,000</u>

Total net assets 442,565

TOTAL LIABILITIES AND NET ASSETS \$ 994,712

WILDLIFE HABITAT COUNCIL, INC.
STATEMENT OF ACTIVITIES
For the nine months ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Membership	\$ 600,685	\$ -	\$ 600,685
Technical assistance	214,080	-	214,080
Conference and workshop fees	406,021	-	406,021
Certifications	240,293	-	240,293
Calendar	122,481	-	122,481
Grants and contributions	117,692	191,000	308,692
Project site fees	69,037	-	69,037
Site sign revenue	71,250	-	71,250
Other revenue	32,085	-	32,085
Interest and dividends	6,602	-	6,602
Net assets released from restrictions	208,533	(208,533)	-
	<u>2,088,759</u>	<u>(17,533)</u>	<u>2,071,226</u>
EXPENSES			
Program services:			
Conservation	699,104	-	699,104
Member services and education	323,995	-	323,995
Conferences and workshops	424,664	-	424,664
Certification	250,539	-	250,539
Publications	107,259	-	107,259
Total program services	<u>1,805,561</u>	<u>-</u>	<u>1,805,561</u>
Supporting services:			
General and administrative	233,662	-	233,662
Development and fundraising	60,286	-	60,286
Total supporting services	<u>293,948</u>	<u>-</u>	<u>293,948</u>
Total expenses	<u>2,099,509</u>	<u>-</u>	<u>2,099,509</u>
Change in Net Assets Before Realized and Unrealized Gains on Investments	(10,750)	(17,533)	(28,283)
Realized and Unrealized Gains on Investments	<u>22,810</u>	<u>-</u>	<u>22,810</u>
Change in Net Assets	12,060	(17,533)	(5,473)
Net Assets, Beginning	<u>267,505</u>	<u>180,533</u>	<u>448,038</u>
Net Assets, Ending	<u>\$ 279,565</u>	<u>\$ 163,000</u>	<u>\$ 442,565</u>

For the nine months ended December 31, 2017

	Conservation	Member Services and Education	Conferences and Workshops	Supporting Services			Total Program Services	Total
				General and Administrative	Development and Fundraising			
Personnel costs:								
Salaries	\$ 395,792	\$ 208,821	\$ 120,912	\$ 100,808	\$ 13,719	\$ 840,052	\$ 34,442	\$ 976,500
Benefits	41,643	39,723	18,902	14,172	1,807	116,247	4,996	138,719
Payroll taxes	29,174	15,392	8,912	7,431	1,011	61,920	2,539	71,978
Total personnel costs	466,609	263,936	148,726	122,411	16,537	1,018,219	41,977	1,187,197
Bad debt	-	-	-	-	-	-	550	550
Bank service charges	3,589	2,824	5,015	5,596	2,285	19,309	276	21,630
Conferences and meetings	1,391	82	134,307	57	5	135,842	13	140,368
Depreciation	20,400	6,507	6,251	4,907	674	38,739	1,805	53,991
Dues and subscriptions	4,589	6,398	217	1,732	23	12,959	519	13,541
Information technology and maintenance	20,680	6,054	45,940	65,666	515	138,855	1,806	150,958
Insurance	6,329	2,019	1,939	1,522	209	12,018	560	16,750
Other	2,217	842	9,124	507	15,611	28,301	186	34,398
Photography	12	152	7,250	-	-	7,414	-	7,414
Postage and shipping	1,013	518	277	145	9,503	11,456	406	11,915
Printing	45	100	6,830	26	16,826	23,827	716	24,543
Professional fees	20,436	5,593	5,373	29,902	3,479	64,783	7,031	73,666
Project materials	14,532	42	1,749	-	39,112	55,435	-	58,889
Rent, including in-kind	90,848	22,281	21,405	16,801	2,306	153,641	46,031	205,855
Supplies	1,635	312	468	200	27	2,642	74	4,723
Telephone and internet	3,538	869	835	655	90	5,987	241	9,352
Training	465	254	-	-	-	719	-	719
Travel	40,776	5,212	28,958	412	57	75,415	1,743	83,050
	\$ 699,104	\$ 323,995	\$ 424,664	\$ 250,539	\$ 107,259	\$ 1,805,561	\$ 60,286	\$ 2,099,509

See notes to the financial statements.

WILDLIFE HABITAT COUNCIL, INC.
STATEMENT OF CASH FLOWS
For the nine months ended December 31, 2017

Cash Flows from Operating Activities

Change in net assets	\$ (5,473)
Reconciliation adjustments:	
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	53,991
Realized and unrealized gains on investments	(22,810)
Changes in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(55,932)
Grants and contributions receivable	120,717
Other assets and security deposit	19,208
Increase (decrease) in:	
Accounts payable	243,415
Accrued vacation and employee benefits	(60,308)
Deferred revenue	(107,055)
Deferred rent	(6,213)
Net cash provided by operating activities	<u>179,540</u>

Cash Flows from Investing Activities

Proceeds from sales of investments	100,000
Purchases and reinvested earnings on investments	(4,347)
Purchases of property and equipment	<u>(7,439)</u>
Net cash provided by investing activities	<u>88,214</u>

Net Increase in Cash and Cash Equivalents

267,754

Cash and Cash Equivalents, Beginning

26,442

Cash and Cash Equivalents, Ending

\$ 294,196

Supplemental Disclosure

Disposal of fully depreciated assets	<u><u>\$ 131,800</u></u>
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WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Wildlife Habitat Council, Inc. (WHC) is organized pursuant to the laws of the District of Columbia as a nonprofit, charitable organization. WHC strives to increase the amount of quality wildlife habitat on corporate, private, and public lands and has allocated their resources among the following programs:

Conservation

Working with corporate members and partners to build strong conservation programs on their lands using a variety of approaches that range from the development of conservation plans, implementation of conservation projects on corporate lands, stakeholder and employee engagement in plan design and implementation, and corporate-wide approaches that leverage conservation to meet a business opportunity. Working with over 100 corporations, WHC conservation programs can be found in 48 U.S. states, the District of Columbia and 25 countries.

Member Services and Education

Helping members connect corporate level sustainability goals to meaningful on-the-ground actions through a series of decision tools and strategic engagements that may be utilized for corporate sustainability key performance indicators (KPI). These biodiversity and education efforts enhance the meaning of corporate conservation throughout the company and ensures the longevity of both implementation and management, which in turn improves conservation and education outcomes.

Educating members, partners and stakeholders on conservation trends, tools and topics through WHC Conservation Academy free webinars. These on-demand and live webinars are designed for practical conservation, produced within a corporate context, and presented by an expert (or experts) in the field of study. WHC webinars attract 150 to 500 attendees per session.

Conferences and workshops

The WHC Conservation Conference provides participants with content, networking opportunities and awards recognition. Over 400 individuals attend this annual meeting, generally held in November in Baltimore, MD. The meeting is designed around a suite of panels, workshops and other sessions designed for participants to share successes, discuss challenges and receive inspiration. WHC also hosts regional workshops or meetings that convene corporate conservationists around topics of interest.

Certification

WHC Conservation Certification provides recognition to corporate landowners that meet the criteria of the standard. With over 600 certified programs worldwide, Conservation Certification is leveraged by companies into reporting frameworks and to meet business goals and opportunities.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conservation Certification requires all projects to be locally appropriate; exceed pertinent regulatory requirements; add value to the environment or community; be designed around a conservation objective and; be monitored as evidence of implementation.

Publications

WHC produces many several types of guidance. The WHC website hosts 22 Project Guidance documents that provide suggestion and instruction on the development and implementation of conservation projects across four categories: Habitat, Species, Education and Awareness, and Other Options. WHC also produces White Papers highlighting case studies from WHC members that demonstrate positive outcomes for biodiversity, the environment and communities. Toolkits and other publications specifically written to support member efforts are also produced. WHC also publishes an annual engagement calendar highlighting conservation projects from across its membership.

Supporting services include the following categories:

General and Administrative

Activities include program oversight, business management, general record-keeping, budgeting, and related administrative activities.

Development and Fundraising

WHC solicits contributions from individuals, foundations, and corporations. Fundraising activities also include development and management of various activities involved with soliciting contributions.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

WHC presents its financial statements in conformity with the accounting standards codification relating to Financial Statements of Not-for-Profit Organizations, issued by the Financial Accounting Standards Board. Accordingly, the net assets of WHC are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are reported as part of the unrestricted class. Under these provisions, unconditional contributions and the associated gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of WHC and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets resulting from contributions and other inflows of assets whose use by WHC is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of WHC pursuant to those stipulations.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by WHC. There were no permanently restricted net assets for the period presented.

Measure of Operations

The accompanying statement of activities distinguish between operating and non-operating activities. Operating activities include all revenue and expenses that are an integral part of WHC's programs. Non-operating activities include the net realized and unrealized gains on investments.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct costs associated with specific programs are recorded as program expenses while overhead expenses are allocated based on salaries charged to the various programs.

Cash and Cash Equivalents

For purposes of reporting cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents. Cash and short-term investments held by the investment advisors are reported as investments.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in exchange traded funds with readily determinable fair values are reflected at fair market value. The change in fair market value is recorded as a component of realized and unrealized gains on investments in the statement of activities. Interest and dividends are recorded in revenue when earned.

Fair Value Measurements

The Fair Value Measurements topic of the FASB Codification establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. This topic applies to all assets and liabilities that are measured and reported on a fair value basis. The topic requires disclosures that establish a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and discloses methods used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

This topic requires that assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets and liabilities

Level 2 - Observable market-based inputs or unobservable inputs corroborated by market data

Level 3 - Unobservable inputs that are not corroborated by market data

WHC holds investments in a money market fund and in various exchange traded funds. The exchange traded funds held by WHC are publicly traded on the New York Stock Exchange. For the nine months ended December 31, 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following is a description of the valuation methodologies used for investments measured at fair value.

Exchange Traded Funds - An exchange traded fund is a marketable security that tracks an index and trades like a common stock on a national stock market exchange. The funds are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Risk

WHC maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. WHC has not experienced any losses in such accounts. WHC believes it is not exposed to any significant financial risk on cash and cash equivalents. WHC also invests in a professionally managed portfolio that contains money market and exchange traded funds. Such investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements. Management assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Accounts Receivable

Receivables are carried at the original invoice amounts less an estimate made for doubtful receivables based on an annual review of all outstanding amounts. Management determines the allowance for doubtful accounts by annually evaluating individual receivables and considering the financial condition, credit history, and current economic conditions of the creditors. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded in revenue when received. A receivable is considered past due if any portion of the receivable balance is outstanding for more than ninety days. However, WHC does not charge interest on past due receivables. As of December 31, 2017, there is no allowance for doubtful accounts, based on management's evaluation of the collectability of receivables, and the receivables are due in less than one year.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional amounts committed to WHC and are recognized as grant revenue in the period unconditionally committed to WHC. Management determines the need for an allowance for doubtful accounts through an analysis of specific grants and contributions made. As of December 31, 2017, management believes that all grants receivable are fully collectible within one year.

Property and Equipment

Property and equipment is recorded at cost and consists of office equipment and leasehold improvements. WHC capitalizes all property and equipment with a useful life greater than one year and a cost basis of \$500 or more. Depreciation of office equipment is computed over an estimated useful life of three years on a straight-line basis. Depreciation of leasehold improvements is computed over the shorter of the lease term or the useful life of the improvement on a straight-line basis. When office equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Repairs and maintenance are expensed when incurred.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition Policies

Membership and Certification revenue are recognized when they are received. Technical assistance, project site fees, and site signs revenue are recognized as services are completed. Calendar revenue received in advance are recorded as deferred revenue and recognized when the calendars are published. Calendars sold after the publication date are recognized when orders are fulfilled. Conference and workshop fees are recognized as revenue in the year the event occurs. Fees received prior to the conference or workshop event are included in deferred revenue. Other revenue is recognized when received.

Unconditional contributions and non-federal grants are recorded at the earlier of when pledged or received and reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires during the year or subsequent years, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Revenue from federal grants is recognized as services are performed and costs are incurred. Grant funds received prior to costs incurred are included in deferred revenue.

Income Taxes

WHC is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, as amended, and classified as other than a private foundation. However, income from certain activities not directly related to WHC's tax-exempt purpose may be subject to taxation as unrelated business income. For the nine months ended December 31, 2017, WHC did not have any taxable net income. Accordingly, no provision has been made for income taxes.

WHC is no longer subject to income tax examinations from the U.S. federal, state, or local tax authorities for fiscal years ending before March 31, 2014.

Accounting for Uncertain Tax Provisions

WHC follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, WHC may recognize the tax benefit from an uncertain tax position only if it is more likely-than-not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management evaluated WHC's tax positions and concluded that WHC has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 2017

NOTE 2 - CONDITIONAL PROMISES TO GIVE

During the nine months ended December 31, 2017, WHC received a restricted grant totaling \$56,250 that contained donor conditions. Since this grant represents a conditional promise to give, it is not recorded as contribution revenue until the donor's conditions are met.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

In determining the appropriate levels, WHC performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurements topic.

The table below represents the balances of assets at December 31, 2017 measured at fair value on a recurring basis by level within the hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 343,218	\$ -	\$ -	\$ 343,218
Money market funds	<u>12,905</u>	<u>-</u>	<u>-</u>	<u>12,905</u>
Totals	<u>\$ 356,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 356,123</u>

For the nine months ended December 31, 2017, investment income consists of the following:

Interest and dividends	\$ 6,602
Realized and unrealized gains on investments	<u>22,810</u>
Totals	<u>\$ 29,412</u>

NOTE 4 - PROPERTY AND EQUIPMENT

WHC's property and equipment at December 31, 2017 are as follows:

Office equipment	\$ 478,622
Leasehold improvements	<u>47,428</u>
Subtotal	526,050
Less, Accumulated depreciation	<u>(415,862)</u>
Net value of property and equipment	<u>\$ 110,188</u>

For the nine months ended December 31, 2017, depreciation expense totaled \$53,991.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 2017

NOTE 5 - LINE OF CREDIT

WHC has a \$100,000 revolving line of credit, due on demand, collateralized by WHC's investments, and has a 5.25% annual interest rate. The line of credit does not have a specific term or duration and can be terminated at the bank's discretion. There was \$100,000 outstanding as of December 31, 2017.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

The following table presents the temporarily restricted net assets that are available for programs and the contributions and releases from restrictions for the nine months ended December 31, 2017:

	Balance April 1, 2017	Additions	Releases	Balance December 31, 2017
Arcelor Mittal project	\$ 43,628	\$ -	\$ (43,628)	\$ -
Enbridge project	-	70,000	-	70,000
Houston project	11,503	-	(11,503)	-
Motorola project	5,753	-	(5,753)	-
New Field project	15,000	-	(15,000)	-
Shell project	90,440	84,000	(91,440)	83,000
Vulcan project	14,209	37,000	(41,209)	10,000
Totals	<u>\$ 180,533</u>	<u>\$ 191,000</u>	<u>\$ (208,533)</u>	<u>\$ 163,000</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Annual Conservation Conferences

WHC has entered into contracts with various hotels for rooms for the annual conferences to be held each November through 2020. In the event of cancellation, WHC is required to pay various costs of the hotel rooms as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation.

Contingencies

WHC participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the Federal Government or their representative. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 2017

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

Leases

WHC leases office space under an extended non-cancelable operating lease agreement. Base rent on the office space lease agreement is subject to annual escalations, and is recorded on a straight-line basis over the entire lease term. The deferred rent liability in the accompanying statement of financial position represents the cumulative difference between the monthly rent expense and rent paid. The lease expires on May 30, 2022.

The future minimum payments under the lease are as follows:

<u>Years Ending December 31,</u>	
2018	\$ 245,656
2019	253,025
2020	258,705
2021	265,829
2022	<u>112,913</u>
Total	<u>\$ 1,136,128</u>

Rent expense under the lease agreement for the nine months ended December 31, 2017 totaled \$184,867 and has been included in rent expense in the statement of functional expenses.

WHC utilizes office space rent-free in other cities. The fair value of the use of these spaces totaled \$20,988 for the nine months ended December 31, 2017, and has been recorded as contribution support and program services rent expense in the accompanying financial statements.

NOTE 8 - RETIREMENT PLAN

WHC maintains a defined contribution retirement plan for its employees who are eligible to participate. WHC contributes 3% of each covered employee's annual salary. Retirement plan contributions are included as a component of benefits expense on the statement of functional expenses. For the nine months ended December 31, 2017, retirement expenses totaled \$36,662.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the nine months ended December 31, 2017

NOTE 9 - RESULTS OF OPERATIONS AND MANAGEMENT PLANS

WHC depends on membership, technical assistance, conference sponsorships, certification fees, and grants and contributions to support its program activities. The economic factors impacting the oil and gas, mining, and other commodity-based industries are leading to significantly reduced support for WHC. As a result of a further industry trend, a significant number of member companies merged with each other leading to a reduction in overall member support. In addition, WHC was compelled to invest in IT infrastructure as a critical business need during the fiscal year ended March 31, 2015. These conditions have caused a decrease in net assets to continue for the nine months ended December 31, 2017. The governing board of WHC required management to submit a revenue neutral budget for the fiscal year ending March 31, 2017 reflecting deficit-addressing actions. The board approved this budget to the beginning of the new fiscal year. At its board meeting in July 2017, the governing board of WHC required management to present a point-by-point plan for addressing the deficit in the 2017 fiscal year with critical decision points outlined for cost reduction and revenue development activities, which management is addressing as follows:

- Numerous positions remain unfilled in the organization and other positions have been consolidated to realize cost savings while fulfilling mission critical activities
- Established a moratorium on all salary increases in 2016 through 2018
- Aggressive approach to increasing new members
- Expanded efforts for requesting new grants and fundraising are underway, recently securing a significant multi-year grant and seeking new sources of grant funding
- Searching for tenant to sublet office space and generate extra revenue is underway
- Increased focus on offering additional service activities, technical assistance, and certifications to existing members
- Prioritizing business development by senior staff to secure new contracts for work
- Intensifying emphasis for all staff to reduce expenses wherever possible without reducing the quality of service and products provided especially in the largest expense area of the Conservation Conference

Successes in these items have improved WHC's financial position from sizeable prior year deficits.

NOTE 10 - SUBSEQUENT EVENTS

WHC evaluated subsequent events through June 25, 2018, which is the date the financial statements were available to be issued.