

WILDLIFE HABITAT COUNCIL, INC.

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018



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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Habitat Council, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Columbia, Maryland
May 11, 2020

WILDLIFE HABITAT COUNCIL, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 424,889	\$ 236,371
Accounts receivable	83,647	81,874
Grants and contributions receivable	41,231	210,899
Prepaid expenses	-	3,676
Investments	<u>386,696</u>	<u>332,938</u>
Total current assets	<u>936,463</u>	<u>865,758</u>
NON-CURRENT ASSETS		
Grants and contributions receivable, net of current portion	100,000	100,000
Property and equipment, net	66,226	69,933
Security deposit	<u>19,241</u>	<u>19,241</u>
Total non-current assets	<u>185,467</u>	<u>189,174</u>
Total assets	<u><u>\$ 1,121,930</u></u>	<u><u>\$ 1,054,932</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 36,508	\$ 35,091
Accrued vacation and employee benefits	93,097	100,807
Deferred revenue	166,969	86,884
Line of credit	100,000	100,000
Deferred rent	<u>26,740</u>	<u>21,060</u>
Total current liabilities	423,314	343,842
NON-CURRENT LIABILITIES		
Deferred rent, net of current portion	<u>50,123</u>	<u>76,863</u>
Total liabilities	<u>473,437</u>	<u>420,705</u>
NET ASSETS		
Without donor restrictions	458,587	340,672
With donor restrictions	<u>189,906</u>	<u>293,555</u>
Total net assets	<u>648,493</u>	<u>634,227</u>
Total liabilities and net assets	<u><u>\$ 1,121,930</u></u>	<u><u>\$ 1,054,932</u></u>

See notes to the financial statements.

WILDLIFE HABITAT COUNCIL, INC.
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Membership	\$ 846,843	\$ -	\$ 846,843	\$ 840,803	\$ -	\$ 840,803
Grants and contributions	389,036	45,000	434,036	583,854	296,000	879,854
Technical assistance	389,068	-	389,068	300,290	-	300,290
Conference and workshop fees	395,121	-	395,121	470,750	-	470,750
Certifications	300,400	-	300,400	272,300	-	272,300
Calendar	106,859	-	106,859	126,027	-	126,027
Site sign revenue	109,162	-	109,162	175,262	-	175,262
Other revenue and loss on disposal of property	-	-	-	3,076	-	3,076
Interest and dividends, net of fees	5,100	-	5,100	3,971	-	3,971
Net assets released from restrictions	148,649	(148,649)	-	165,445	(165,445)	-
Total revenue and support	2,690,238	(103,649)	2,586,589	2,941,778	130,555	3,072,333
EXPENSES						
Program services:						
Wildlife Habitat Strategy and Planning	1,116,640	-	1,116,640	1,231,805	-	1,231,805
Knowledge Center and Conference	378,999	-	378,999	368,040	-	368,040
WHC Conservation Certification®	257,830	-	257,830	439,530	-	439,530
Membership Services	414,103	-	414,103	328,753	-	328,753
Total program services	2,167,572	-	2,167,572	2,368,128	-	2,368,128
Supporting services:						
General and Administrative	408,242	-	408,242	459,658	-	459,658
Development and Fundraising	45,166	-	45,166	25,729	-	25,729
Total supporting services	453,408	-	453,408	485,387	-	485,387
Total expenses	2,620,980	-	2,620,980	2,853,515	-	2,853,515
Change in Net Assets from Operations	69,258	(103,649)	(34,391)	88,263	130,555	218,818
Realized and Unrealized Gains (Losses) on Investments	48,657	-	48,657	(27,156)	-	(27,156)
Change in Net Assets	117,915	(103,649)	14,266	61,107	130,555	191,662
Net Assets, Beginning	340,672	293,555	634,227	279,565	163,000	442,565
Net Assets, Ending	\$ 458,587	\$ 189,906	\$ 648,493	\$ 340,672	\$ 293,555	\$ 634,227

See notes to the financial statements.

WILDLIFE HABITAT COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	Wildlife Habitat Strategy and Planning	Knowledge Center and Conference	WHC Conservation Certifications®	Membership Services	Total Program Services	Supporting Services		Total
						General and Administrative	Development and Fundraising	
Personnel costs:								
Salaries	\$ 639,261	\$ 102,391	\$ 137,409	\$ 206,976	\$ 1,086,037	\$ 223,337	\$ 29,580	\$ 1,338,954
Benefits	92,435	14,805	19,869	29,928	157,037	32,294	4,277	193,608
Payroll taxes	50,906	8,154	10,943	16,483	86,486	17,786	2,356	106,628
Total personnel costs	782,602	125,350	168,221	253,387	1,329,560	273,417	36,213	1,639,190
Awards and Grants	30,000	-	-	-	30,000	-	-	30,000
Bank service charges	9,837	3,185	1,575	2,114	16,711	3,436	455	20,602
Conference and meetings	6,835	134,112	120	63	141,130	3,980	-	145,110
Depreciation	12,828	2,055	2,757	4,153	21,793	4,482	593	26,868
Dues and subscriptions	1,710	-	32	1,071	2,813	3,650	-	6,463
Equipment rent and maintenance	5,832	44,650	-	-	50,482	9,578	-	60,060
Information technology	29,457	9,538	4,718	6,332	50,045	10,292	1,363	61,700
Insurance	9,769	1,565	2,100	3,163	16,597	3,413	452	20,462
Interest	-	-	-	-	-	6,373	-	6,373
Other	-	-	-	-	-	978	-	978
Photography	392	8,260	-	230	8,882	-	-	8,882
Postage and shipping	312	977	-	10,652	11,941	1,666	-	13,607
Printing and certification site signs	1,683	23,945	-	87,662	113,290	-	-	113,290
Professional fees	3,075	3,203	49,926	3,275	59,479	31,493	-	90,972
Project materials	25,055	311	-	-	25,366	5,505	-	30,871
Rent, including in-kind	149,370	-	26,118	39,341	214,829	34,051	5,623	254,503
Telephone and internet	7,991	1,280	1,718	2,587	13,576	2,791	370	16,737
Training	1,031	-	-	-	1,031	4,345	-	5,376
Travel	38,861	20,568	545	73	60,047	8,792	97	68,936
	<u>\$ 1,116,640</u>	<u>\$ 378,999</u>	<u>\$ 257,830</u>	<u>\$ 414,103</u>	<u>\$ 2,167,572</u>	<u>\$ 408,242</u>	<u>\$ 45,166</u>	<u>\$ 2,620,980</u>

WILDLIFE HABITAT COUNCIL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Wildlife Habitat Strategy and Planning	Knowledge Center and Conference	WHC Conservation Certifications®	Membership Services	Total Program Services	Supporting Services		Total
						General and Administrative	Development and Fundraising	
Personnel costs:								
Salaries	\$ 648,283	\$ 72,982	\$ 114,703	\$ 185,517	\$ 1,021,485	\$ 261,631	\$ 12,917	\$ 1,296,033
Benefits	102,413	11,529	17,744	29,684	161,370	41,331	2,041	204,742
Payroll taxes	48,184	5,424	8,348	13,966	75,922	19,446	960	96,328
Total personnel costs	798,880	89,935	140,795	229,167	1,258,777	322,408	15,918	1,597,103
Bank service charges	14,021	2,595	10,104	5,015	31,735	5,022	228	36,985
Conference and meetings	3,663	144,212	19	56	147,950	5,234	64	153,248
Depreciation	46,772	5,265	8,103	13,557	73,697	18,876	932	93,505
Dues and subscriptions	5,107	-	117	2,187	7,411	2,757	-	10,168
Equipment rent and maintenance	4,789	45,510	-	-	50,299	1,529	-	51,828
Information technology	32,741	42	86,660	9,248	128,691	9,235	438	138,364
Insurance	9,436	1,062	1,635	2,735	14,868	3,808	188	18,864
Interest	-	-	-	-	-	6,447	-	6,447
Other	859	-	35	103	997	5,116	-	6,113
Photography	99	10,835	-	123	11,057	-	-	11,057
Postage and shipping	445	45	11,593	5,412	17,495	2,195	-	19,690
Printing and certification site signs	1,198	17,667	121,515	16,938	157,318	519	-	157,837
Professional fees	33,194	19,193	35,775	2,940	91,102	22,283	-	113,385
Project materials	42,092	3,377	377	1,063	46,909	4,918	-	51,827
Rent, including in-kind	168,290	5,610	21,762	36,862	232,524	35,025	2,516	270,065
Taxes	-	-	-	-	-	1,533	-	1,533
Telephone and internet	6,003	676	1,040	1,740	9,459	2,422	120	12,001
Training	1,605	-	-	-	1,605	3,946	-	5,551
Travel	62,611	22,016	-	1,607	86,234	6,385	5,325	97,944
	<u>\$ 1,231,805</u>	<u>\$ 368,040</u>	<u>\$ 439,530</u>	<u>\$ 328,753</u>	<u>\$ 2,368,128</u>	<u>\$ 459,658</u>	<u>\$ 25,729</u>	<u>\$ 2,853,515</u>

WILDLIFE HABITAT COUNCIL, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from grants and contributions	\$ 603,704	\$ 546,567
Cash received from memberships	846,843	840,803
Cash received from programs and other	1,378,922	1,509,849
Cash received from interest and dividends	9,756	8,599
Cash paid for personnel costs	(1,646,900)	(1,535,040)
Cash paid for goods and services	(969,172)	(1,362,799)
Cash paid for interest	(6,373)	(6,447)
	<u>216,780</u>	<u>1,532</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Proceeds from sales of investments	98,913	43,718
Purchases and reinvested earnings on investments	(104,014)	(47,689)
Purchases of property and equipment	(23,161)	(55,386)
	<u>(28,262)</u>	<u>(59,357)</u>
Net cash used by investing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	188,518	(57,825)
Cash and Cash Equivalents, Beginning	<u>236,371</u>	<u>294,196</u>
Cash and Cash Equivalents, Ending	<u>\$ 424,889</u>	<u>\$ 236,371</u>
Reconciliation of Change in Net Assets to Net Cash from Operating Activities		
Change in net assets	\$ 14,266	\$ 191,662
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,868	93,505
Realized and unrealized losses on investments	(48,657)	27,156
Loss on disposal of fixed assets	-	2,136
Changes in operating assets and liabilities:		
Accounts receivable	(1,773)	90,124
Grants and contributions receivable	169,668	(305,303)
Security deposit and other assets	3,676	33,694
Accounts payable	1,417	(244,345)
Accrued vacation and employee benefits	(7,710)	56,709
Deferred revenue	80,085	69,884
Deferred rent	(21,060)	(13,690)
	<u>\$ 216,780</u>	<u>\$ 1,532</u>
Net cash provided by operating activities		

Supplemental Disclosure

Property and equipment with a cost basis of \$149,244 and \$116,951 and accumulated depreciation of \$149,244 and \$114,815 was disposed of during the years ended December 31, 2019 and 2018, respectively.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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 promotes and certifies habitat conservation and management on corporate lands through partnerships and education. At WHC, we believe that every act of conservation matters. Whether it's a small pollinator garden or a complex wetlands restoration, each and every conservation action contributes to the collective positive outcome for the environment.

WHC programs translate corporate sustainability goals and objectives into tangible and measurable on-the-ground actions. Through a focus on building collaboration for conservation with corporate employees, other conservation organizations, government agencies and community members, WHC's programs focus on healthy ecosystems and connected communities. WHC has allocated their resources among the following programs:

Wildlife Habitat Strategy and Planning

WHC delivers customized, comprehensive services that help companies align conservation efforts with business needs. WHC works with over 100 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. The voluntary conservation programs can be found in 47 states and the District of Columbia in the United States and 28 countries across the world. Comprehensive services focus on property-scale efforts and extend to nature-based solutions to climate change. Under an effort called the Climate Action Works initiative, WHC helps corporate landowners utilize nature-based climate change solutions that are corporate-driven, community-minded, and biodiversity-based.

Knowledge Center and Conference

WHC webinars provide expertise on conservation trends, tools and topics. These free on-demand and live webinars are designed for practical conservation, produced within a corporate context, and presented by an expert(s) in the field of study. WHC webinars attract 150 to 500 attendees per session. WHC also hosts regional workshops or meetings that convene corporate conservationists around topics of interest. The department also builds relationships with key nonprofit and governmental partners, to expand the reach of WHC's mission and bring added expertise to the Conservation Conference and webinars and to coordinate specialty collaborations such as Bat Week. Grants are sought from foundations, the government and other entities which allow WHC to engage in projects to restore both the natural and the human communities in which our members operate, focusing on topics such as STEM education in underserved communities and rejuvenating urban areas through native plantings.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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

Each year, WHC Conservation Conference provides attendees with learning and networking opportunities, and awards recognition. Over 400 individuals attend this annual meeting, generally held each November in Baltimore, MD. The meeting includes learning sessions and networking events in which participants share successes, discuss challenges and inspire one another.

WHC Conservation Certification®

Conservation Certification recognizes meaningful wildlife habitat management and conservation education programs through an objective, third-party review. With over 600 certified programs worldwide, Conservation Certification produces an aggregated metric for reporting and disclosure, which helps companies demonstrate a long-term commitment to managing quality habitat for wildlife, conservation education and community outreach initiatives. 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.

Membership Services

WHC helps 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. These biodiversity and education actions 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. WHC produces several types of guidance, including 22 WHC Project Guidances 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, success stories and blogs 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.

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.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), whereby revenue is recognized when earned and expenses are recognized when incurred.

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.

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, 2019 and 2018, there is no allowance for doubtful accounts, based on management's evaluation of the collectability of accounts receivable, and the accounts receivable are due in less than one year.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional amounts committed to WHC and recorded at the earlier of the date received or the date of receipt of a donor's non-contingent promise or pledge. Unconditional promises to give that are expected to be collected in one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in grants and contributions revenue. The discount will be recognized as contribution revenue in future fiscal years as the discount is amortized over the duration of the contributions. At December 31, 2019 and 2018, no allowance for doubtful accounts has been recorded based on management's evaluation of the grants and contributions receivable. No discount has been recorded since the amount was not material to the financial statements.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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

WHC complies with the accounting standard on accounting for fair value measurements. This standard defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under this topic are described below:

Basis of Fair Value Measurement

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

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. Such investments are exposed to various risks such as market and credit fluctuations. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

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 years ended December 31, 2019 and 2018

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

Property and Equipment

Property and equipment are 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 \$5,000 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.

Net Assets

Net assets, revenue, gains and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of WHC and changes therein are classified and reported as follows:

Net assets without donor restriction - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. WHC reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

See Note 6 for more information on the composition of net assets with donor restrictions.

Contributions and Grants

WHC recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenue without donor restrictions or revenue with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenue without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Revenue from federal grants is recognized as services are performed and costs are incurred.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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

Revenue Recognition

Membership revenue is recognized as contributions when they are received. Certification fees are recognized as revenue when the certification components have been completed. 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 registration 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 earned.

In-Kind Facilities and Services

In-kind contributions are recorded at the fair value as of the date of the donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as in-kind contribution revenue on the statement of activities and in-kind expenses on the statement of functional expenses. WHC has received donated office space in other cities. WHC also receives services from a number of volunteers who give significant amounts of their time to WHC's programs and fund-raising campaigns but these services do not meet the criteria for financial statement recognition.

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.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort except for direct costs associated with specific programs, which are recorded as expenses for the program benefited.

Measure of Operations

The accompanying statement of activities distinguishes 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 (losses) on investments.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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

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.

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 year ended December 31, 2018, WHC's taxable net income totaled \$5,960 related to nondeductible qualified transportation fringes.

The income tax positions taken by WHC for any years open under the various statutes of limitations are that WHC continues to be exempt from income taxes and that they have properly reported unrelated business income that is subject to income taxes. WHC believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities within 12 months of the reporting date. None of WHC's federal or state income tax returns are currently under examination.

New Accounting Pronouncements Adopted

During 2019, WHC adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

WHC also adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improves guidance to better distinguish between conditional and unconditional contributions.

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, a new accounting pronouncement for leases. This guidance significantly changes the accounting for a lessee. Under previous guidance, the lessee did not have to record an operating lease on the statement of financial position. Under the new guidance, a lessee must record both a liability for the lease payments and an asset for the right to use the leased property during the lease term.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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

The new accounting pronouncement also adds comprehensive qualitative and quantitative disclosures for lease arrangements. The disclosure requirements include information about management's significant judgments in its accounting for a leasing arrangement. Adoption of this accounting standard is required for the year ended December 31, 2021, although early adoption is permitted, and is expected to result in additions to WHC's assets and liabilities for the office leases to the statement of financial position and adding information to the lease disclosures in the notes to the financial statements.

NOTE 2 - GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2019 and 2018, grants and contributions receivable included the following:

	<u>2019</u>	<u>2018</u>
Due in less than 1 year	\$ 41,231	\$ 210,899
Due in 1 – 5 years	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 141,231</u>	<u>\$ 310,899</u>

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The table below represents the balances of investments measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2019 and 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - December 31, 2019				
Exchange traded funds	\$ 372,754	\$ -	\$ -	\$ 372,754
Money market funds	<u>13,942</u>	<u>-</u>	<u>-</u>	<u>13,942</u>
Total	<u>\$ 386,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386,696</u>
Investments - December 31, 2018				
Exchange traded funds	\$ 319,131	\$ -	\$ -	\$ 319,131
Money market funds	<u>13,807</u>	<u>-</u>	<u>-</u>	<u>13,807</u>
Total	<u>\$ 332,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,938</u>

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Net investment income (loss) consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 9,757	\$ 8,599
Less investment expenses	<u>(4,656)</u>	<u>(4,628)</u>
	5,101	3,971
Net realized gains	2,061	11,276
Net unrealized gains (losses)	<u>46,596</u>	<u>(38,432)</u>
	<u>48,657</u>	<u>(27,156)</u>
 Net investment income (loss)	 <u>\$ 53,758</u>	 <u>\$ (23,185)</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Office Equipment	\$ 290,975	\$ 417,057
Leasehold improvements	<u>47,428</u>	<u>47,428</u>
 Total depreciable property and equipment	 338,403	 464,485
Less, Accumulated depreciation	<u>(272,177)</u>	<u>(394,552)</u>
 Net value of property and equipment	 <u>\$ 66,226</u>	 <u>\$ 69,933</u>

Depreciation expense totaled \$26,868 and \$93,505 for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 - LINE OF CREDIT

WHC has a \$100,000 revolving line of credit, due on demand, collateralized by WHC's investments, and it has a 6.50% 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, 2019 and 2018.

WILDLIFE HABITAT COUNCIL, INC.
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For the years ended December 31, 2019 and 2018

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following activities during the year ended December 31, 2019

	<u>December 31, 2019</u>			
	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance December 31, 2019</u>
Purpose restrictions:				
Enbridge project	\$ 50,000	\$ -	\$ (40,000)	\$ 10,000
Calumet office	36,555	-	(36,555)	-
Content & Partnership	2,970	-	(1,443)	1,527
Climate smart corporate conservation	-	45,000	(14,929)	30,071
Time restrictions	<u>204,030</u>	<u>-</u>	<u>(55,722)</u>	<u>148,308</u>
Total	<u>\$ 293,555</u>	<u>\$ 45,000</u>	<u>\$ (148,649)</u>	<u>\$ 189,906</u>

Net assets with donor restrictions consist of the following activities during the year ended December 31, 2018:

	<u>December 31, 2018</u>			
	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance December 31, 2018</u>
Purpose restrictions:				
Enbridge project	\$ 70,000	\$ -	\$ (20,000)	\$ 50,000
Shell project	83,000	-	(83,000)	-
Vulcan project	10,000	-	(10,000)	-
Calumet office	-	60,000	(23,445)	36,555
Content & Partnership	-	11,000	(8,030)	2,970
Time restrictions	<u>-</u>	<u>225,000</u>	<u>(20,970)</u>	<u>204,030</u>
Total	<u>\$ 163,000</u>	<u>\$ 296,000</u>	<u>\$ (165,445)</u>	<u>\$ 293,555</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Annual Conservation Conference

WHC has entered into a hotel space contract for the annual conference to be held in November 2020. In the event of a cancellation, WHC is required to pay various costs of the hotel rooms as stipulated in the contract, the amounts of which are dependent upon the date of cancellation.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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>	
2020	\$ 258,705
2021	265,829
2022	<u>112,913</u>
Total	<u>\$ 637,447</u>

Rent expense under the lease agreement for the years ended December 31, 2019 and 2018 totaled \$254,503 and \$242,081 respectively included in rent expense in the statement of functional expenses.

WHC utilized office space rent-free in other cities during 2018. The estimated fair value for these office spaces totaled \$27,984 for the year ended December 31, 2018 which 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 years ended December 31, 2019 and 2018, retirement expenses totaled \$44,542 and \$43,930.

WILDLIFE HABITAT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES

WHC's financial assets that are available for general expenditures within one year of the statement of financial position are as follows:

Cash and cash equivalents	\$	424,889
Accounts receivable		83,647
Grants and contributions receivable, current portion		41,231
Investments		<u>386,696</u>
		936,463
Less, amounts unavailable for general expenditures within one year, due to restrictions by donors for specified purposes		<u>(41,598)</u>
Total financial assets available to management for general expenditure within one year	\$	<u>894,865</u>

WHC structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - RISKS AND UNCERTAINTIES

Financial instruments that potentially subject WHC to significant concentrations of credit risk consist of cash and investments. Such investments are exposed to various risks such as market and credit fluctuation. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements. WHC maintains the cash and investment accounts with financial institutions that from time to time may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). WHC has not experienced any credit losses on its cash and investments to date, as it relates to FDIC and SIPC insurance limits. WHC assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

As of December 31, 2019 and 2018, WHC's investment in exchange traded investments was 34% and 30% of total assets, respectively. The Board of Directors has established an investment policy and guidelines that cover asset allocations and performance objectives.

WILDLIFE HABITAT COUNCIL, INC.
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For the years ended December 31, 2019 and 2018

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the stock market experienced a significant decline in value. WHC will continue to monitor its investments as it has successfully done in the past, but has no immediate plans to change its investment portfolio.

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus disease ("COVID-19") a pandemic. The extent of COVID-19's effect on WHC's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on WHC's finances. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material effect on WHC's activities, results of operations, financial condition and cash flow.

WHC evaluated subsequent events through May 11, 2020, which is the date the financial statements were available to be issued.