

CONSERVATION STRATEGY FUND

FINANCIAL STATEMENTS

December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Conservation Strategy Fund

We have audited the accompanying financial statements of Conservation Strategy Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Conservation Strategy Fund as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hunter, Hunter & Hunt

August 22, 2016

**CONSERVATION STRATEGY FUND
STATEMENT OF FINANCIAL POSITION
December 31, 2015**

ASSETS:

CURRENT ASSETS:

Cash & cash equivalents	\$ 2,109,911
Grants receivable	544,503
Contracts receivable	165,590
Prepaid expenses	7,970
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TOTAL CURRENT ASSETS	2,827,974

EQUIPMENT, NET -

OTHER ASSETS:

Grants receivable, non-current	200,000
Deposits	8,050
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TOTAL ASSETS \$ 3,036,024

LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	\$ 34,330
Accrued expenses	159,586
Contracts payable	90,751
Deferred revenue	80,075
	<hr/>

TOTAL CURRENT LIABILITIES

364,742

TOTAL LIABILITIES

364,742

NET ASSETS:

Unrestricted	1,156,877
Temporarily restricted	1,514,405
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TOTAL NET ASSETS

2,671,282

TOTAL LIABILITIES & NET ASSETS \$ 3,036,024

See accompanying notes.

CONSERVATION STRATEGY FUND
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, & OTHER SUPPORT:			
Donations	\$ 76,825	\$ -	\$ 76,825
Grants & awards	38,836	930,101	968,937
Contracts	765,782	-	765,782
Program fees	105,178	-	105,178
Interest income	46	-	46
Net assets released from restrictions:			
Expirations of donor restrictions	1,597,319	(1,597,319)	-
TOTAL REVENUES, GAINS, & OTHER SUPPORT	2,583,986	(667,218)	1,916,768
 EXPENSES & LOSSES:			
Program services	2,262,681	-	2,262,681
Supporting services:			
Management & general	322,313	-	322,313
Fundraising	19,594	-	19,594
TOTAL EXPENSES & LOSSES	2,604,588	-	2,604,588
 CHANGES IN NET ASSETS	(20,602)	(667,218)	(687,820)
 BEGINNING NET ASSETS	1,177,479	2,181,623	3,359,102
 NET ASSETS AT END OF YEAR	\$ 1,156,877	\$ 1,514,405	\$ 2,671,282

See accompanying notes.

CONSERVATION STRATEGY FUND
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Program Services	Supporting Services		Total
	Conservation Services	Management & General	Fund- Raising	Total
EXPENSES:				
Compensation	\$ 934,731	\$ 175,728	\$ 13,944	\$ 1,124,403
Payroll taxes	121,887	20,165	1,183	143,235
Employee benefits	138,744	31,678	2,545	172,967
Total personnel costs	1,195,362	227,571	17,672	1,440,605
Communications	17,990	2,162	215	20,367
Contract expenses	405,477	7,794	10	413,281
Dues & subscriptions	3,321	2,046	8	5,375
Expensed equipment	4,457	16	1	4,474
Foreign exchange loss	-	23,000	-	23,000
Insurance	1,785	4,841	-	6,626
Temporary employment	34,318	-	-	34,318
Miscellaneous	-	9,503	-	9,503
Occupancy	66,802	6,761	703	74,266
Office	16,579	2,499	408	19,486
Postage	2,330	472	7	2,809
Printing	69,586	1,248	7	70,841
Professional services	51,389	7,673	230	59,292
Repairs & maintenance	3,402	430	26	3,858
Supplies	17,647	1,397	87	19,131
Staff development & training	13,096	6,604	69	19,769
Training facility costs	148,638	-	-	148,638
Travel	210,502	18,296	151	228,949
TOTAL EXPENSES	\$ 2,262,681	\$ 322,313	\$ 19,594	\$ 2,604,588

See accompanying notes.

**CONSERVATION STRATEGY FUND
STATEMENT OF CASH FLOWS
Year Ended December 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in net assets:	\$ (687,820)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Grants receivable	625,571
Contracts receivable	948,778
Prepays	20,266
Increase (decrease) in operating liabilities:	
Accounts payable	26,187
Accrued expenses	70,331
Contracts payable	51,933
Deferred revenue	(906,951)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	148,295
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	148,295
BEGINNING CASH & CASH EQUIVALENTS	1,961,616
ENDING CASH & CASH EQUIVALENTS	\$ 2,109,911

See accompanying notes.

CONSERVATION STRATEGY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Conservation Strategy Fund (CSF) is presented to assist in understanding CSF's financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Nature of Activities

CSF is a nonprofit public charity corporation, founded in 1998. Its mission is to teach environmental organizations around the world to use economics and strategic analysis to conserve nature. CSF has offices in Sebastopol and Arcata, California; La Paz, Bolivia and Lima, Peru. Contributions from private foundations, U.S. government agencies, individuals, and other conservation organizations primarily support CSF's activities.

Basis of Accounting

The financial statements of CSF have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

CSF follows standards of accounting and financial reporting for not-for-profit organizations as prescribed by the Financial Accounting Standards Board. In accordance with accounting standards, CSF reports its financial position and operating activities in three classes of net assets as applicable: unrestricted net assets, temporarily restricted assets and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CSF considers cash and cash equivalents to include all cash and money market accounts held in banks and other financial institutions, including certificates of deposit, with a maturity of three months or less. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments. CSF maintains a separate bank account to comply with a funder's requirement that cash be held in a separate account. As of December 31, 2015, included in cash and cash equivalents is \$80,075 of funds subject to donor restrictions and reported as deferred revenue.

Contributions

CSF accounts for contributions received and made in accordance with accounting standards for not-for-profit organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of donor restrictions, if any.

Allowance for Doubtful Accounts

CSF evaluates the collectability of program fees, grants, and contracts receivable in order to determine the allowance for doubtful accounts. As of December 31, 2015, CSF determined the various receivables are fully collectible and recorded \$0 for the allowance for doubtful accounts. Based on historical experience, CSF does not expect amounts to become uncollectible, however if they are, they will be charged to operations as a bad debt expense. The impact of any bad debt expense recorded in the future is expected to be immaterial to the financial statements.

**CONSERVATION STRATEGY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

Equipment

Equipment is capitalized at its estimated fair value when donated or at cost when purchased. Equipment donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Equipment is depreciated using the straight-line method, over the asset's estimated useful life, which ranges from five to seven years. CSF's threshold for capitalizing equipment is \$5,000.

Revenue Recognition

CSF recognizes revenue on the accrual basis of accounting. Contract revenue and program fees are recognized as revenue in the period in which the service is provided. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (either by passage of time or by use) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Scholarships

CSF offers scholarships and discounts to attendees of the International Training Course. Program fee income reflects the net of gross fees for all attendees less the scholarship awarded or the discount provided.

Program Services

CSF has trained over 2,200 people from 90 countries and has conducted dozens of economic analyses that have shaped decision-making across the globe. CSF project partners range from local activists and indigenous tribes to large international NGOs and development banks. CSF focuses its work in regions where capacity needs are intense, and which still have tremendous conservation opportunities – particularly intact tropical forests rich in biodiversity and carbon. CSF analyses in these regions have influenced over \$20 billion in investment decisions and helped conserve over 21 million acres of natural ecosystems, with untold benefits for human communities.

Management and General

Management and general includes the functions necessary to ensure coordination and articulation of CSF's program strategy through executive management, maintaining program administration, and managing the financial responsibilities of CSF.

Fundraising

Fundraising provides the structure necessary to encourage and secure public support from U.S. government agencies and private financial support from individuals, foundations and corporations.

Indirect Cost Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated to the various programs based on time charged to each activity based on employee time records.

Tax Status

CSF is exempt from federal and California income tax as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

CONSERVATION STRATEGY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

The open audit periods are 2011 through 2014. CSF has analyzed the tax positions taken for filing with the Internal Revenue Service and the state of California. The organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the financial statements. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2015.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services and Materials

The Company receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition as contributed services have not been satisfied. Donated goods, when received, are reflected as in-kind contributions in the accompanying statements at their estimated fair market values at date of receipt.

Net Assets

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of CSF. Temporarily restricted net assets include those subject to a donor or funding source restriction and for which the applicable restriction was not met at the end of the current reporting period. Permanently restricted net assets include those subject to non-expiring donor restrictions, such as endowments.

NOTE 2 - CONCENTRATION OF CREDIT RISK

CSF maintains a majority of its cash in accounts at Wells Fargo Bank and Edward Jones which, at times, may exceed federally insured limits. The maximum amount of loss due to this risk was \$1,861,209 as of December 31, 2015. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk related to cash.

NOTE 3 - DEFINED CONTRIBUTION PENSION PLAN

CSF has a SEP IRA plan. CSF full-time employees become eligible to participate in the plan on the first day of the month one-year subsequent to the employee's date of hire. In 2015, CSF made contributions to the plan equal to 10% of the employees' gross salary. Employer contributions totaled \$69,813 for the year ending December 31, 2015.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Conditions contained within the various contracts awarded to CSF are subject to the funding agency's criteria and regulations under which expenditures may be claimed and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs

**CONSERVATION STRATEGY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

incurred against the grants may not comply with their established criteria. In such cases, CSF could be held responsible for repayments to the funding agency for any questioned costs or be subject to reductions of future funding. Management does not anticipate any questioned costs for the contracts and grants administered during the year ending December 31, 2015.

NOTE 5 - CONCENTRATIONS

During the year ended December 31, 2015, \$878,101, which is approximately 91% of CSF's current year funding from grants and awards, was awarded by two grantors, MacArthur Foundation and David and Lucile Packard Foundation.

NOTE 6 - RESTRICTED NET ASSETS

At December 31, 2015, CSF's temporarily restricted net assets consist of the following:

	<u>Beginning</u>	<u>Additions</u>	<u>Expended</u>	<u>Ending</u>
MacArthur Foundation	\$ 382,781	\$ 338,101	(\$ 256,421)	\$ 464,461
Gordon & Betty Moore Foundation	701,520	-	(381,182)	320,338
USAID	424,579	-	(424,579)	-
Avina Foundation	12,629	-	(12,629)	-
The Nature Conservancy	7,925	-	(7,925)	-
The Handsel Foundation	99,838	-	(64,640)	35,198
Margaret A. Cargill Foundation	76,225	-	(76,225)	-
German Federal Enterprise for International Cooperation	199,648	-	(44,363)	155,285
Good Energies Foundation	238,190	-	(219,067)	19,123
Packard Foundation	19,726	540,000	(49,726)	510,000
Organization for Economic Co-operation and Development	18,562	-	(18,562)	-
Green Foundation	-	10,000	-	10,000
Blue Moon Fund	-	42,000	(42,000)	-
Total	<u>\$ 2,181,623</u>	<u>\$ 930,101</u>	<u>(\$ 1,597,319)</u>	<u>\$ 1,514,405</u>

For purposes of this schedule, the additions to temporarily restricted net assets include amounts released from restrictions in 2015.

NOTE 7 - LEASES

The Company leases office space in Arcata, California, for \$975 per month. The lease is on a month-to-month basis. CSF leases office space in Sebastopol, California, for \$2,205 per month. The lease is on a month-to-month basis. CSF also leases office space in Peru and Bolivia. Total office rent expense for the year ending December 31, 2015, is \$56,609.

**CONSERVATION STRATEGY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 8 - RECEIVABLES

Grants receivable at December 31, 2015, expected to be collected within one year, consist of the following:

USAID	\$ 194,137
MacArthur Foundation	130,000
German Federal Enterprise for International Cooperation	70,366
David and Lucile Packard Foundation	<u>150,000</u>
 Total	 <u>\$ 544,503</u>

Grants receivable, non-current at December 31, 2015, consist of the following:

German Federal Enterprise for International Cooperation	\$ 50,000
David and Lucile Packard Foundation	<u>150,000</u>
 Total	 <u>\$ 200,000</u>

Contracts receivable at December 31, 2015, consist of the following:

International Resources Group	\$ 81,783
German Federal Enterprise for International Cooperation	56,263
New Venture Fund	4,056
Sonoma County	18,502
Audubon Society	<u>4,986</u>
 Total	 <u>\$ 165,590</u>

NOTE 9 - PROGRAM FEES

Program fees are as follows:

Brazil cost share income	\$ 22,018
Tuition income - gross	110,000
Less: scholarships/discounts/grants	<u>(26,840)</u>
 Total	 <u>\$ 105,178</u>

NOTE 10 - RELATED PARTIES

CSF contracts with a conservation organization located in Brazil. The Brazilian organization was incorporated under the laws of its home country. CSF's President and board member is also a board member of the Brazilian organization. CSF has entered into service agreements with the Brazilian organization to provide conservation activities. For the year ending December 31, 2015, contract expenses with the Brazilian organization were \$167,504.

CONSERVATION STRATEGY FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, CSF has evaluated events and transactions for potential recognition or disclosure through August 22, 2016, the date the financial statements were available to be issued.