

THE TURTLE CONSERVANCY
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of The Turtle Conservancy

We have audited the accompanying financial statements of the Turtle Conservancy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statement of activities, cash flows, and functional expenses 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 evaluation of 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 the Turtle Conservancy as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hinricher, Douglas & Cousino LLP

Thousand Oaks, California

October 12, 2018

TURTLE CONSERVANCY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current assets:	
Cash	\$ 562,852
Inventory	85,480
	648,332
Property and equipment, net of accumulated depreciation	785,751
Other assets:	
Prepaid expenses	32,245
Security deposits	2,800
Intangible assets, net of accumulated amortization	135,317
Due from related party	1,337
	171,699
Total Assets	\$ 1,605,782

LIABILITIES

Current liabilities, all current:	
Accounts payable	\$ 50,830
Accrued expenses and other liabilities	72,342
	123,172

NET ASSETS

Net assets:	
Unrestricted net assets	983,348
Temporarily restricted net assets	499,262
Total Net Assets	1,482,610
Total liabilities and net assets	\$ 1,605,782

See accompanying auditors' report and notes to financial statements.

TURTLE CONSERVANCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Public support, revenue, and reclassifications			
Contributions	\$ 684,069	\$ 531,996	\$ 1,216,065
Special event revenue	817,579	0	817,579
Sales, net of costs of \$13,065	2,116	0	2,116
Rental income	141,715	0	141,715
Interest income	8	96	104
Miscellaneous income	71,750	64,976	136,726
Net assets released from restrictions	466,390	(466,390)	0
Total revenues, support and other income	<u>2,183,627</u>	<u>130,678</u>	<u>2,314,305</u>
Expenses			
Program services	1,422,338	0	1,422,338
Supporting services			
Management and general	170,159	0	170,159
Fundraising expenses	606,850	0	606,850
Total expenses	<u>2,199,347</u>	<u>0</u>	<u>2,199,347</u>
Change in net assets	(15,720)	130,678	114,958
Net assets at beginning of year	<u>999,068</u>	<u>368,584</u>	<u>1,367,652</u>
Net assets at end of year	<u>\$ 983,348</u>	<u>\$ 499,262</u>	<u>\$ 1,482,610</u>

See accompanying auditors' report and notes to financial statements.

TURTLE CONSERVANCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 114,958
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and Amortization	82,197
(Increase) or decrease in:	
Inventory	(39,146)
Accounts receivable	288
Prepaid expense & other assets	11,570
Due from related parties	11,757
Increase or (decrease) in:	
Accounts payable	(15,105)
Other liabilities	14,723
	181,242
Net cash provided by (used in) operating activities	181,242

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(17,305)
Costs of developing intangible assets	(10,217)
	(27,522)
Net cash provided by (used in) financing activities	(27,522)

Total increase (decrease) in cash	153,720
Cash at beginning of year	409,132
Cash at end of year	\$ 562,852

Supplemental Information:

Interest paid	\$ 0
Income taxes paid	\$ 0

See accompanying auditors' report and notes to financial statements.

TURTLE CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Program Expenses

	Program Expenses							Total Programs	General & Administrative	Fundraising	Total	
	BCC	Bolson	Burmese Star	Geometric	Global	In Situ	Yniphora					
Advertising, Promo & Marketing	\$ 1,044	\$ 0	\$ 0	\$ 0	\$ 14,797	\$ 0	\$ 0	\$ 84	\$ 15,925	\$ 483	\$ 19,225	\$ 35,633
Animal Adoption Expense	1,786	0	0	0	0	105	0	0	1,891	0	0	1,891
Animal Care & Supplies	26,594	0	0	0	106	0	0	99	26,799	382	31	27,212
Auto Expenses	8,639	0	0	0	83	0	0	0	8,722	44	0	8,766
Bank Fees	3,926	259	0	176	382	13	54	0	4,810	380	12,183	17,373
Communications	1,093	0	0	494	0	0	0	0	1,587	6,309	0	7,896
Computer Equipment & Software	97	23	0	27	400	0	0	0	547	1,865	0	2,412
Conferences & Conventions	800	335	0	335	7,231	0	95	0	8,796	0	479	9,275
Dues & Subscriptions	1,000	31	0	0	3,093	0	0	29	4,153	1,305	2,587	8,045
Sales & Use Taxes	8	0	0	0	0	0	0	0	8	25	0	33
Fundraising	0	424	0	0	0	0	0	0	424	0	481,346	481,770
Global Education Programs	111	54	0	0	57,574	0	0	0	57,739	267	0	58,006
Grant Giving	0	0	0	57,470	1,000	0	0	28,300	86,770	0	0	86,770
Housekeeping Services	2,155	0	0	0	0	0	0	0	2,155	580	0	2,735
Insurance	26,978	0	0	0	50	0	0	0	27,028	4,239	0	31,267
License and Permits	350	0	0	0	191	100	0	0	641	150	0	791
Meals and Entertainment	672	2,098	0	1,671	3,807	0	261	442	8,951	3,351	90	12,392
Miscellaneous	850	0	0	0	0	0	0	0	850	0	0	850
Office Supplies	2,852	0	0	0	211	0	0	44	3,107	3,463	63	6,633
Postage & Mailing Service	341	122	0	419	4,159	7	0	0	5,048	2,410	2,588	10,046
Printing and Copying	0	0	0	43	258	0	0	0	301	1,369	2,708	4,378
Professional Services	14,711	6,020	0	851	102	120	1,119	0	22,923	44,914	1,192	69,029
Project Expenses	0	3,904	0	12,481	0	0	2,119	41,716	60,220	0	0	60,220
Rent	132,000	0	0	0	0	0	0	0	132,000	0	0	132,000
Rental Property Costs	75,502	0	0	0	0	0	0	0	75,502	510	0	76,012
Repairs and Maintenance	62,510	0	0	0	0	0	0	0	62,510	0	0	62,510
Security & Alarm	1,580	0	0	0	0	0	0	0	1,580	0	0	1,580
Small Equipment	3,584	2,002	0	1,650	512	0	2,633	3,063	13,444	0	0	13,444
Supplies	9,968	217	0	84	1,412	0	0	398	12,079	307	455	12,841
Travel Expenses	3,882	19,744	0	19,710	16,820	3,349	4,210	8,804	76,519	9,949	8,171	94,639
Utilities	81,063	0	0	0	0	0	0	0	81,063	0	0	81,063
Veterinary Expense	4,575	0	0	0	0	0	0	0	4,575	0	0	4,575
Payroll Expense	373,730	16,923	5,863	6,770	94,896	5,863	8,462	19,262	531,769	87,562	75,732	695,063
Total Operating Expenses Before Depreciation and Amortization	842,401	52,156	5,863	102,181	207,084	9,557	18,953	102,241	1,340,436	169,864	606,850	2,117,150
Depreciation and Amortization	74,375	215	0	0	803	0	6,509	0	81,902	295	0	82,197
Total Operating Expenses	<u>\$ 916,776</u>	<u>\$ 52,371</u>	<u>\$ 5,863</u>	<u>\$ 102,181</u>	<u>\$ 207,887</u>	<u>\$ 9,557</u>	<u>\$ 25,462</u>	<u>\$ 102,241</u>	<u>\$ 1,422,338</u>	<u>\$ 170,159</u>	<u>\$ 606,850</u>	<u>\$ 2,199,347</u>

See accompanying auditors' report and notes to financial statements.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – DESCRIPTION OF ORGANIZATION:

The Turtle Conservancy ("TC") is dedicated to protecting the world's most endangered tortoises and turtles and their habitats through innovative and strategic conservation, land preservation, training, education, field programs, and targeted assurance colonies. The organization is supported primarily through donor contributions.

The organization was organized May 21, 2005 as a not-for-profit corporation in California under Section 501(c)(3) of the Internal Revenue Code. Presently the TC would need to substantially scale back its operations without the financial support of its president.

During the year ended December 31, 2017 the organization funded the following programs:

Bolson Program – The Turtle Conservancy has purchased a significant portion (43,540 acres) of the last remaining habitat of the Bolson Tortoise. The Bolson Tortoise inhabits a small area of Bolsón de Mapimí in the Chihuahuan Desert of Mexico. The Mapimí Biosphere Reserve was created to protect this species, but much of this land is used for agricultural development and cattle grazing, which is threatening the tortoise's habitat. The acquisition of this land in north central Mexico will protect the tortoise along with all other native flora and fauna including an estimated 28 mammals, over 200 bird species, 5 amphibians, and 39 reptiles.

Captive Breeding Program – Based in Southern California, the Turtle Conservancy breeds more critically endangered turtles and tortoises in terms of combined species and numbers than any other institution in the world. We manage 16 of the world's 40 most endangered species, and have 850 animals from 36 taxa. During 2017 we hatched 134 endangered turtles and tortoises. The center creates a long-term plan for each species that we breed and defines the desired outcome in terms of potential need for repatriation, reintroduction, or other conservation needs.

Geometric Tortoise Program – The Turtle Conservancy, along with its partner organizations, has created a preserve of over 800 acres in South Africa, of critical habitat to create a biodiversity preserve for what is likely to be the last large population for the South African Geometric Tortoise (one of the world's most endangered animals). The Southern Africa Tortoise Conservation Trust (SATCT) was established to purchase the land and manage the reserve. SATCT continues to expand the preserve through partnerships with local land owners.

Promoting Appreciation for the Wonder of Turtles Worldwide - To inspire conservation awareness and action to save the world's turtles and tortoises, the Turtle Conservancy used a number of different approaches during 2017:

- (1) publication of The Tortoise, Volume 2, Number 2 - a cutting edge conservation magazine bringing additional awareness to an ever-increasing global audience. This year's publication contained articles covering environmental issues, in addition to tortoise and turtle worldwide conservation.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – DESCRIPTION OF ORGANIZATION: (Continued)

Promoting Appreciation for the Wonder of Turtles Worldwide:

- (2) publication of The Turtles of the World (no. 7) - the Turtle Conservancy partnered with the leading turtle organizations to ensure continued publication of scientific papers in the chelonian field.
- (3) global media campaign through public service announcements, newsletters, celebrities, conservation tours and short video documentaries.
- (4) social media - this program reaches to people worldwide with over 170,000 followers and 'likes' on Facebook as well as over 17,500 followers on Twitter. And 68,500 followers on Instagram.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

The TC presents its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the TC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the TC is required to present a statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (e.g. the fair value of financial instruments, potential impairments to fixed assets and accrued expenses) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Contributed Services

Contributions of donated services that create or enhance assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The TC received a significant amount of donated services from unpaid volunteers who assist with the TC's program services and its fundraising campaigns. No amounts have been reflected in the financial statements for these services because the criteria for recognition have not been satisfied.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

In-Kind Contributions

Contributions of non-cash goods and similar items, such as advertising, are recorded at the estimated fair value on the date of the contribution. Contributions of services that (1) create or enhance non-financial assets or those that require specialized skills, (2) are provided by individuals possessing those skills, and (3) would typically need to be purchased if not provided by donation are recorded at their fair value in the period received.

For the year ended December 31, 2017 there were no non-cash in-kind donations.

Support and Revenue

In conformity with generally accepted accounting principles contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restrictions end, or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as reclassification of net assets. If donor-restricted support whose restrictions are met in the same reporting period, such support is reported as unrestricted support on the Statement of Activities.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decrease of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Fair Value of Financial Instruments

The carrying amounts of certain financial instruments including cash, receivables and payables are recorded at fair value at December 31, 2017.

Cash and Cash Equivalents

The TC considers cash and short-term deposits to include all stable highly liquid instruments with an original maturity date of three months or less. At December 31, 2017 the TC had no cash equivalents.

Inventory

Inventory consists of magazines for sale which are carried at the lower of cost or market. Cost is determined using the first in, first out method.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment

Purchased property and equipment are stated at cost. Donated property is stated at fair market value at the date of acquisition. Such donations are reported as unrestricted revenue unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted revenue. Depreciation is computed using the straight-line method for financial statement purposes over estimated useful lives of twenty years for buildings and improvements and five years for furniture and equipment.

Expenditures for maintenance and repairs are charged directly to the appropriate operating account at the time the expense is incurred. Expenditures determined to represent additions and betterments are capitalized.

Income Tax

The TC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal and state income taxes in the accompanying financial statements. In addition, the Internal Revenue Service has determined that the TC is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2017. As of December 31, 2017 the TC's information returns generally remain open for the last three years.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the year ended December 31, 2017 was \$35,633.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject TC to concentrations of credit risk consist principally of cash and investments. TC places its cash with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. At December 31, 2017 TC had \$282,202 of uninsured cash.

For the year ended December 31, 2017, the top three (3) contributing donors accounted for 13% of total revenues, support and other income.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 - RECEIVABLES

Receivables at December 31, 2017 was \$0.

NOTE 5 - INVENTORY

At December 31, 2017 inventory at cost consisted of printed issues of the Tortoise magazine and merchandise totaling \$85,480.

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at December 31, 2017

Buildings and improvements	\$ 1,080,255
Equipment	134,274
Furniture and fixtures	<u>70,453</u>
	1,284,982
Less accumulated depreciation	<u>(499,231)</u>
	<u>\$ 785,751</u>

Depreciation expense for the year ended December 31, 2017 was \$74,798.

NOTE 7 - INTANGIBLE ASSETS

At December 31, 2017 intangible assets consist of capitalized costs related to obtaining a conditional use permit from the County of Ventura. At December 31, 2017 the costs and accumulated amortization were \$153,855 and \$18,538, respectively. Amortization expense for the year ended December 31, 2017 was \$7,399.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The TC leases its facilities in Ojai, California from a related party pursuant to a 10-year lease expiring on October 31, 2022. Under the terms of the lease, the landlord will donate the value of the lease (valued at \$132,000 per annum) for the entire 10-year lease term in addition to being responsible for all the real estate taxes. For the year ended December 31, 2017 rent expense paid to the related party was \$132,000. The lease provides an additional ten-year extension at the option of the TC. The TC is also responsible for utilities and insurance costs. For the year ended December 31, 2017 utilities and property insurance expenses were \$92,456.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9 - RELATED PARTY TRANSACTIONS

The TC pays McNell Properties LLC for expenses related to operating their turtle conservation located on its premises in Ojai, California. The operating expenses include, but are not limited to supplies, utilities, landscaping and repairs and maintenance. During 2017 the TC overpaid McNell Properties LLC. For the year ended December 31, 2017 the amount due from related parties is \$1,337.

Additionally, the TC pays rent to a related party (see Note 8). For the year ended December 31, 2017 the amount of rent paid to the related party was \$132,000.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

Bolson Program	\$ 93,875
Geometric	825
In Situ	196,542
Yniphora Program	<u>208,020</u>
	<u>\$ 499,262</u>

NOTE 11 - NATURAL DISASTER (THOMAS FIRE)

Between December 4, 2017 and January 12, 2018, an unprecedented wildfire swept through Santa Barbara and Ventura County. It became one of the largest wildfires in California history, known as the "Thomas Fire."

Due to the impact of the Thomas Fire, the TC sustained \$63,414 in additional expenses for the year ended December 31, 2017. The majority of the fire-related expenses incurred were from payroll and repairs and maintenance. Staff involvement with the fire spanned over two pay periods which included overtime, the evacuation of animals, the fighting and protection of the property and the immediate costs of clean up and supplies. The amount of payroll expenses incurred from the initial response to the fire totaled \$26,522. For the year ended December 31, 2017, additional expenses of \$36,892 were incurred from the continuance of labor and repairs required.

NOTE 12 - SUBSEQUENT EVENTS

During 2017 the TC filed a claim with their insurance company for damages related to the Thomas Fire (see Note 11), however insurance proceeds were not received until 2018. As of October 12, 2018, the TC has received several insurance payments which totaled \$267,566. At December 31, 2017, no accruals were made in regards to the claim because the anticipated proceeds and timeline of the claim was not estimable. Payments received from the insurance company are deemed unrestricted and no specific reserve accounts were created for fire-related expenses.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 12 - SUBSEQUENT EVENTS (Continued)

Total payments received from the claim is proportionately much larger than the fire-related expenses incurred due to the consideration of future expenses that may be required. Future expenses include, but are not limited to: costs from additional labor and repairs and maintenance for equipment such as water filtration systems, HVAC units, various external property damage, replacement of certain equipment and machinery with shortened useful life, damages to the conservation's surrounding environment and other possible long-term costs that are either not yet discovered or have not occurred. Other than various external property damage, the TC did not sustain any losses of its animals or buildings.

In preparing these financial statements management has evaluated events and transactions for potential recognition of disclosure through October 12, 2018, the date the financial statements were available to be issued. No subsequent event other than what is mentioned above have been noted.