



WORKING DOGS FOR CONSERVATION FOUNDATION

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2019

WORKING DOGS FOR CONSERVATION FOUNDATION
Missoula, Montana

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Working Dogs for Conservation Foundation
Missoula, Montana

We have audited the accompanying financial statements of the Working Dogs for Conservation Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 the Working Dogs for Conservation Foundation as of December 31, 2019, 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.

Carver Florek & James, CPAs

Carver Florek & James, CPA's
Missoula, Montana
October 30, 2020

FINANCIAL STATEMENTS

WORKING DOGS FOR CONSERVATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
As of December 31, 2019

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 913,906
Accounts Receivable	241,318
Prepaid Expenses	<u>1,300</u>
Total Current Assets	<u>1,156,524</u>

PROPERTY AND EQUIPMENT

Buildings	535,000
Furniture, Fixtures & Equipment	9,458
Vehicles	58,944
Accumulated Depreciation	<u>(45,946)</u>
Total Property and Equipment	<u>557,456</u>

TOTAL ASSETS \$ 1,713,980

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 50,252
Credit Cards Payable	3,914
Accrued Wages and Payroll Taxes	52,528
Compensated Absences	59,447
Current portion of Mortgage Payable	<u>11,280</u>
Total Current Liabilities	<u>177,421</u>

LONG-TERM LIABILITIES

Mortgage Payable, net of current portion	<u>355,617</u>
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TOTAL LIABILITIES 533,038

NET ASSETS

Without Donor Restrictions	466,622
With Donor Restrictions	<u>714,320</u>
Total Net Assets	<u>1,180,942</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,713,980

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

WORKING DOGS FOR CONSERVATION FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUES AND OTHER SUPPORT	
Contributed Support	
Individual/Private Contributions	\$ 472,196
Nonprofit Organization Grants	4,400
Foundation/Trust Grants	64,527
Corporate/Business Grants	5,775
In-Kind Revenue	2,500
Program Income	
Contract Services	392,017
Reimbursement for Services	204,743
Program Services	56,698
Interest Income	775
Merchandise Sales	2,908
Miscellaneous	5,122
Net assets released from restriction	<u>296,129</u>
TOTAL REVENUES AND OTHER SUPPORT	1,507,790
EXPENSES	
Program Services	1,187,740
Management & General	158,853
Fundraising	<u>66,745</u>
TOTAL EXPENSES	<u>1,413,338</u>
TOTAL CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>94,452</u>
NET ASSETS WITH DONOR RESTRICTIONS	
Contributed Support	
Individual/Private Contributions	636,273
Nonprofit Organization Grants	125,000
Net assets released from restriction	<u>(296,129)</u>
TOTAL CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>465,144</u>

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

WORKING DOGS FOR CONSERVATION FOUNDATION
STATEMENT OF ACTIVITIES, (CONTINUED)
Year Ended December 31, 2019

NET ASSETS, BEGINNING OF YEAR	
Without Donor Restrictions	372,170
With Donor Restrictions	<u>249,176</u>
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>621,346</u>
NET ASSETS, END OF YEAR	
Without Donor Restrictions	466,622
With Donor Restrictions	<u>714,320</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 1,180,942</u>

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

WORKING DOGS FOR CONSERVATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

DESCRIPTION	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND- RAISING	TOTAL	PERCENT
Salaries and Wages	\$ 420,192	\$ 49,130	\$ 39,774	\$ 509,096	36.02%
Payroll Taxes & Fringe Benefits	87,909	17,809	7,475	113,193	8.01%
Contract Services	196,920	-	-	196,920	13.93%
Travel	317,404	1,768	5,669	324,841	22.98%
Dog and Field	68,352	406	-	68,758	4.86%
Professional Services	37,359	12,823	6,303	56,485	4.00%
Occupancy	208	21,720	-	21,928	1.55%
Insurance	6,019	24,765	-	30,784	2.18%
Interest	-	12,593	-	12,593	0.89%
Supplies	8,234	-	2,336	10,570	0.75%
Office Expense	3,929	6,003	1,380	11,312	0.80%
Information Technology	5,934	5,411	2,388	13,733	0.97%
Phone and Internet	2,356	1,327	-	3,683	0.26%
Advertising	369	-	768	1,137	0.08%
Meals and Entertainment	2,336	72	527	2,935	0.21%
Registration Fees	11,239	329	125	11,693	0.83%
Depreciation	12,399	1,048	-	13,447	0.95%
Other	6,581	3,649	-	10,230	0.73%
	<u>\$ 1,187,740</u>	<u>\$ 158,853</u>	<u>\$ 66,745</u>	<u>\$ 1,413,338</u>	<u>100.00%</u>
	84.04%	11.24%	4.72%	100.00%	

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

WORKING DOGS FOR CONSERVATION FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From/For:

Contributed Support	\$ 1,409,467
Contract Services	656,366
Interest	775
Other Revenues	5,122

Cash Paid To/For:

Salaries and Fringe Benefits	(608,274)
Contract Services	(535,616)
Suppliers	(162,335)
Occupancy	(21,928)
Interest	(12,593)

Net Cash Flows from Operating Activities	<u>730,984</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Building and Land Purchase	(535,000)
Vehicle Purchase	(22,750)

Net Cash Flows from Investing Activities	<u>(557,750)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Cash Proceeds from Mortgage Notes Payable	11,280
Cash Payments on Mortgage Notes Payable	355,617

Net Cash Flows from financing Activities	<u>366,897</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS	540,131
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>373,775</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 913,906</u>
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The accompanying notes are an integral part of these financial statements.

WORKING DOGS FOR CONSERVATION FOUNDATION
 STATEMENTS OF CASH FLOWS (CONTINUED)
 For the Year Ended December 31, 2019

RECONCILIATION OF CHANGE IN NET ASSETS TO
 NET CASH FLOWS FROM OPERATING ACTIVITIES

CHANGE IN NET ASSETS	\$	559,596
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Items Not Affecting Cash:		
Depreciation		13,447
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable		101,296
Prepaid Expenses		615
Increase (Decrease) in:		
Accounts Payable		43,098
Credit Cards Payable		(1,083)
Accrued Wages and Payroll Taxes, and Benefits		16,222
Accrued Leave		<u>(2,207)</u>
Net Cash Flows from Operating Activities	\$	<u><u>730,984</u></u>

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

WORKING DOGS FOR CONSERVATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Working Dogs for Conservation Foundation (the Foundation) is a not-for-profit corporation organized under Internal Revenue Code 501(c)(3), founded in 2005 and located in Missoula, Montana. The Foundation's mission is to partner with detection dogs to further conservation initiatives around the world. The Foundation integrates scientific-detection dog teams with established management and conservation efforts to address invasive species proliferation, wildlife trafficking, habitat fragmentation, human/wildlife conflict, and to support the preservation and restoration of threatened and endangered species.

Basis of presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as codified by the Financial Accounting Standards Board.

Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. From time to time, certain bank accounts that are subject to coverage by the Federal Deposit Insurance Corporation (FDIC) may exceed their insured limits. At December 31, 2019 bank balances exceed their insured limits by approximately \$420,125. Management does not believe there is any significant risk associated with these accounts.

Accounts Receivable

Accounts Receivable represent amounts owing to the Foundation for management and conservation services, and gifts, grants, or pledges. The Foundation uses the allowance method for doubtful accounts. Management assesses the collectability of these receivables annually by reviewing each receivable in light of the current facts and circumstances. All amounts were considered collectible; therefore, no provision for bad debts has been recorded in these financial statements. No interest is charged on accounts receivable. Receivables are considered past due when not collected in accordance with contractual terms. No receivables were considered past due at December 31, 2019.

Prepaid Expenses

Prepaid expenses consist primarily of advances for travel occurring after year end and deposits made in advance for rent.

WORKING DOGS FOR CONSERVATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

The Foundation capitalizes equipment with a purchase price of at least \$1,000 and an expected life of at least three years. Property and equipment are recorded at cost. Straight-line depreciation is used to depreciate assets over estimated lives of five to thirty-nine years.

Advertising

The Foundation expenses the costs of advertising as incurred. Advertising expenses totaled \$1,137 in 2019.

Net asset classifications

Net assets are classified as *without donor restrictions* in the absence of donor imposed restrictions. This category includes those revenues and expense associated with generally unrestricted activities and with the Foundations primary exempt functions. This also may include net assets that are restricted by the governing board of Working Dogs for Conservation Foundation.

Net assets classified as *with donor restrictions* have donor-imposed restrictions that have not been met. Such restrictions may be met by the passage of time or use for a specific purpose, or the assets may be expected to be maintained in perpetuity. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions.

Cost Allocation

The Foundation allocates costs that can be identified specifically with a particular final cost objective directly to the individual program benefiting. The Foundation's most significant program activities involve working with detection dogs to benefit science and conservation by deploying dogs on conservation and research initiatives with scientific collaboration and partnerships, innovation in the field, and maintaining high standards of work and care for their team of highly trained dogs. Joint and common costs are allocated to programs using a base most appropriate to the particular final cost being prorated.

Revenue Recognition

The primary sources of revenue to fund the Foundation's services are federal, state, and private contracts and grants as well as private donations. The Foundation recognizes all unconditional gifts and promises to give in the period notified. Contributed support is reported as without donor restriction or with donor restriction depending upon the existence of donor stipulations. Contributions received with donor imposed restrictions that have been fulfilled in the current year are reported as unrestricted contributions.

WORKING DOGS FOR CONSERVATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contract, program, and other revenues are recognized when earned. Contributed service revenue results when donated services create or enhance nonfinancial assets or when they require specialized skills provided by people possessing those skills that would typically be purchased if not provided by donation. Contributed goods are valued at their estimated fair value at the date of contribution. During 2019, the Foundation reported \$2,500 in in-kind donations and no in-kind services.

Program activities and expense classification

Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into activity groups. The primary activity groups and their related purposes are summarized as follows:

Program Services – Includes costs associated with its primary program activities including conservation initiatives performed by trained canine/handler teams, staff contracting, education and training efforts, programmatic travel costs and supplies, and innovative efforts to further the field of conservation detection dogs.

Management & General – Consists of funds used to administer the Foundation and support its program services. Examples include occupancy costs, telephone, insurance, supplies, and administrative support.

Fundraising – These activities provide supplies and services for special events and activities designed to create public awareness and support for international and community based activities and programs.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions which affect the reported assets, liabilities, revenues, and expenditures during the reporting period. Actual results could differ from those estimates.

Income tax status

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the increase in net assets is generally not subject to taxation. No provision for income tax has been recorded in these financial statements because the Foundation believes it had no income unrelated to its exempt purposes in 2019. With few exceptions, the Foundation's informational return (IRS Form 990) is not subject to examination for fiscal years prior to 2016.

WORKING DOGS FOR CONSERVATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019

2. ADOPTION OF NEW ACCOUNTING STANDARD

During the audit period ended December 31, 2019, the Foundation adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Adoption of this standard does not change prior reported amounts for net assets or changes in net assets.

3. PROPERTY AND EQUIPMENT

As of December 31, equipment and accumulated depreciation consisted of the following:

	<u>Facility/Property</u>	<u>Furniture, Fixtures, & Equipment</u>	<u>Vehicles</u>	<u>Accumulated Depreciation</u>
Balance January 1, 2019	\$ -	\$ 9,458	\$ 36,194	\$ 32,499
Additions	535,000	-	22,750	13,447
Balance December 31, 2019	<u>\$ 535,000</u>	<u>\$ 9,458</u>	<u>\$ 58,944</u>	<u>\$ 45,946</u>

Depreciation expense for the year ended December 31, 2019 totaled \$13,447.

4. MORTGAGE PAYABLE

On April 25, 2019, the Foundation had a real estate mortgage payable of \$374,500 to First Interstate Bank of Bozeman. The balance at December 31, 2019 was \$366,897. The note is payable in monthly installments of \$2,526, including fixed interest of 5.25% and is secured by real property, maturing on April 25, 2024. Interest expense totaled \$12,593 for the year ended December 31, 2019.

Future maturities of long-term debt for the year ended December 31, 2019, are as follows:

2020	\$ 11,280
2021	11,887
2022	12,526
2023	13,200
2024	<u>318,004</u>
Total	<u>\$ 366,897</u>

WORKING DOGS FOR CONSERVATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019

5. OFFICE SPACE LEASE

The Foundation leased office space in Missoula, MT and Bozeman, MT during 2019. On September 20, 2018, the Foundation entered into a lease agreement for office space in Missoula, MT. The term of the lease was for nine months and terminated June 30, 2019. The lease was not renewed. Monthly rent for the office space was \$430. On March 5, 2018, the Foundation entered into a lease agreement for office space in Bozeman, MT. The term of the lease was month to month and terminated May 1, 2019. On April 8, 2019, the Foundation entered into another lease agreement for office space in Bozeman, MT. The term of the lease is for one year, ending April 30, 2020, with the option to renew on a month to month basis thereafter. Monthly rent for the office space is \$900. Rent expense at December 31, 2019 was \$16,663 in total for both locations.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following for the year ended:

	Facility/ Dog Life	Trafficking	Wildlife Monitoring	Invasives	Total
Balance January 1, 2019	\$ -	\$ 197,483	\$ 47,094	\$ 4,599	\$ 249,176
Additions	141,273	220,000	400,000	-	761,273
Released	(46,953)	(197,483)	(47,094)	(4,599)	(296,129)
Balance December 31, 2019	<u>\$ 94,320</u>	<u>\$ 220,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 714,320</u>

Funds are restricted for particular projects based on donor stipulation and recorded as with donor restrictions. Once funds have been used to satisfy those projects, they are released and transferred to net assets without donor restrictions. During 2019, \$400,000 was restricted temporarily to Wildlife Monitoring; specific project allocation is decided in quarter 1 of 2020. \$220,000 was restricted for Trafficking: capacity building in Africa, \$125,000 was restricted for facilities and dog life, and \$16,273 was restricted for fencing at the facility.

7. EMPLOYEE BENEFITS

The Foundation offers employees who meet certain eligibility requirements a retirement plan and health insurance coverage as described below.

Compensated Absences - The Foundation records a liability for personal leave earned by full-time employees. Employees begin earning vacation from the first day of employment but must complete six months of employment before they are eligible to use any accrued credits. When an employee uses his or her personal leave benefit, the Foundation charges the amount against this liability. Part-time and temporary employees are not eligible to accrue vacation time. As of December 31, 2019, the liability for accrued personal leave was \$59,447, including related payroll taxes.

WORKING DOGS FOR CONSERVATION FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended December 31, 2019

7. EMPLOYEE BENEFITS (CONTINUED)

Simple IRA Plan - Employees are eligible to participate in the Simple IRA Plan if they have received at least \$5,000 of compensation during any two years before the current year and expect to receive at least \$5,000 during the current calendar year. The Foundation will match employees' pre-tax deferrals on a dollar-for-dollar basis up to 3%, but not less than 1% of participating employees compensation. The Foundation contributed \$15,854 for the year ended December 31, 2019.

Other Employee Benefits - The Foundation contributes 100% towards the cost of the gold tier plan of the Organization's health insurance carrier for full-time employees. Employees may elect to add dependents or add dental coverage at their own expense; additional premiums will be deducted pre-tax from gross pay. If employees choose a lower tier plan, the excess contribution can be applied towards voluntary health benefit additions or an eligible Health Savings Account. The Foundation paid \$42,823 for insurance premiums for the year ended December 31, 2019.

8. RISK MANAGEMENT

The Foundation faces a number of risks, including (1) loss or damage to property, (2) general liability, and (3) employee medical insurance. Commercial insurance policies are purchased for loss or damage to property, general liability, and employee medical insurance.

9. CONCENTRATION OF RISK

In 2019, the three largest clients accounted for approximately 51% of the Foundation's revenue. \$86,202 (approximately 36%) of the Foundation's receivables is due from one customer.

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2019 the following table shows the financial assets held by the Organization and the amounts of those financial assets could readily be made available within one year of the balance sheet dates to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$ 913,906
Accounts Receivable	241,318
Total Financial Assets	<u>1,155,224</u>
Less amount not available to be used within one year:	
Restricted Contributions	<u>714,320</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 440,904</u></u>

WORKING DOGS FOR CONSERVATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019

11. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic and, on March 12, 2020, the State of Montana declared a state of emergency related to the pandemic. The future impact of the COVID-19 pandemic on Working Dogs for Conservation Foundation, cannot be reasonably estimated at this time.

On April 16, 2020, Working Dogs for Conservation Foundation was awarded a \$135,000 grant for April 16, 2020 through April 16, 2022 from the U.S. Small Business Administration (SBA). On June 11, 2020, Working Dogs for Conservation Foundation was awarded a \$150,000 grant with installment payments beginning June 11, 2021 and maturing June 11, 2050 from the U.S. Small Business Administration (SBA). On June 16, 2020, they were awarded a MT Nonprofit Social Service Grant for \$10,000. While revenues in the first two quarters of 2020 have decreased as compared to the first two quarters of 2019, the COVID relief assistance had helped the Foundation maintain expected cash flow during 2020.

Management has evaluated subsequent events through October 30, 2020, the date on which the financial statements were available for issue.