



WORKING DOGS FOR CONSERVATION FOUNDATION

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2021

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of Working Dogs for Conservation Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Working Dogs for Conservation Foundation as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Working Dogs for Conservation Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Working Dogs for Conservation Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Working Dogs for Conservation Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Working Dogs for Conservation Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Carver Florek & James, CPAs

Carver Florek & James, CPA's
Missoula, Montana
August 10, 2022

FINANCIAL STATEMENTS

WORKING DOGS FOR CONSERVATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
As of December 31, 2021

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,119,580
Accounts Receivable	223,311
Prepaid Expenses	500
Total Current Assets	<u>2,343,391</u>

PROPERTY AND EQUIPMENT

Buildings	535,000
Furniture, Fixtures & Equipment	29,427
Vehicles	132,844
Accumulated Depreciation	<u>(95,295)</u>
Total Property and Equipment	<u>601,976</u>

TOTAL ASSETS	<u>\$ 2,945,367</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 24,117
Credit Cards Payable	6,759
Accrued Wages and Payroll Taxes	91,754
Compensated Absences	68,660
Payment Protection Program Loan Payable	148,200
Current portion of Mortgage & EIDL Payable	<u>20,021</u>
Total Current Liabilities	<u>359,511</u>

LONG-TERM LIABILITIES

Mortgage Payable, net of current portion	330,965
EIDL Loan Payable, net of current portion	<u>492,405</u>
Total Long-Term Liabilities	<u>823,370</u>

TOTAL LIABILITIES	<u>1,182,881</u>
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NET ASSETS

Without Donor Restrictions	670,629
With Donor Restrictions	<u>1,091,857</u>
Total Net Assets	<u>1,762,486</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,945,367</u>
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The accompanying notes are an integral part of these financial statements.

WORKING DOGS FOR CONSERVATION FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUES AND OTHER SUPPORT	
Contributed Support	
Individual/Private Contributions	\$ 606,032
Nonprofit Organization Grants	68,681
Foundation/Trust Grants	100,000
Corporate/Business Grants	702
Event Income	6,519
Payment Protection Program Loan Forgiveness	145,000
Program Income	
Contract Services	246,919
Reimbursement for Services	52,086
Program Services	34,223
Interest Income	1,504
Merchandise Sales	1,707
Net assets released from restriction	<u>451,459</u>
TOTAL REVENUES AND OTHER SUPPORT	1,714,832
EXPENSES	
Program Services	1,178,339
Management & General	211,919
Fundraising	<u>90,377</u>
TOTAL EXPENSES	<u>1,480,635</u>
TOTAL CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>234,197</u>
NET ASSETS WITH DONOR RESTRICTIONS	
Contributed Support	
Individual/Private Contributions	900,000
Nonprofit Organization Grants	155,000
Foundation/Trust Grants	46,116
Net assets released from restriction	<u>(451,459)</u>
TOTAL CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>649,657</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, 2021

NET ASSETS, BEGINNING OF YEAR	
Without Donor Restrictions	436,432
With Donor Restrictions	<u>442,200</u>
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>878,632</u>
NET ASSETS, END OF YEAR	
Without Donor Restrictions	670,629
With Donor Restrictions	<u>1,091,857</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 1,762,486</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, 2021

DESCRIPTION	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND- RAISING	TOTAL	PERCENT
Salaries and Wages	\$ 613,146	\$ 109,132	\$ 58,843	\$ 781,121	52.74%
Payroll Taxes & Fringe Benefits	128,255	26,543	9,550	164,348	11.10%
Contract Services	78,275	-	-	78,275	5.29%
Travel	127,753	2,796	6,378	136,927	9.25%
Dog and Field	103,900	-	-	103,900	7.02%
Professional Services	43,180	9,747	6,960	59,887	4.04%
Occupancy	5,208	399	-	5,607	0.38%
Insurance	15,611	16,187	637	32,435	2.19%
Interest	-	18,259	-	18,259	1.23%
Supplies	11,277	-	-	11,277	0.76%
Office Expense	2,570	5,460	3,472	11,502	0.78%
Information Technology	5,308	9,217	2,435	16,960	1.15%
Phone and Internet	824	1,591	426	2,841	0.19%
Meals and Entertainment	702	362	68	1,132	0.08%
Registration Fees	6,175	770	294	7,239	0.49%
Depreciation	23,606	4,164	-	27,770	1.88%
Other	12,549	7,292	1,314	21,155	1.43%
	<u>\$ 1,178,339</u>	<u>\$ 211,919</u>	<u>\$ 90,377</u>	<u>\$ 1,480,635</u>	<u>100.00%</u>
	79.59%	14.31%	6.10%	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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From/For:	
Contributed Support	\$ 1,970,419
Contract Services	334,935
Interest	1,504
Cash Paid To/For:	
Salaries and Fringe Benefits	(914,236)
Contract Services	(268,378)
Suppliers	(208,441)
Occupancy	(5,607)
Interest	(18,259)
Net Cash Flows from Operating Activities	<u>891,937</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Furniture, Fixtures, & Equipment Purchase	(15,610)
Vehicle Purchase	(34,100)
Net Cash Flows from Investing Activities	<u>(49,710)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Cash Proceeds from Mortgage Notes Payable	8,134
Cash Proceeds from EIDL Funding	342,505
Cash Payments on Mortgage Notes Payable	(12,675)
Net Cash Flows from financing Activities	<u>337,964</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS 1,180,191

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 939,389

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 2,119,580

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, 2021

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

CHANGE IN NET ASSETS	\$	883,854
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Items Not Affecting Cash:		
Depreciation		27,770
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable		(60,831)
Increase (Decrease) in:		
Accounts Payable		6,222
Credit Cards Payable		489
Accrued Wages and Payroll Taxes, and Benefits		28,752
Accrued Leave		2,481
PPP Loan		3,200
		891,937
Net Cash Flows from Operating Activities	\$	891,937

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, 2021

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, 2021 bank balances exceed their insured limits by approximately \$1,300,000. 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, 2021.

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, 2021

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. There were no advertising expenses during 2021.

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, 2021

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 2021, the Foundation did not report any in-kind donations or 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 2021. With few exceptions, the Foundation's informational return (IRS Form 990) is not subject to examination for fiscal years prior to 2018.

WORKING DOGS FOR CONSERVATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

2. PROPERTY AND EQUIPMENT

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

	Facility/Property	Furniture, Fixtures, & Equipment	Vehicles	Accumulated Depreciation
Balance January 1, 2021	\$ 535,000	\$ 13,817	\$ 98,744	\$ 67,525
Additions	-	15,610	34,100	27,770
Balance December 31, 2021	<u>\$ 535,000</u>	<u>\$ 29,427</u>	<u>\$ 132,844</u>	<u>\$ 95,295</u>

Depreciation expense for the year ended December 31, 2021 totaled \$27,770.

3. NOTES PAYABLE

The Foundation had the following notes payable at December 31, 2021:

Real estate mortgage payable to First Interstate Bank of Bozeman, payable in monthly installments of \$2,526, including fixed interest of 5.25% and is secured by real property, maturing on April 25, 2024.	\$ 343,491
EIDL loan payable to the U.S. Small Business Administration (SBA), payable in monthly installments of \$2,209 beginning June 11, 2022, including interest of 2.75% on any advanced funds and is secured by collateral, maturing June 11, 2050.	499,900
Paycheck Protection Program loan payable to First Interstate Bank of Bozeman, payable in monthly installments of \$3,864, including fixed interest of 1%, maturing January 26, 2026.	148,200
	<u>\$ 991,591</u>

Future maturities of long-term debt for the year ended December 31, 2021, are as follows:

2022	\$ 20,021
2023	26,332
2024	27,407
2025	28,531
2026	741,100
Total	<u>\$ 843,391</u>

WORKING DOGS FOR CONSERVATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

4. LEASES

The Foundation classifies its leases as operating or capital leases; all current leases are operating leases. The Corporation leased office space in Tacoma, Washington during 2021 on a month-to-month basis for \$290. The lease ended June 30, 2021.

Rent expense at December 31, 2021 totaled \$1,450.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following for the year ended 2021:

	<u>Facility/ Dog Life</u>	<u>Trafficking</u>	<u>Wildlife Monitoring</u>	<u>Time Restricted</u>	<u>Total</u>
Balance January 1, 2021	\$ 239,471	\$ 170,133	\$ 32,596	\$ -	\$ 442,200
Additions	125,000	30,000	46,116	900,000	1,101,116
Released	(248,730)	(170,133)	(32,596)	-	(451,459)
Balance December 31, 2021	<u>\$ 115,741</u>	<u>\$ 30,000</u>	<u>\$ 46,116</u>	<u>\$ 900,000</u>	<u>\$ 1,091,857</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. Occasionally the Foundation will receive funds that are meant to be used for general expenses in future years; these funds are restricted by time and released and transferred to net assets without donor restrictions in the year in which they are intended to be used. During 2021, \$900,000 was restricted temporarily for use evenly over the next two years: \$450,000 in 2022 and \$450,000 in 2023. \$125,000 was restricted for facilities and dog life, \$46,116 was restricted for Wildlife Monitoring, and \$30,000 was restricted for Trafficking.

6. 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, 2021, the liability for accrued personal leave was \$68,660, including related payroll taxes.

WORKING DOGS FOR CONSERVATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

6. 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 \$21,528 for the year ended December 31, 2021.

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 \$67,365 for insurance premiums for the year ended December 31, 2021.

7. 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.

8. CONCENTRATION OF RISK

In 2021, the two largest clients accounted for approximately 46% of the Foundation's program income. \$900,000 (approximately 38%) of the Foundation's revenue was contributed by one individual.

9. PAYCHECK PROTECTION PROGRAM

Working Dogs for Conservation Foundation received a Paycheck Protection Program loan from the United States Department of the Treasury during the years ended December 31, 2021 and 2020 in the amounts of \$148,200 and \$135,000, respectively, which each bear a 1% interest rate. The loans are forgivable when an application for forgiveness is obtained from the U.S. Small Business Administration (SBA). A letter of forgiveness was obtained for the 2020 loan on January 1, 2021, and \$135,000 was subsequently recognized as revenue for the year ended December 31, 2021. The 2021 loan in the amount of \$148,200 remained in notes payable at December 31, 2021.

WORKING DOGS FOR CONSERVATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2021 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	\$	2,119,580
Accounts Receivable		<u>223,311</u>
Total Financial Assets		2,342,891
Less amount not available to be used within one year:		
Restricted Contributions		641,857
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>1,701,034</u></u>

11. SUBSEQUENT EVENTS

On January 25, 2022, Working Dogs for Conservation Foundation received a letter of forgiveness for the 2021 Paycheck Protection Program loan in the amount of \$148,200. The funds will be recognized as revenue during the year ended December 31, 2022.

Management has evaluated subsequent events through August 10, 2022, the date on which the financial statements were available for issue.