

THE TURTLE CONSERVANCY
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015 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, 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.

Hinricher, Douglas & Porter LLP

Thousand Oaks, California

November 30, 2016

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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TURTLE CONSERVANCY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Current assets:	
Cash	\$ 724,298
Receivables	280,942
Inventory	37,529
	1,042,769
Property and equipment, net of accumulated depreciation	850,069
Other assets:	
Prepaid insurance	9,354
Security deposits	1,000
Intangible assets	94,960
	105,314
Total Assets	\$ 1,998,152

LIABILITIES

Current liabilities:	
Accounts payable	\$ 52,622
Accrued expenses and other liabilities	42,144
Sales tax payable	1,778
	96,544
Total liabilities	96,544

NET ASSETS

Net assets:	
Unrestricted net assets	1,219,755
Temporarily restricted net assets	681,853
Total Net Assets	1,901,608
Total liabilities and net assets	\$ 1,998,152

See accompanying auditors' report and notes to financial statements.

TURTLE CONSERVANCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Public support, revenue, and reclassifications			
Contributions	\$ 783,329	\$ 721,626	\$ 1,504,955
Special event revenue	695,691	0	695,691
In-Kind contributions	627,850	0	627,850
Sales, net of costs of \$1,892	7,140	0	7,140
Rental income	48,649	0	48,649
Interest income	38	0	38
Miscellaneous income	23,587	55,650	79,237
Net assets released from restrictions	282,175	(282,175)	0
Total revenues, support and other income	<u>2,468,459</u>	<u>495,101</u>	<u>2,963,560</u>
Expenses			
Program services	1,350,813	0	1,350,813
Supporting services			
Management and general	153,570	0	153,570
Fundraising expenses	743,993	0	743,993
Total expenses	<u>2,248,376</u>	<u>0</u>	<u>2,248,376</u>
Change in net assets	220,083	495,101	715,184
Net assets at beginning of year	<u>999,672</u>	<u>186,752</u>	<u>1,186,424</u>
Net assets at end of year	<u>\$ 1,219,755</u>	<u>\$ 681,853</u>	<u>\$ 1,901,608</u>

See accompanying auditors' report and notes to financial statements.

TURTLE CONSERVANCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 715,184
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	69,358
(Increase) or decrease in:	
Inventory	(17,354)
Accounts receivable	(280,942)
Prepaid expense & other assets	(3,288)
Increase or (decrease) in:	
Accounts payable	22,991
Other liabilities	6,084
Notes payable	(1,868)
Net cash provided by (used in) operating activities	510,165

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(101,948)
Costs of developing intangible assets	(45,990)
Net cash provided by (used in) financing activities	(147,938)

Total increase (decrease) in cash	362,227
Cash at beginning of year	362,071
Cash at end of year	\$ 724,298

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, 2015

	Program Expenses										General & Administrative	Fundraising	Total
	BCC	Bolson	Burmese Star	Geometric	Global	In Situ	Olive Ridley	Pacific Pond	Philippine	Yniphora			
Payroll and related	\$ 327,145	\$ 2,383	\$ 1,676	\$ 26,753	\$ 65,803	\$ 2,935	\$ 2,877	\$ 754	\$ 29,033	\$ 12,681	\$ 69,422	\$ 87,262	\$ 628,724
Rent	143,000	0	0	0	0	0	0	0	0	0	0	0	143,000
Miscellaneous Project Expenses	0	0	0	0	2,502	0	100	0	12,834	0	0	0	15,436
Repairs and Maintenance	92,521	0	0	0	0	0	0	0	0	200	0	0	92,721
Utilities	76,618	0	0	0	0	0	0	0	0	0	0	0	76,618
Grant Giving	0	4,950	0	119,204	1,000	3,000	0	0	0	25,950	0	0	154,104
Global Education Programs	0	0	0	0	43,133	0	0	0	3,998	0	0	0	47,131
Animal Care & Supplies	43,151	0	0	0	0	0	0	0	0	0	0	0	43,151
Rental Property Costs	43,050	0	0	0	0	0	0	0	0	0	0	0	43,050
Insurance	28,229	0	0	0	0	0	0	0	0	0	2,639	0	30,868
Travel	0	0	0	5,513	11,691	0	0	60	5,610	4,458	10,441	1,405	39,179
Supplies	24,993	0	0	0	0	0	0	0	0	549	4,473	0	30,015
Professional Services	160	5,385	0	16,848	0	0	0	0	0	0	44,138	0	66,530
Auto Expenses	20,970	0	0	0	0	0	0	0	0	174	0	0	21,144
Advertising, Promo & Marketing	67	0	0	0	11,588	0	0	0	0	0	537	6,974	19,165
Veterinary Expense	11,110	0	0	0	0	0	0	0	0	0	0	0	11,110
Communications	9,040	0	0	270	0	0	0	0	159	0	5,087	0	14,556
Housekeeping Services	7,758	0	0	0	0	0	0	0	0	0	0	0	7,758
Small Equipment	6,288	0	0	0	0	0	0	0	0	0	0	0	6,288
Meals and Entertainment	4,665	94	0	117	542	0	0	20	0	137	2,431	67	8,073
Animal Adoption Expense	0	0	0	0	0	3,053	0	0	0	100	0	0	3,153
Office Supplies	1,943	0	0	506	0	0	0	0	0	0	4,709	10	7,168
Postage & Mailing Service	527	0	0	0	1,827	0	0	0	0	0	1,321	2,377	6,052
Dues & Subscriptions	1,794	0	0	0	318	0	0	0	0	0	74	0	2,186
License and Permits	1,926	0	0	0	0	100	0	0	0	0	180	0	2,206
Conferences & Conventions	639	0	0	0	1,155	0	0	0	0	90	0	0	1,884
Security & Alarm	1,824	0	0	0	0	0	0	0	0	0	0	0	1,824
Bank Fees	(12)	40	0	15	193	253	0	0	808	100	2,675	5,663	9,734
Printing and Copying	299	0	0	0	27	0	0	0	0	0	554	0	880
Miscellaneous	186	0	0	0	0	0	0	0	0	0	100	0	286
Computer Equipment & Software	0	0	0	0	0	0	0	0	0	0	4,629	0	4,629
Tax	0	0	0	0	0	0	0	0	0	0	162	0	162
Fundraising	0	0	0	0	0	0	0	0	0	0	0	640,236	640,236
Total Operating Expenses	847,890	12,852	1,676	169,225	139,779	9,341	2,977	834	52,442	44,439	153,570	743,993	2,179,019
Depreciation	62,359	0	0	0	490	0	0	0	0	6,509	0	0	69,358
	<u>\$ 910,249</u>	<u>\$ 12,852</u>	<u>\$ 1,676</u>	<u>\$ 169,225</u>	<u>\$ 140,269</u>	<u>\$ 9,341</u>	<u>\$ 2,977</u>	<u>\$ 834</u>	<u>\$ 52,442</u>	<u>\$ 50,948</u>	<u>\$ 153,570</u>	<u>\$ 743,993</u>	<u>\$ 2,248,376</u>

See accompanying auditors' report and notes to financial statements.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015 the organization funded the following programs:

Captive Breeding Program – Based in Southern California, the Behler Chelonian Center breeds more critically endangered turtles and tortoises than any other institution in the world. We manage 15 of the world's 40 most endangered species, and have 1,039 animals from 33 taxa. During 2015 we hatched 186 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 or reintroduction or other conservation needs.

Yniphora Program – *Protecting the endangered Ploughshare Tortoise (Astrochelys Yniphora)*. In Madagascar the TC collaborates with the Durrell Wildlife Conservative Trust in protecting the Ploughshare Tortoise from extinction. The Turtle Conservancy engages in education of communities and animal marking to eliminate the illegal poaching of Ploughshare Tortoises. In addition, TC is a leading member of the International Ansonoka Working Group which sets the direction for Ploughshare conservation worldwide.

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 2015:

- (1) publication of The Tortoise, Volume 1, Number 4 - a cutting edge conservation magazine bringing additional awareness to an ever increasing global audience
- (2) global media campaign through public service announcements and documentaries (including Philippine Forest Turtle Crisis, June 2015)
- (3) social media - this program reached people around the worldwide and surpassed 100,000 'likes' on Facebook.

In addition, TC annually hosts the renowned Turtle Ball in New York City where scientists, conservationists, celebrities, and artists gather to support the TC's work and a conservation ethic that is becoming increasingly important as more species of animals go to support TC activities.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION: (Continued)

Bolson Tortoise Program - The Mapimi Biosphere Reserve was created to protect this species, but much of the land there is used in other ways and the tortoise's habitat is threatened by agricultural development and cattle grazing.

At the heart of the Mapimi Reserve is the *Rancho San Ignacio* – 43,589 acres of prime Bolson tortoise habitat. As of September 2016 the land was purchased and is managed by a non-profit organization located and formed in Mexico.

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 skill, 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, 2015

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, 2015 non-cash in-kind donations consisted of donated rent of \$132,000 and donated artwork at fundraising events of \$495,850.

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. All 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.

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, 2015.

Cash

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.

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, 2015

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 from three to fifteen years for equipment and improvements.

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, 2015. As of December 31, 2015 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, 2015 was \$19,165.

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 cash equivalents 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, 2015 TC had \$470,598 of uninsured cash.

For the year ended December 31, 2015, one donor accounted for 36% or more of total revenues, support and other income.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 - RECEIVABLES

Receivables at December 31, 2015 was \$280,942 and consisted principally of donations and purchases made during the annual fundraiser.

NOTE 5 - INVENTORY

At December 31, 2015 inventory consist of costs of printing issues of the Tortoise magazine totaling \$37,529.

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at December 31, 2015

Buildings and improvements	\$ 1,025,689
Equipment	117,480
Furniture and fixtures	<u>60,284</u>
	1,203,453
Less accumulated depreciation	<u>(353,384)</u>
	<u>\$ 850,069</u>

Depreciation expense for the year ended December 31, 2015 was \$65,197.

NOTE 7 - INTANGIBLE ASSETS

At December 31, 2015 intangible assets consist of capitalized costs related to obtaining a conditional use permit from the County of Ventura. At December 31, 2015 the costs and accumulated amortization were \$99,822 and \$4,862, respectively. Amortization expense for the year ended December 31, 2015 was \$4,161.

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. The lease also provides an additional ten-year extension at the option of the TC. The TC is responsible for utilities and insurance costs. For the year ended December 31, 2015 utilities and property insurance expenses were \$89,166

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2015:

Bolson Program	\$ 40,092
Burmese Star	824
Geometric	496,850
In Situ	45,839
Pacific Pond	2,773
Yniphora Program	95,474
	<u>\$ 681,853</u>

NOTE - 10 SUBSEQUENT EVENTS

In preparing these financial statements management has evaluated events and transactions for potential recognition of disclosure through November 30, 2016, the date the financial statements were available to be issued.