

SOCIETY FOR CONSERVATION BIOLOGY

**FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT AUDITORS**

Years Ended December 31, 2008 and 2007

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Society for Conservation Biology

We have audited the accompanying statement of financial position of Society for Conservation Biology (the Society) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the year ended December 31, 2008. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information included in the accompanying statement of activities has been derived from the Society's December 31, 2007, financial statements and, in our report dated September 17, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Society for Conservation Biology as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the United States.



June 29, 2009
Bethesda, Maryland

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SOCIETY FOR CONSERVATION BIOLOGY
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 302,791	\$ 1,019,991
Accounts receivable	453,011	421,763
Contributions and grants receivable	81,000	95,253
Prepaid expenses	50,528	81,800
Investments	923,751	1,322,504
Property and equipment, net	<u>1,356,933</u>	<u>7,542</u>
 Total assets	 <u>\$ 3,168,014</u>	 <u>\$ 2,948,853</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 280,819	\$ 208,473
Deferred revenue	340,228	353,601
Line of credit	100,000	-
Mortgage payable	<u>822,271</u>	<u>-</u>
 Total liabilities	 <u>1,543,318</u>	 <u>562,074</u>
Net assets		
Unrestricted		
Undesignated	556,429	844,242
Designated by the Board of Directors	<u>988,267</u>	<u>1,375,762</u>
Total unrestricted	1,544,696	2,220,004
Temporarily restricted	<u>80,000</u>	<u>166,775</u>
 Total net assets	 <u>1,624,696</u>	 <u>2,386,779</u>
 Total liabilities and net assets	 <u>\$ 3,168,014</u>	 <u>\$ 2,948,853</u>

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

SOCIETY FOR CONSERVATION BIOLOGY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2008
(With Comparative Totals for 2007)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
Revenue and support				
Contributions and grants	\$ 857,285	\$ 107,000	\$ 964,285	\$ 571,872
In-kind contributions	117,849	-	117,849	107,000
Publications and dues	1,156,219	-	1,156,219	1,608,611
Meetings	523,705	-	523,705	484,976
Investment (loss) income	(344,869)	-	(344,869)	157,878
Other income	22,375	-	22,375	18,222
Net assets released from restrictions	<u>193,775</u>	<u>(193,775)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>2,526,339</u>	 <u>(86,775)</u>	 <u>2,439,564</u>	 <u>2,948,559</u>
Expenses				
Program services				
Publications	990,096	-	990,096	955,043
Meetings	536,183	-	536,183	569,917
Smith Fellows	542,058	-	542,058	203,302
SCB groups	187,326	-	187,326	149,241
Other	<u>178,294</u>	<u>-</u>	<u>178,294</u>	<u>152,565</u>
 Total program expenses	 <u>2,433,957</u>	 <u>-</u>	 <u>2,433,957</u>	 <u>2,030,068</u>
Support services				
General and administrative	677,981	-	677,981	395,592
Fundraising	<u>89,709</u>	<u>-</u>	<u>89,709</u>	<u>68,098</u>
 Total support services	 <u>767,690</u>	 <u>-</u>	 <u>767,690</u>	 <u>463,690</u>
 Total expenses	 <u>3,201,647</u>	 <u>-</u>	 <u>3,201,647</u>	 <u>2,493,758</u>
 Change in net assets	 (675,308)	 (86,775)	 (762,083)	 454,801
Net assets, beginning of year	<u>2,220,004</u>	<u>166,775</u>	<u>2,386,779</u>	<u>1,931,978</u>
Net assets, end of year	<u>\$ 1,544,696</u>	<u>\$ 80,000</u>	<u>\$ 1,624,696</u>	<u>\$ 2,386,779</u>

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

SOCIETY FOR CONSERVATION BIOLOGY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2008

Cash flows from operating activities	
Change in net assets	\$ (762,083)
Reconciling adjustments:	
Depreciation and amortization	26,962
Net realized and unrealized loss on investments	395,969
(Increase) decrease in:	
Accounts receivable	(31,248)
Contributions and grants receivable	14,253
Prepaid expenses	31,272
Increase (decrease) in:	
Accounts payable and accrued liabilities	72,346
Deferred revenue	<u>(13,373)</u>
Net cash used by operating activities	<u>(265,902)</u>
 Cash flows from investing activities	
Purchases of investments	(108,342)
Redemptions of investments	111,126
Purchases of property and equipment	<u>(1,376,353)</u>
Net cash used by investing activities	<u>(1,373,569)</u>
 Cash flows from financing activities	
Net proceeds from line of credit	100,000
Net proceeds from mortgage payable	<u>822,271</u>
Net cash provided by financing activities	<u>922,271</u>
 Net change in cash and cash equivalents	(717,200)
 Cash and cash equivalents, beginning of year	<u>1,019,991</u>
 Cash and cash equivalents, end of year	<u><u>\$ 302,791</u></u>
 Supplemental disclosures	
Interest paid	<u><u>\$ 49,413</u></u>

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

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

1. Organization

Society for Conservation Biology (the Society) was founded in 1985. The Society is an international professional organization dedicated to promoting scientific study of the phenomena that affect the maintenance, loss, and restoration of the biological diversity. The Society's membership comprises a wide range of people interested in the conservation and study of biological diversity: resource managers, educators, government and private conservation workers and students.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Society is a nonprofit organization, recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code, except as to income from unrelated business activities.

Cash and Cash Equivalents

The Society maintains cash accounts with federally insured banks. At times, balances exceed insured limits. The Society, however, has not experienced losses related to these deposits and does not consider this a significant concentration of credit risk. Cash equivalents consist of money market accounts and certificates of deposit that are available for use in current operations. Certificates of deposit, with a maturity date greater than three months when purchased, are considered to be investments.

Investments

Investments are recorded at estimated fair value based on market prices provided by the investment managers. Purchases and sales of securities are recorded on a trade-date basis. Realized and unrealized holding gains and losses are included with investment income in the statement of activities.

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded as support when received or when unconditionally promised. Contributions that are restricted by the donor as to time or purpose are reported as an increase in temporarily restricted net assets. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions.

Promises to Give

Unconditional promises to give (i.e., contributions and grants receivable) are recorded at net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using an estimate based upon available data for various risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

In-kind Contributions

In accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, unconditional contributions of the use of facilities are recognized in the period the contribution is received. The Society received the use of office space and other contributions without cost during 2008 and 2007 with an estimated fair value of \$117,849 and \$107,000, respectively.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method, over estimated useful lives of three years for computers, printers and electronic equipment; five years for furniture and file cabinets; and forty years for building and improvements. Expenditures for repairs and betterments over \$2,500 are capitalized.

Membership Subscriptions and Dues

Membership dues, registration fees, and sponsorship fees are recognized in the period to which the dues and fees relate. Income received in advance for these dues and fees is deferred and recognized during the applicable period.

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Expenses

Expenses are recognized by the Society during the period in which they are incurred. Expenses paid in advance are deferred to the applicable period.

Allocation of Expenses

The costs of the Society's various programs and activities have been summarized by function in the statement of activities. Accordingly, certain costs have been allocated among the programs and activities benefited.

Net Assets

Unrestricted – Net assets not subject to donor-imposed stipulations. Unrestricted net assets also contain certain board designated funds that are set aside to allow for a reserve and to fund any new Board of Directors initiatives that are deemed appropriate.

Temporarily restricted – Net assets subject to donor-imposed time or purpose stipulations. As time or purpose stipulations are satisfied, net assets are reclassified and shown as net assets released from restrictions in the statement of activities.

Permanently restricted – Net assets subject to donor-imposed stipulations that the assets be maintained by the Society in perpetuity, generally as endowments.

Fair Value of Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. The changes to current practice resulting from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. SFAS 157 was effective for the Society's 2008 financial statements for financial assets and liabilities. The effect on the 2008 financial statements from implementing SFAS 157 for financial assets and liabilities is discussed in Note 4.

The provisions of SFAS 157 have been deferred until 2009 for nonfinancial assets and liabilities. The Society does not expect the impact of adopting this new accounting principle on its financial statements as it relates to nonfinancial assets and liabilities to be material.

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Accounting for Uncertain Tax Positions

In June 2006, the FASB issued Interpretation No. 48 (“FIN 48”), *Accounting for Uncertainty in Income Taxes*. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will be sustained upon examination. On December 30, 2008 the FASB issued FASB Staff Position FIN 48-3 which deferred the effective implementation date of FIN 48 to The Society’s annual financial statements for the year ending December 31, 2009.

The determination of uncertain tax positions for financial statements prior to the implementation of FIN 48 uses the tax judgments reported on the Society’s tax returns which are based on the requirements for tax filings under taxing authorities for the applicable year. These filings may be subject to amendment or change during an examination by the various taxing authorities, which has not been considered in the determination of the Society’s tax assets or liabilities included in the financial statements. The Society does not expect the impact of adopting FIN 48 on its financial statements to be material.

Comparative Information

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Society’s financial statements for the year ended December 31, 2007, from which the information summarized was derived.

Reclassifications

Certain amounts in the 2007 financial statements have been reclassified for consistency with the 2008 financial statement presentation.

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

3. Contributions and Grants Receivable

Contributions and grants receivable as of December 31, 2008 and 2007 are noted below. The receivables at December 31, 2007 are shown below at the present value of estimated future cash flows using a discount rate of 6%.

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 81,000	\$ 66,600
Receivable in two to five years	<u>-</u>	<u>30,000</u>
	81,000	96,600
Less: discount to net present value	<u>-</u>	<u>(1,347)</u>
Contributions and grants receivable, net	\$ <u>81,000</u>	\$ <u>95,253</u>

In addition, there are conditional grants totaling approximately \$2,434,000 and \$25,000 in 2008 and 2007, respectively. No revenue has been recognized on these amounts as of December 31, 2008 and 2007. Revenue is recognized as donor stipulated conditions are met.

4. Investments

Investments consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Cash and money markets	\$ 43,054	\$ 8,096
Certificates of deposit	-	49,281
Fixed income	189,481	265,178
Equities	375,734	704,972
Equity mutual funds and trusts	268,344	235,510
Accelerated return notes	45,000	56,800
Accrued interest	<u>2,138</u>	<u>2,667</u>
Total investments	\$ <u>923,751</u>	\$ <u>1,322,504</u>

Fair values of the investments in cash and money market funds, equities and mutual funds are based upon quoted prices in active markets provided by the custodian as of December 31, 2008 and 2007, and are considered Level 1 observable inputs as defined by SFAS 157. Fair values of the certificates of deposit, fixed income securities and accelerated return notes are considered Level 2 inputs as defined by SFAS 157, as the

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

4. Investments (continued)

values for the assets are other than quoted prices from active markets within Level 1 but are observable for the assets, either directly or indirectly. Investment return for the years ended December 31, 2008 and 2007, is comprised of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 51,100	\$ 77,933
Net realized and unrealized (losses) gains	<u>(395,969)</u>	<u>79,945</u>
Net investment (loss) income	\$ <u>(344,869)</u>	\$ <u>157,878</u>

5. Property and Equipment

A summary of property and equipment is at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Furniture and fixtures	\$ 51,676	\$ 3,618
Office equipment	31,856	26,184
Building and improvements	890,263	-
Land	<u>432,360</u>	<u>-</u>
	1,406,155	29,802
Less: accumulated depreciation and Amortization	<u>(49,222)</u>	<u>(22,260)</u>
Property and equipment, net	\$ <u>1,356,933</u>	\$ <u>7,542</u>

Depreciation expense was \$26,962 for the year ended December 31, 2008. The land and building were acquired during February, 2008 using mortgage financing discussed in Note 6.

6. Financing

During 2008 the Society obtained a line of credit with a bank. The maximum borrowing amount is \$100,000 through the maturity date on December 5, 2009 and is payable on demand. Advances on the line bear interest at the Bank's prime rate plus 2% (5.25% at December 31, 2008), and are secured primarily by a deed of trust on real estate and improvements of the Society's headquarters. Amounts outstanding on the line of credit totaled \$100,000 at December 31, 2008.

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

6. Financing (continued)

During 2008 the Society obtained a mortgage note payable with a bank in connection with the purchase of real estate that is secured by a deed of trust on real estate and improvements of the Society's headquarters. The note agreement calls for monthly payments of \$5,062, following a ten year amortization of the principal balance, including 5.5% interest per annum.

As of December 31, 2008, the Society was not in compliance with a particular covenant of both the line of credit and the mortgage note payable, known as the debt service coverage ratio. This ratio requires changes in unrestricted net assets plus depreciation and amortization plus principal and interest payments plus unrealized losses on investments to be equal to or greater than the sum of the required principal and interest payments on all current and long term indebtedness. As is evident from the change in net assets shown on the statement of activities, the Society did not satisfy this covenant in 2008. Accordingly, the bank has the right to call either or both of the loans unless it otherwise waives the provisions of the agreement. Both loans were awarded during 2008, and management believes that the bank was aware of the Society's financial condition at that time and the expected decrease in net assets for the year. Accordingly, management expects that the bank will waive the Society's event of default as of December 31, 2008.

Future maturities of the note payable, at December 31, 2008, are as follows:

Year ending December 31, 2009	\$	15,281
2010		16,155
2011		17,079
2012		17,934
2013		19,083
2014 and thereafter		<u>736,739</u>
Total	\$	<u><u>822,271</u></u>

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

7. Net Assets

At December 31, 2008 and 2007, temporarily restricted net assets are comprised of the following:

	<u>2008</u>	<u>2007</u>
Programs and services		
Meetings	\$ 50,000	\$ 30,000
Policy position	-	23,135
Business plan	-	50,000
Other time restrictions and special programs	<u>30,000</u>	<u>63,640</u>
	<u>\$ 80,000</u>	<u>\$ 166,775</u>

The Society has no permanently restricted net assets at December 31, 2008 and 2007. The Board of Directors has designated a portion of the unrestricted net assets as a reserve for the Society. The designated net assets are adjusted annually by the amount of revenue earned on investments and by amounts received from life members.

8. Retirement Plan

The Society has established a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. Employees are eligible to participate if they have completed three months of employment. The plan requires that the participants work at least 1,000 hours during the plan year, in addition to being employed the last day of the plan year. The plan provides for employee contributions and an employer match which will not exceed 4% of an employee's compensation, plus 100% of the portion of the employee's elective deferrals which exceeds 8% of compensation. Retirement plan expense was \$30,445 and \$17,492 for 2008 and 2007, respectively.