

SOCIETY FOR CONSERVATION BIOLOGY

**FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT AUDITORS**

Years Ended December 31, 2009 and 2008

TABLE OF CONTENTS

DESCRIPTION	PAGE
Report of Independent Auditors	1
Statements of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 – 12

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Society for Conservation Biology

We have audited the accompanying statements of financial position of Society for Conservation Biology (the Society) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the year ended December 31, 2009. 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, 2008, financial statements and, in our report dated June 29, 2009, 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 the Society for Conservation Biology as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the year ended December 31, 2009, in conformity with accounting principles generally accepted in the United States.



October 12, 2010
Bethesda, Maryland

RUBINO & MCGEEHIN,
CHARTERED

6903 ROCKLEDGE DRIVE
SUITE 1200
BETHESDA, MARYLAND
20817-1818
PHONE: 301 564 3636
FAX: 301 564 2994

www.rubino.com

SOCIETY FOR CONSERVATION BIOLOGY
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 244,527	\$ 302,791
Accounts receivable	389,550	453,011
Contributions and grants receivable	-	81,000
Prepaid expenses	78,215	50,528
Investments	1,010,608	923,751
Property and equipment, net	<u>1,321,636</u>	<u>1,356,933</u>
 Total assets	 <u>\$ 3,044,536</u>	 <u>\$ 3,168,014</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 255,551	\$ 280,819
Deferred revenue	350,239	340,228
Line of credit	-	100,000
Mortgage payable	<u>807,515</u>	<u>822,271</u>
 Total liabilities	 <u>1,413,305</u>	 <u>1,543,318</u>
Net assets		
Unrestricted		
Undesignated	530,749	556,429
Designated by the Board of Directors	<u>1,087,982</u>	<u>988,267</u>
Total unrestricted	1,618,731	1,544,696
Temporarily restricted	<u>12,500</u>	<u>80,000</u>
 Total net assets	 <u>1,631,231</u>	 <u>1,624,696</u>
 Total liabilities and net assets	 <u>\$ 3,044,536</u>	 <u>\$ 3,168,014</u>

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

SOCIETY FOR CONSERVATION BIOLOGY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2009
(With Comparative Totals for 2008)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Revenue and support				
Contributions and grants	\$ 1,416,998	\$ 12,500	\$ 1,429,498	\$ 964,285
In-kind contributions	36,449	-	36,449	117,849
Publications and dues	1,012,510	-	1,012,510	1,156,219
Meetings	592,889	-	592,889	523,705
Investment income (loss)	199,541	-	199,541	(344,869)
Other income	31,994	-	31,994	22,375
Net assets released from restrictions	<u>80,000</u>	<u>(80,000)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>3,370,381</u>	<u>(67,500)</u>	<u>3,302,881</u>	<u>2,439,564</u>
Expenses				
Program services				
Publications	1,012,000	-	1,012,000	990,096
Meetings	356,523	-	356,523	536,183
Smith Fellows	958,297	-	958,297	542,058
SCB groups	321,144	-	321,144	187,326
Other	<u>186,827</u>	<u>-</u>	<u>186,827</u>	<u>178,294</u>
Total program expenses	<u>2,834,791</u>	<u>-</u>	<u>2,834,791</u>	<u>2,433,957</u>
Support services				
General and administrative	394,022	-	394,022	677,981
Fundraising	<u>67,533</u>	<u>-</u>	<u>67,533</u>	<u>89,709</u>
Total support services	<u>461,555</u>	<u>-</u>	<u>461,555</u>	<u>767,690</u>
Total expenses	<u>3,296,346</u>	<u>-</u>	<u>3,296,346</u>	<u>3,201,647</u>
Change in net assets	74,035	(67,500)	6,535	(762,083)
Net assets, beginning of year	<u>1,544,696</u>	<u>80,000</u>	<u>1,624,696</u>	<u>2,386,779</u>
Net assets, end of year	<u>\$ 1,618,731</u>	<u>\$ 12,500</u>	<u>\$ 1,631,231</u>	<u>\$ 1,624,696</u>

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

SOCIETY FOR CONSERVATION BIOLOGY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2009

Cash flows from operating activities	
Change in net assets	\$ 6,535
Reconciling adjustments:	
Depreciation and amortization	35,297
Net realized and unrealized gain on investments	(185,111)
(Increase) decrease in:	
Accounts receivable	63,461
Contributions and grants receivable	81,000
Prepaid expenses	(27,687)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(25,268)
Deferred revenue	<u>10,011</u>
Net cash used by operating activities	<u>(41,762)</u>
Cash flows from investing activities	
Purchases of investments	(423,099)
Redemptions of investments	<u>521,353</u>
Net cash provided by investing activities	<u>98,254</u>
Cash flows from financing activities	
Repayment of line of credit	(100,000)
Payment of mortgage note payable	<u>(14,756)</u>
Net cash used by financing activities	<u>(114,756)</u>
Net change in cash and cash equivalents	(58,264)
Cash and cash equivalents, beginning of year	<u>302,791</u>
Cash and cash equivalents, end of year	<u><u>\$ 244,527</u></u>
Supplemental disclosures	
Interest paid	<u><u>\$ 61,877</u></u>

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

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

1. Organization

Society for Conservation Biology (the Society) was founded in 1985. The Society is an international professional organization dedicated to promoting the scientific study of the phenomena that affect the maintenance, loss, and restoration of 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. The Society is recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code, except as to income from unrelated business activities.

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.

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 reported as 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.

Allowance for Doubtful Accounts

The Society periodically reviews accounts receivable for collectibility specifically identifying receivables which are to be written off. Accordingly, there was no allowance for doubtful accounts at December 31, 2009 and 2008.

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded at fair value 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 the accounting standard on 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 2009 and 2008 with an estimated fair value of \$36,449 and \$117,849, 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, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

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 Governors 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.

Fair Value of Measurements

Recently issued financial accounting and reporting standards established a framework for measuring fair value and expanded disclosures about fair value measurements. The changes to current practice resulting from the new standards relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. The new standards were fully effective for the Society's 2009 financial statements for all assets and liabilities. Other than the expanded disclosures in Note 9, there was no material effect on the 2009 financial statements from adopting the new standards for financial assets and liabilities.

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, 2008, from which the information summarized was derived.

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through October 12, 2010, the date the financial statements were available for issue as defined in the FASB Statement No. 165 (codified in FASB ASC 855). The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events that did not exist at the balance sheet date, but disclosures of such events, if any, are included in the accompanying notes.

3. Contributions and Grants Receivable

There were no contributions or grants receivable as of December 31, 2009. All contributions and grants receivable as of December 31, 2009 and 2008 were due within one year.

In addition, there are conditional grants totaling approximately \$1,132,000 and \$2,434,000 in 2009 and 2008, respectively. No revenue has been recognized on these amounts as of December 31, 2009 and 2008. Revenue is recognized as donor stipulated conditions are met.

For the years ended December 31, 2009 and 2008, one donor provided year-to-date revenue totaling approximately \$1,016,658 and \$645,788, respectively, each amount exceeding twenty percent of the Society's total revenue and support.

4. Investments

Investments consist of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Cash and money markets	\$ 161,556	\$ 43,054
Fixed income	68,065	189,481
Equities	455,473	375,734
Mutual funds – equities	41,750	123,158
Mutual funds – fixed income	209,088	119,230
ETF-Gold	24,145	25,956
Accelerated return notes	49,150	45,000
Accrued interest	<u>1,381</u>	<u>2,138</u>
 Total investments	 \$ <u>1,010,608</u>	 \$ <u>923,751</u>

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

4. Investments (continued)

Investment return for the years ended December 31, 2009 and 2008, is comprised of the following:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 32,192	\$ 51,100
Net realized and unrealized gains (losses)	<u>167,349</u>	<u>(395,969)</u>
Net investment income (loss)	\$ <u>199,541</u>	\$ <u>(344,869)</u>

5. Property and Equipment

A summary of property and equipment is at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 51,676	\$ 51,676
Office equipment	31,856	31,856
Building and improvements	890,263	890,263
Land	<u>432,360</u>	<u>432,360</u>
	1,406,155	1,406,155
Less: accumulated depreciation and amortization	<u>(84,519)</u>	<u>(49,222)</u>
Property and equipment, net	\$ <u>1,321,636</u>	\$ <u>1,356,933</u>

Depreciation expense was \$35,297 and \$26,962, as of December 31, 2009 and 2008, respectively. 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 July 15, 2010 and is payable on demand. Advances on the line bear interest at the Bank's prime rate plus 2%, 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. There was no outstanding balance at December 31, 2009.

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

6. Financing (continued)

During 2008 the Society obtained a mortgage note payable to 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, in the original amount of \$833,744, calls for monthly payments of \$5,062 based on a 25 year amortization of the principal balance and 5.5% interest per annum. A final balloon payment of the unpaid principal is due February 5, 2018.

The above financing is subject to certain financial covenants. As of December 31, 2009, the Society was not in compliance with the required debt service coverage ratio. The bank has provided the Society with a waiver of the right to call mortgage note payable as of December 31, 2009, and the Society agreed to pay approximately \$160,000 of the outstanding note balance. Future maturities of the note payable at December 31, 2009 are as follows:

Year ending December 31, 2010	\$	176,125
2011		17,048
2012		17,900
2013		19,047
2014		20,137
2015 and thereafter		<u>557,258</u>
Total	\$	<u>807,515</u>

7. Net Assets

At December 31, 2009 and 2008, temporarily restricted net assets are comprised of the following:

	<u>2009</u>	<u>2008</u>
Programs and services		
Meetings	\$ 12,500	\$ 50,000
Other time restrictions and special programs	<u>-</u>	<u>30,000</u>
	\$ <u>12,500</u>	\$ <u>80,000</u>

The Society has no permanently restricted net assets at December 31, 2009 and 2008. 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.

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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. The match will not exceed 4% of an employee's compensation. In addition, 100% of the portion of the employee's elective deferrals which exceeds 8% of compensation will be matched. Retirement plan expense was \$30,803 and \$30,445 for 2009 and 2008, respectively.

9. Fair Value Measurements

The Society records certain assets based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, the standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within Level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value levels are as follows:

- Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

SOCIETY FOR CONSERVATION BIOLOGY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

10. Fair Value Measurement (continued)

- Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Society's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of December 31, 2009:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and money markets	\$ 161,556	\$ 161,556	\$ -
Fixed income	68,065	-	68,065
Equities	455,473	455,473	-
Mutual funds – equities	41,750	41,750	-
Mutual funds – fixed income	209,088	209,088	-
ETF-Gold	24,145	24,145	-
Accelerated return notes	49,150	-	49,150
Accrued interest	<u>1,381</u>	<u>1,381</u>	<u>-</u>
Total investments	<u>\$ 1,010,608</u>	<u>\$ 893,393</u>	<u>\$ 117,215</u>

The following summarizes investments as of December 31, 2008:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and money markets	\$ 43,054	\$ 43,054	\$ -
Fixed income	189,481	-	189,481
Equities	375,734	375,734	-
Mutual funds – equities	123,158	123,158	-
Mutual funds – fixed income	119,230	119,230	-
ETF-Gold	25,956	25,956	-
Accelerated return notes	45,000	-	45,000
Accrued interest	<u>2,138</u>	<u>2,138</u>	<u>-</u>
Total investments	<u>\$ 923,751</u>	<u>\$ 689,270</u>	<u>\$ 234,481</u>