

**THE INTERNATIONAL
RHINO FOUNDATION**

FINANCIAL STATEMENTS

**Years Ended December 31, 2018 and 2017
with Report of Independent Auditors**

**THE INTERNATIONAL
RHINO FOUNDATION**

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

Table of Contents

Report of Independent Auditors	1
Financial Statements:	
Statements of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4
Statements of Cash Flows.....	5
Statement of Functional Expenses	6
Notes to Financial Statements	7

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
The International Rhino Foundation

We have audited the accompanying financial statements of The International Rhino Foundation which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets and statement of functional expenses for the year ended December 31, 2018, and the statements of cash flows for the years ended December 31, 2018 and 2017, 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 ("GAAP"); 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 audits. We conducted our audits 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 International Rhino Foundation as of December 31, 2018 and 2017, and the changes in its net assets for the year ended December 31, 2018, and its cash flows for the years ended December 31, 2018 and 2017, in conformity with GAAP.

Report on Summarized Comparative Information

We have previously audited The International Rhino Foundation's 2017 financial statements, and our report dated April 30, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Whitley Penn LLP

Fort Worth, Texas
May 16, 2019

THE INTERNATIONAL RHINO FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 676,000	\$ 629,543
Investments	3,366,769	2,569,246
Contributions receivable, net	785,954	1,313,039
Miscellaneous receivables	922	5,036
Other assets	13,843	9,733
Total current assets	4,843,488	4,526,597
Property and equipment, net of accumulated depreciation of \$5,586 and \$3,604, respectively	8,448	7,267
Total assets	\$ 4,851,936	\$ 4,533,864
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 360,945	\$ 1,187,823
Commitments and contingencies		
Net assets:		
Without donor restrictions	2,336,282	2,010,462
With donor restrictions	2,154,709	1,335,579
Total net assets	4,490,991	3,346,041
Total liabilities and net assets	\$ 4,851,936	\$ 4,533,864

See accompanying notes to financial statements.

THE INTERNATIONAL RHINO FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2018 (With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Revenues and other support:				
Contributions	\$ 866,410	\$ 3,025,196	\$ 3,891,606	\$ 3,399,017
Interest income	46,523	-	46,523	12,685
Merchandise sales, net	13,685	-	13,685	15,183
Net assets released from restrictions	2,206,066	(2,206,066)	-	-
Total revenues and other support	<u>3,132,684</u>	<u>819,130</u>	<u>3,951,814</u>	<u>3,426,885</u>
Expenses:				
Program expenses:				
Africa region				
Operation Stop Poaching NOW	308,859	-	308,859	273,414
Zimbabwe/Lowveld Rhino region	635,834	-	635,834	513,216
Asia region	1,294,309	-	1,294,309	1,789,221
Other programs	34,132	-	34,132	47,446
Total program expenses	<u>2,273,134</u>	<u>-</u>	<u>2,273,134</u>	<u>2,623,297</u>
Support expenses:				
General and administrative	299,231	-	299,231	119,565
Fundraising	234,499	-	234,499	72,534
Total support expenses	<u>533,730</u>	<u>-</u>	<u>533,730</u>	<u>192,099</u>
Total expenses	<u>2,806,864</u>	<u>-</u>	<u>2,806,864</u>	<u>2,815,396</u>
Change in net assets	325,820	819,130	1,144,950	611,489
Net assets at beginning of year	<u>2,010,462</u>	<u>1,335,579</u>	<u>3,346,041</u>	<u>2,734,552</u>
Net assets at end of year	<u>\$ 2,336,282</u>	<u>\$ 2,154,709</u>	<u>\$ 4,490,991</u>	<u>\$ 3,346,041</u>

See accompanying notes to financial statements.

THE INTERNATIONAL RHINO FOUNDATION

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 1,144,950	\$ 611,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,981	2,219
Discount on contributions receivable	1,315	-
Loss on disposal of property and equipment	-	659
Changes in operating assets and liabilities:		
Contributions receivable	525,770	305,672
Miscellaneous receivables	4,114	3,256
Other assets	(4,110)	6,203
Accounts payable and accrued liabilities	(826,878)	(625,635)
Net cash provided by operating activities	847,142	303,863
Cash flows from investing activities:		
Purchases of investments, net	(797,523)	(2,012,633)
Purchases of property and equipment	(3,162)	(2,934)
Net cash used in investing activities	(800,685)	(2,015,567)
Net increase (decrease) in cash and cash equivalents	46,457	(1,711,704)
Cash and cash equivalents at beginning of year	629,543	2,341,247
Cash and cash equivalents at end of year	\$ 676,000	\$ 629,543

See accompanying notes to financial statements.

THE INTERNATIONAL RHINO FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

	Program Services					Support Services			Total Expenses
	Africa Region		Asia Region	Other Programs	Total Program	Management & General	Fund-Raising	Total Support	
	Operation Stop Poaching NOW	Zimbabwe / Lowveld Rhino Region							
Accounting services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,001	\$ -	\$ 29,001	\$ 29,001
Contract services	-	93,014	65,354	-	158,368	-	-	-	158,368
Fundraising expenditures	14	-	2,647	-	2,661	1,005	19,382	20,387	23,048
Grants and other related expenditures	280,098	493,888	982,423	30,600	1,787,009	-	-	-	1,787,009
Insurance	-	-	-	-	-	5,906	-	5,906	5,906
Depreciation	-	-	-	-	-	1,463	519	1,982	1,982
Miscellaneous	14	-	4,193	32	4,239	6,673	12,319	18,992	23,231
Office expenditures	931	1,974	6,184	-	9,089	21,003	10,832	31,835	40,924
Other professional services	-	-	-	-	-	27,245	25,228	52,473	52,473
Salaries and benefits	25,585	42,704	170,557	3,500	242,346	168,318	147,032	315,350	557,696
Travel	2,217	4,254	62,951	-	69,422	38,617	19,187	57,804	127,226
Total expenses	\$ 308,859	\$ 635,834	\$ 1,294,309	\$ 34,132	\$ 2,273,134	\$ 299,231	\$ 234,499	\$ 533,730	\$ 2,806,864

See accompanying notes to financial statements.

THE INTERNATIONAL RHINO FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

A. Nature of Activities

The International Rhino Foundation (the “Foundation”) is a not-for-profit organization incorporated under the laws of Texas in 1991. The primary mission of the Foundation is dedicated to the survival of the world’s rhino species through conservation and research. The Foundation’s corporate office is located in Fort Worth, Texas.

B. Summary of Significant Accounting Policies

A summary of the Foundation’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with GAAP, which requires the Foundation to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Foundation does not have any net assets with donor restrictions that must be maintained in perpetuity.

Contributions

The Foundation accounts for contributions in accordance with GAAP, in which contributions received are recorded depending on the existence and/or nature of any donor restrictions. Restricted contributions are required to be reported as with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction expires or purpose restriction is accomplished), net assets with donor restrictions are then reclassified to net assets without donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

THE INTERNATIONAL RHINO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Cash and Cash Equivalents

The Foundation considers all highly liquid unrestricted investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2018 and 2017, the Foundation had no such investments. The Foundation maintains deposits in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Foundation has not experienced any losses related to amounts in excess of FDIC limits.

Investments

Investments with readily determinable fair values are stated at fair value with realized and unrealized gains and losses included in the statement of activities and changes in net assets.

The Foundation measures its investments at fair value. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is established as a basis for considering such assumptions for inputs used in the valuation methodologies in measuring fair value as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

THE INTERNATIONAL RHINO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Investments – continued

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs.

At December 31, 2018 and 2017, the Foundation’s investments consisted of actively traded money market funds that have daily quoted net asset values for identical assets that the Foundation can access. These securities are classified within Level 1 of the fair value hierarchy.

	December 31,	
	2018	2017
	Level 1	Level 1
Money market funds	\$ 3,366,769	\$ 2,569,246

The Foundation maintains its investments in the money market funds in primarily one financial institution that is a covered member of the Securities Investor Protection Corporation (“SIPC”), which may at times exceed amounts covered by insurance provided by the SIPC. The Foundation has not experienced any losses related to amounts in excess of SIPC limits.

Contributions Receivable

Contributions receivable represent unconditional promises to give, which are recorded when pledges are made by the respective donors. Promises to give in excess of one year are recorded at their net present value. The contributions receivable at December 31, 2018, are measured at the present value of the estimated future cash flows using a discount rate of 2.7%, resulting in an unamortized discount of approximately \$1,300. There was no unamortized discount at December 31, 2017. Management evaluates the adequacy of an allowance for doubtful accounts based on a review of individual accounts. The primary factors considered in determining the amount of the allowance are collection history, the aging of the accounts, and other specific information known to management that may affect collectability. No allowance for doubtful accounts was considered necessary at December 31, 2018 and 2017.

Collections of the contributions receivable is expected through 2027, with approximately \$717,000 expected to be collected within one year, \$60,000 in two-to-five years, and the remaining \$10,000 collected in nine years.

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided on the straight-line method over the assets’ estimated service lives. The Foundation’s property and equipment is comprised of computer and office equipment, which have estimated useful lives of 5-7 years.

THE INTERNATIONAL RHINO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations, specifically for salaries and benefits, are determined by management based on estimates of time and effort. Generally, the Foundation records its expenses based on direct allocation by assigning each expenses to a functional category based on direct usage.

Federal Income Taxes

The Foundation is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, as an organization other than a private foundation. The Foundation follows the guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic No. 740, *Income Taxes*, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Management believes that it has not taken a tax position that, if challenged, would have a material effect on the Foundation’s financial statements.

The Foundation files Form 990 in the United States federal jurisdiction and no tax returns are currently under examination by any tax authorities. The Foundation did not incur any penalties or interest during the years ended December 31, 2018 or 2017.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncement

On August 18, 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adopted the ASU on January 1, 2018, and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. However, there is no adjustment necessary to prior year reported total changes in net assets or net assets as a result of the adoption.

THE INTERNATIONAL RHINO FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

C. Availability and Liquidity

The following represents the Foundation's financial assets at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$ 676,000
Investments	3,366,769
Contributions receivable (due in one year)	715,954
Miscellaneous receivables	922
Total financial assets	<u>4,759,645</u>
Less: Net assets with donor restrictions	<u>2,154,709</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,604,936</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At December 31, 2018, the Foundation has approximately \$4,761,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$676,000 and accounts receivable to be received prior to December 31, 2019, of approximately \$716,000. Other than the net assets with donor restrictions of approximately \$2,155,000, none of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Foundation invests cash in excess of annual operating requirements, if any, into the money market account held by the Foundation, which the Foundation could draw upon the investment balance of approximately \$3,367,000 to meet liquidity needs, if necessary.

D. Net Assets with Donor Restrictions

Net assets with donor restrictions represent contributions for which donors have imposed restrictions. As of December 31, 2018 and 2017, substantially all of the Foundation's net assets with donor restrictions were comprised of amounts restricted for specific program use within the scope of the Foundation's charitable purpose (see Note A). Approximately \$1,395,000 and \$100,000 of the Foundation's cash and cash equivalents and investments were donor restricted at December 31, 2018 and 2017, respectively. Approximately \$759,000 and \$1,236,000 of the total contributions receivable were donor restricted at December 31, 2018 and 2017, respectively.

THE INTERNATIONAL RHINO FOUNDATION
NOTES TO FINANCIAL STATEMENTS (continued)

E. Commitments and Contingencies

Consulting Agreements

The Foundation has executed consulting agreements with various contractors. The contractors are hired by the Foundation to conduct technical services and support for the Foundation's programs. During the years ended December 31, 2018 and 2017, the Foundation incurred expenses of approximately \$166,000 and \$265,000, respectively, related to these contracts. These contracts are cancelable by either party upon no more than sixty-day notice.

Lease

During 2015, the Foundation entered into an agreement to lease office space under a non-cancelable operating lease, which expired in 2018. In October 2017, the Foundation renewed the lease for three additional years, expiring in 2021, with similar terms as the original lease agreement. Total lease expense was \$9,000 for the years ended December 31, 2018 and 2017. Future minimal annual lease obligations, as of December 31, 2018, are approximately as follows:

2019	\$ 9,000
2020	9,000
2021	<u>750</u>
Total future minimum annual lease payments	<u><u>\$ 18,750</u></u>

F. Risk Concentrations

For the year ended December 31, 2018, two contributors accounted for approximately 31% of the Foundation's total contributions. For the year ended December 31, 2017, three contributors accounted for approximately 38% of the Foundation's total contributions.

At December 31, 2018, the Foundation had contributions receivable from two contributors that accounted for approximately 87% of total contributions receivable. At December 31, 2017, the Foundation had contributions receivable from one contributor that accounted for approximately 92% of total contributions receivable.

G. Subsequent Events

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through May 16, 2019, the date the financial statements were available for issuance.