

BAT CONSERVATION INTERNATIONAL, INC.
(A Nonprofit Corporation)
FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2018 AND 2017

BAT CONSERVATION INTERNATIONAL, INC.
(A Nonprofit Corporation)

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FINANCIAL SECTION



Independent Auditors' Report

Board of Directors
Bat Conservation International, Inc.
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Bat Conservation International, Inc. (BCI), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BCI as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019, on our consideration of BCI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCI's internal control over financial reporting and compliance.



Austin, Texas

March 4, 2019

BAT CONSERVATION INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,064,336	\$ 1,485,985
Accounts and grants receivable	600,910	675,093
Prepaid expenses	63,093	101,882
Total current assets	1,728,339	2,262,960
Property and equipment, net	6,771,841	6,834,384
Investments	994,148	938,533
Total assets	\$ 9,494,328	\$ 10,035,877
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 161,237	\$ 284,996
Accrued expenses	267,906	307,213
Deferred revenue	-	28,581
Tenant deposits	4,190	4,190
Total current liabilities	433,333	624,980
Total liabilities	433,333	624,980
Net assets		
Unrestricted	996,875	1,384,403
Temporarily restricted	1,232,014	1,194,388
Permanently restricted	6,832,106	6,832,106
Total net assets	9,060,995	9,410,897
Total liabilities and net assets	\$ 9,494,328	\$ 10,035,877

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

BAT CONSERVATION INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contribution	\$ 1,977,817	\$ 750,235	\$ -	\$ 2,728,052
Government grants and contracts	1,240,888	-	-	1,240,888
Corporate contracts	737,088	-	-	737,088
Education and workshops revenue	8,786	-	-	8,786
Rental income	92,448	-	-	92,448
Royalty income	7,191	-	-	7,191
Catalog sales, net of costs	23,935	-	-	23,935
Investments (loss) income	5,308	55,615	-	60,923
Other revenue	55,418	-	-	55,418
	<u>4,148,879</u>	<u>805,850</u>	<u>-</u>	<u>4,954,729</u>
Assets released from restrictions	768,224	(768,224)	-	-
	<u>4,917,103</u>	<u>37,626</u>	<u>-</u>	<u>4,954,729</u>
Expenses				
Program services:				
Science and conservation program	3,724,848	-	-	3,724,848
Education program	249,770	-	-	249,770
	<u>3,974,618</u>	<u>-</u>	<u>-</u>	<u>3,974,618</u>
Support services:				
Fundraising and development	713,654	-	-	713,654
General and administrative	616,359	-	-	616,359
	<u>1,330,013</u>	<u>-</u>	<u>-</u>	<u>1,330,013</u>
Total expenses	<u>5,304,631</u>	<u>-</u>	<u>-</u>	<u>5,304,631</u>
Change in net assets	(387,528)	37,626	-	(349,902)
Net assets at beginning of year	<u>1,384,403</u>	<u>1,194,388</u>	<u>6,832,106</u>	<u>9,410,897</u>
Net assets at end of year	<u>\$ 996,875</u>	<u>\$ 1,232,014</u>	<u>\$ 6,832,106</u>	<u>\$ 9,060,995</u>

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

BAT CONSERVATION INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contribution	\$ 1,726,219	\$ 1,373,349	\$ -	\$ 3,099,568
Government grants and contracts	1,249,213	-	-	1,249,213
Corporate contracts	188,698	-	-	188,698
Education and workshops revenue	5,332	-	-	5,332
Rental income	92,543	-	-	92,543
Royalty income	9,340	-	-	9,340
Catalog sales, net of costs	12,616	-	-	12,616
Investments (loss) income	77,277	116,910	-	194,187
Other revenue	34,276	-	-	34,276
	<u>3,395,514</u>	<u>1,490,259</u>	<u>-</u>	<u>4,885,773</u>
Assets released from restrictions	1,287,148	(1,292,128)	4,980	-
	<u>4,682,662</u>	<u>198,131</u>	<u>4,980</u>	<u>4,885,773</u>
Expenses				
Program services:				
Science and conservation program	3,388,732	-	-	3,388,732
Education program	373,551	-	-	373,551
	<u>3,762,283</u>	<u>-</u>	<u>-</u>	<u>3,762,283</u>
Support services:				
Fundraising and development	519,488	-	-	519,488
General and administrative	568,931	-	-	568,931
	<u>1,088,419</u>	<u>-</u>	<u>-</u>	<u>1,088,419</u>
Total expenses	<u>4,850,702</u>	<u>-</u>	<u>-</u>	<u>4,850,702</u>
Change in net assets	(168,040)	198,131	4,980	35,071
Net assets at beginning of year	<u>1,552,443</u>	<u>996,257</u>	<u>6,827,126</u>	<u>9,375,826</u>
Net assets at end of year	<u>\$ 1,384,403</u>	<u>\$ 1,194,388</u>	<u>\$ 6,832,106</u>	<u>\$ 9,410,897</u>

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

BAT CONSERVATION INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Science and Conservation	Education	Fundraising and Development	General and Administrative	Total
Salaries, wages and benefits	\$ 2,100,835	\$ 92,043	\$ 466,230	\$ 331,910	\$ 2,991,018
Consulting and professional fees	731,525	95,698	49,949	83,090	960,262
Other operating expenses	265,897	29,871	97,714	106,846	500,328
Travel and related expenses	339,941	1,282	13,166	38,710	393,099
Office and occupancy	123,320	3,113	16,364	20,627	163,424
Grants to others and scholarships	78,219	-	15	-	78,234
Telecommunications and postage	19,483	10,895	19,753	26,662	76,793
Printing and publication	2,687	14,151	36,845	692	54,375
Hospitality and member benefits	70	-	11,833	70	11,973
	<u>3,661,977</u>	<u>247,053</u>	<u>711,869</u>	<u>608,607</u>	<u>5,229,506</u>
Depreciation	<u>62,871</u>	<u>2,717</u>	<u>1,785</u>	<u>7,752</u>	<u>75,125</u>
Total expenses	<u><u>\$ 3,724,848</u></u>	<u><u>\$ 249,770</u></u>	<u><u>\$ 713,654</u></u>	<u><u>\$ 616,359</u></u>	<u><u>\$ 5,304,631</u></u>

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

BAT CONSERVATION INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Science and Conservation	Education	Fundraising and Development	General and Administrative	Total
Salaries, wages and benefits	\$ 1,733,456	\$ 205,824	\$ 337,759	\$ 311,775	\$ 2,588,814
Consulting and professional fees	546,048	46,108	9,483	72,022	673,661
Other operating expenses	359,682	48,686	60,522	131,459	600,349
Travel and related expenses	257,350	10,888	11,395	24,522	304,155
Office and occupancy	82,967	9,679	16,979	19,274	128,899
Grants to others and scholarships	317,098	-	-	-	317,098
Telecommunications and postage	25,801	15,206	31,146	4,548	76,701
Printing and publication	2,288	33,378	30,520	868	67,054
Hospitality and member benefits	568	-	19,912	193	20,673
	<u>3,325,258</u>	<u>369,769</u>	<u>517,716</u>	<u>564,661</u>	<u>4,777,404</u>
Depreciation	<u>63,474</u>	<u>3,782</u>	<u>1,772</u>	<u>4,270</u>	<u>73,298</u>
Total expenses	<u><u>\$ 3,388,732</u></u>	<u><u>\$ 373,551</u></u>	<u><u>\$ 519,488</u></u>	<u><u>\$ 568,931</u></u>	<u><u>\$ 4,850,702</u></u>

The accompanying notes are an integral part of these financial statements

BAT CONSERVATION INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (349,902)	\$ 35,071
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	75,125	73,298
Dividends reinvested	(21,846)	(21,450)
Net realized and unrealized losses (gains) on investments	(39,077)	(172,737)
Changes in operating assets and liabilities:		
Accounts and grants receivable	74,183	(221,950)
Prepaid expenses	38,789	(28,154)
Accounts payable	(123,759)	183,799
Accrued expenses	(39,307)	64,873
Deferred revenue	(28,581)	15,529
Tenant deposits	-	412
Net cash provided (used) by operating activities	(414,375)	(71,309)
Cash flows from investing activities:		
Proceeds from the sale of investments	5,308	392,376
Purchase of property and equipment	(12,582)	(339,950)
Net cash provided (used) by investing activities	(7,274)	52,426
Cash flows from financing activities:		
Net cash provided (used) by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(421,649)	(18,883)
Beginning cash and cash equivalents	1,485,985	1,504,868
Ending cash and cash equivalents	\$ 1,064,336	\$ 1,485,985
Cash paid for interest and taxes:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. ORGANIZATION

Bat Conservation International, Inc. (BCI) is a non-profit organization dedicated to ensuring the survival of the world's 1300+ species of bats. BCI was originally incorporated in 1982 in the state of Wisconsin and reincorporated in the state of Texas in 1991. BCI works around the world to conserve bats by identifying, protecting and managing critical bat habitats, from caves to forests and by addressing broad threats, like white-nose syndrome, that threaten multiple species of bats. BCI also seeks to increase public understanding and appreciation of the essential role bats play in the health of ecosystems and human wellbeing. BCI also supports the work of researchers and scientists around the world through its granting programs. The majority of revenues BCI receives comes from its members and other private supporters. BCI also receives grants and contracts from various local, state and federal agencies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Classification of Net Assets - The financial statements report information regarding BCI's financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of BCI and changes therein are classified as follows:

Unrestricted net assets - These types of net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets - These types of net assets are subject to donor-imposed stipulations which limit their use by BCI to a specific purpose and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by BCI. Generally, the donors of these assets permit BCI to use all or part of the income earned on any related investments for general or specific use. In addition to the corpus of the endowment funds of \$579,566, permanently restricted net assets include the value of donor contributions totaling \$1,522,792 that were restricted for the purchase and permanent conservation of the bat habitat at Bracken Cave and donor contributions of \$0 and \$4,980 received during the years ended June 30, 2018 and 2017, respectively, that were restricted for the acquisition of 760 acres of land adjacent to the Bracken Cave. Total permanently restricted net assets were \$6,832,106 and \$6,832,106 at June 30, 2018 and 2017, respectively.

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and 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 these estimates.

Cash and Cash Equivalents - Cash equivalents are considered to be investments purchased with original maturities of three months or less, unless designated for investment purposes.

Investments - Investments in equity and debt securities are reported at their fair values based on quoted market prices in the statements of financial position. The investment in the closely-held stock is recorded at fair value based on its audited financial statements. Realized gains or losses on the sale of securities are based on specific identification of the cost of securities sold. Unrealized and realized gains and losses are included in the statements of activities.

Functional Allocation of Expenses - The costs of providing the various program services and supporting services 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.

Fair Value Measurements - ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that BCI 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 measurement.

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Domestic equities, international exchange traded funds (ETFs), mutual funds, fixed income and Schwab advisor cash reserves: fair values based on quoted market prices in the statements of financial position.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while BCI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounts Receivable - Accounts receivable are recorded at the amount BCI expects to collect on outstanding balances. BCI has not set up an allowance for uncollectible receivables at June 30, 2018 and 2017, because management estimates all balances to be collectible. Management closely monitors outstanding balances and write offs.

Grants Receivable - Grants receivable are recognized as grant revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Grants receivable are recorded at net realizable value if expected to be collected in one year and at the present value of their estimated future cash flows if expected to be collected in more than one year, unless otherwise noted. Conditional promises to give are recognized when the condition on which they depend is substantially met.

Property and Equipment - Purchases of property and equipment are capitalized at cost if purchased and at fair market value at the date of the receipt if donated. BCI capitalizes all acquisitions in excess of \$5,000 with a useful life greater than one year. Depreciation is computed using the straight-line method and the following estimated useful lives:

Buildings	33 years
Property improvements	10-15 years
Vehicles	5 years
Furniture and equipment	3-5 years

Contract Services Revenue - Contract services revenues are earned and recognized when the contract services have been provided.

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Grant Revenue Recognition - Revenue from grants received from federal, state, and local governments are earned based on BCI incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided. Revenue from grants received from private donors is recognized as earned based on grant specifications or as unconditional contributions if no grant specifications exist.

Education and Workshops Revenue and Deferred Revenue - Education and workshops revenue is earned and recognized when the event, seminar, or workshop has been held. Deferred revenue consists of cash that has been received for future events or workshops and will be recognized once the event has taken place.

Contribution Revenue - All contributions are recorded at their fair value and are considered to be available for operations of BCI unless specifically restricted by the donor. Unconditional pledges to give cash and other assets are reported as either temporarily or permanently restricted net assets, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the statement of activities as assets released from restrictions. Conditional pledges to give are recognized only when the conditions on which they depend are substantially met and pledges become unconditional.

Advertising - Advertising costs are expensed when incurred. Advertising expense was \$8,875 and \$6,287 for the years ended June 30, 2018 and 2017, respectively.

Donated Services and Materials - Donated services and materials are reflected in the statement of activities as in-kind revenue at their fair value on the date of receipt. Donated services are recognized by BCI if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Federal Income Tax Status - BCI is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, except for any unrelated business activities. BCI is subject to routine examinations of its returns; however, there are no examinations currently in progress. The June 30, 2015, and subsequent tax years remain subject to examination by the Internal Revenue Service.

BCI has adopted ASC 740-10, *Accounting for Uncertainty in Income Taxes*. That standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provided guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recently Issued Accounting Pronouncements - In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the Statements of Financial Position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the Statement of Activities the amount of the change in each of these two classes of net assets. The entity will be required to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. BCI is currently evaluating the impact the standard will have on the financial statements.

Subsequent Events - Management of BCI has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

3. CONCENTRATIONS

Financial instruments that potentially subject BCI to credit risk consist of cash and cash equivalents and receivables. BCI places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. At June 30, 2018, BCI held \$553,891 in deposits in excess of FDIC insurance coverage. Management believes no significant risk exists with respect to cash and cash equivalents. BCI does not maintain collateral for its receivables and does not believe significant risk exists at June 30, 2018 and 2017.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2018	2017
Real property and improvements (bat habitat)	\$ 6,854,760	\$ 6,854,760
Buildings and improvements	634,567	634,567
Furniture and equipment	455,036	447,604
Vehicles	88,820	103,220
	8,033,183	8,040,151
Less accumulated depreciation	(1,261,342)	(1,205,767)
Property and equipment, net	\$ 6,771,841	\$ 6,834,384

Depreciation expense for property and equipment was \$75,125 and \$73,298 for the years ended June 30, 2018 and 2017, respectively.

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

5. INVESTMENTS

Investments consisted of the following at June 30, 2018:

	Fair Value	Fair Value Measurements Using:		
		Active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Mutual Funds	\$ 929,107	\$ 929,107	\$ -	\$ -
Domestic Equities	62,394	62,394	-	-
Mutual funds - bonds	2,647	2,647	-	-
Total Investments	<u>\$ 994,148</u>	<u>\$ 994,148</u>	<u>\$ -</u>	<u>\$ -</u>

Investments consisted of the following at June 30, 2017:

	Fair Value	Fair Value Measurements Using:		
		Active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Domestic equities	\$ 462,438	\$ 462,438	\$ -	\$ -
International ETFs	261,656	261,656	-	-
Mutual funds - bonds	179,788	179,788	-	-
Fixed income	2,742	2,742	-	-
Schwab Advisor Cash reserves	31,909	31,909	-	-
Total Investments	<u>\$ 938,533</u>	<u>\$ 938,533</u>	<u>\$ -</u>	<u>\$ -</u>

All investments were valued using the market approach. Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were as follows:

	2018	2017
Closely-held stock activity:		
Beginning balance	\$ -	\$ 260,085
Sales	-	(330,000)
Total gains or losses (realized/unrealized)	-	69,915
Ending balance	<u>\$ -</u>	<u>\$ -</u>

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

5. INVESTMENTS - CONTINUED

Investment (loss) income consisted of the following:

	2018	2017
Interest and dividends	\$ 21,846	\$ 21,450
Net realized (losses) gains	(853)	68,458
Net unrealized (losses) gains	39,930	104,279
	\$ 60,923	\$ 194,187

Investment management fees paid were \$1,897 and \$7,014 for the years ended June 30, 2018 and 2017, respectively. These fees are included in the General and Administrative expenses.

6. ENDOWMENT FUNDS

BCI's endowments consist solely of two donor restricted funds established for science, conservation, and education. The Board of Directors of BCI interpret the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Permanently restricted net assets are classified at the original value of gifts donated to the permanent endowment, plus the original value of subsequent gifts to the endowment. Also included are accumulations to the permanent endowment if directed by the donor gift instrument. The remaining portion of the donor restricted endowment fund is classified as temporarily restricted net assets until those funds are appropriated for expenditure by BCI in a manner consistent with the standard of prudence prescribed by UPMIFA.

BCI has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under the investment policy approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results as stated in BCI's policy while assuming a moderate level of investment risk. BCI expects its endowment funds, over time, to provide an average rate of return of approximately 3 percent over the Consumer Price Index ("CPI") annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, BCI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). BCI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

BCI has a policy of appropriating for distribution each year no more than 5 percent of its endowment fund's fair value through the fiscal year in which the distribution is planned based on the distribution policy. In establishing this policy, BCI considered the long-term expected return on its endowment. Accordingly, over the long term, BCI expects the current spending policy to allow its endowment to grow at an average of 5 percent annually. This is consistent with BCI's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified time as well as to provide additional real growth through new gifts and investment return.

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. ENDOWMENT FUNDS - CONTINUED

Changes in endowment net assets were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2016	\$ 297,070	\$ 579,566	\$ 876,636
Investment income (loss)	116,910	-	116,910
Appropriated for expense	(55,013)	-	(55,013)
Endowment net assets at June 30, 2017	358,967	579,566	938,533
Investment income (loss)	55,615	-	55,615
Appropriated for expense	-	-	-
Endowment net assets at June 30, 2018	<u>\$ 414,582</u>	<u>\$ 579,566</u>	<u>\$ 994,148</u>

A description of amounts classified as permanently and temporarily restricted net assets (endowments only) is as follows for:

Permanently restricted net assets at June 30, 2018 and 2017:

The portion of perpetual endowments funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA with the following purpose restrictions:

Science and conservation	\$ 199,779
Education	379,787
	<u>\$ 579,566</u>

7. DONATED SERVICES AND MATERIALS

Donated services are recognized as contributions if the services (1) create or enhance non-financial assets, or (2) require special skills, are performed by people with those skills, and would otherwise be purchased by BCI. Under those criteria, donated professional services and materials are reflected as contribution revenue at their estimated fair value at the date of receipt and are expensed or capitalized as appropriate.

BCI received the following in-kind donations included in the statements of activities during the years ended June 30, 2018 and 2017, respectively:

	2018	2017
Donated services including professional fees, advertising, travel, and rental fees	\$ -	\$ 48,192

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

7. DONATED SERVICES AND MATERIALS - CONTINUED

In addition, many individuals volunteer their time and perform a variety of tasks that assist BCI with their programs. For the years ended June 30, 2018 and 2017, 108 and 202 volunteers, respectively, donated their time that did not meet the recognition criteria above and thus their value was not recorded in the financial statements.

8. RETIREMENT PLAN

BCI maintains a 401(k) retirement plan that allows employee elective deferrals up to the maximum amount allowed by law. Participants may make a separate election to defer up to 90 percent of any bonus compensation. BCI makes matching contributions up to 4% of a participants compensation. BCI made matching contributions of \$57,257 and \$53,160 for the years ended June 30, 2018 and 2017, respectively.

9. RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes at June 30:

	2018	2017
White nose syndrome programs	\$ 463,804	\$ 298,934
Endowment earnings	364,874	358,965
Small grants	179,075	93,096
Endangered bats	74,726	108,940
Science management	65,200	-
Wind programs	44,836	304,966
Bracken cave	23,901	13,910
Public lands program	10,098	15,577
Other	5,500	-
	<u>\$ 1,232,014</u>	<u>\$ 1,194,388</u>

Permanently restricted net assets were restricted for the following purposes at June 30:

	2018	2017
Bracken preserve	\$ 1,522,792	\$ 1,522,792
Galo tract	4,729,748	4,729,748
Endowment	579,566	579,566
	<u>\$ 6,832,106</u>	<u>\$ 6,832,106</u>

10. RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors of BCI contributed \$144,378 and \$121,110 during the years ended June 30, 2018 and 2017, respectively.

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

11. OPERATING LEASES

BCI leases office space in Washington, DC. The lease term runs through May 2023, with monthly rent at \$4,285 per month and increasing to \$4,908 per month during the term of the lease. For the years ended June 30, 2018 and 2017, rent expense totaled \$32,813 and \$32,502, respectively.

The total future minimum lease payments required under this agreement are as follows:

<u>Year Ending</u>	
2019	\$ 52,132
2020	53,566
2021	55,039
2022	56,552
2023	53,200
Total	<u><u>\$ 270,489</u></u>

BCI subleases office space to another organization. The lease term runs through February 2020. Rent is \$5,304 per month and increases to \$5,746 per month during the term of the lease. For the years ended June 30, 2018 and 2017, rental income totaled \$92,448 and \$92,543, respectively.

The total future minimum rental income under this agreement are as follows:

<u>Year Ending</u>	
2019	\$ 67,184
2020	45,968
Total	<u><u>\$ 113,152</u></u>

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Bat Conservation International, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bat Conservation International, Inc. (BCI), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BCI's internal controls over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BCI's internal control. Accordingly, we do not express an opinion on the effectiveness of BCI's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Atchley & Associates, LLP". The signature is written in a cursive, flowing style.

Austin, Texas

March 4, 2019



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(INCLUDES REPORTING ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS)

Board of Directors
Bat Conservation International, Inc.

Report on Compliance for Each Major Federal Program

We have audited Bat Conservation International, Inc.'s (BCI), a non-profit organization, compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of BCI's major federal programs for the year ended June 30, 2018. BCI's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for each of BCI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits are contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BCI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on BCI's compliance.

Opinion on Each Major Federal Program

In our opinion BCI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of BCI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BCI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BCI's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Austin, Texas
March 4, 2019

BAT CONSERVATION INTERNATIONAL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Federal Expenditures</u>
Direct Awards			
<u>Department of Agriculture</u>			
CIG	10.912	69-3A75-13-210	\$ 6,376
Wildlife Escape Structures	10.902	68-7482-15-504	23,451
USFSIP Latin America	10.684	14-DG-11132762-421	5,883
Int Scholarships (USFS)	10.684	14-DG-11132762-421	7,382
Bat Habitat Assessment the San Bernardino National Forest	10.699	17-CS-11051200-015	<u>23,107</u>
			66,199
<u>Department of Defense</u>			
White Sands Missile Range	15.945	Q01640	2,221
White Sands Missile Range	15.945	Q01778	32,430
White Sands Missile Range	15.945	P16AC01853	2,069
White Sands Missile Range	15.945	P17AC01705-0001-N0000	<u>28,928</u>
			65,648
<u>Department of the Interior</u>			
L. nivalis FY17	15.954	P16AC00044	9,395
WWB L. nivalis	15.641	F16AP00234	505
Abandoned Mine Lands	15.231	L14AC00226	136,405
CESU Abandoned Mine Lands	15.236	L15AC00092	299,912
BatAMP	15.630	F14AC00706	<u>10,868</u>
			457,085
<u>The Department of Energy</u>			
EERE - Deterrents	81.087	DE-EE0007036	<u>370,865</u>
			Total Direct Awards
			<u>959,797</u>
Passed through Awards			
<u>Texas Parks and Wildlife</u>			
WNS	15.611	06-S160631	669
Monitoring North Texas for WNS and Evaluating Potential WNS Treatment Trials	15.657	492310	8,125
Binational Conservation of an Endangered Pollinator: Research, Protection, and Recovery for the Mexican Long-nosed Bat	15.615	494464	<u>9,873</u>
			Total Pass-through Awards
			<u>18,667</u>
			Total Expenditures of Federal Awards
			<u>\$ 978,464</u>

BAT CONSERVATION INTERNATIONAL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of BCI under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of BCI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BCI.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATES

BCI has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

BAT CONSERVATION INTERNATIONAL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs:

CFDA No.	Name of Federal Program
15.236	CESU Abandoned Mine Lands

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? X Yes ___ No

BAT CONSERVATION INTERNATIONAL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

II. Financial Statement Findings

No matters were reported

III. Findings and Questioned Costs for Federal Awards

No matters were reported

**BAT CONSERVATION INTERNATIONAL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported