

INTERNATIONAL SNOW LEOPARD TRUST
(A Washington Nonprofit Organization)

Financial Statements
for the Year Ended December 31, 2009
and Independent Auditors' Report

INTERNATIONAL SNOW LEOPARD TRUST
For the Year Ended December 31, 2009
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WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
International Snow Leopard Trust
Seattle, Washington

We have audited the accompanying statement of financial position of International Snow Leopard Trust (a Washington nonprofit corporation) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 International Snow Leopard Trust as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Watson & McDonnell, PLLC

December 8, 2010

INTERNATIONAL SNOW LEOPARD TRUST
Statement of Financial Position
December 31, 2009

ASSETS

Current assets:	
Cash and cash equivalents	\$ 173,525
Accounts receivable, net of allowance for doubtful accounts of \$5,445	5,482
Inventory	100,283
Unconditional promises to give	12,000
Interest receivable	1,765
Prepaid expenses and deposits	<u>3,013</u>
Total current assets	<u>296,068</u>
Restricted assets:	
Endowment investments	<u>702,350</u>
Fixed assets:	
Furniture and equipment	94,794
Less: accumulated depreciation	<u>(16,414)</u>
	<u>78,380</u>
Other assets:	
Investments	26,175
Unconditional promises to give, net of current portion and discount of \$10,158	<u>399,842</u>
	<u>426,017</u>
	<u>\$ 1,502,815</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 17,135
Grants payable	15,000
Accrued interest on note payable	977
Note payable, current	<u>15,000</u>
Total current liabilities	<u>48,112</u>
Net assets:	
Unrestricted	275,360
Temporarily restricted	86,517
Permanently restricted	<u>1,092,826</u>
Total net assets	<u>1,454,703</u>
	<u>\$ 1,502,815</u>

The accompanying notes should be read with these financial statements.

INTERNATIONAL SNOW LEOPARD TRUST
Statement of Activities
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Grants	\$ 502,005	\$ 78,885		\$ 580,890
Contributions	429,704		\$ 18,676	448,380
Contributed services, property, materials and equipment	216,175			216,175
Sales	189,731			189,731
Less: cost of goods sold	(83,516)			(83,516)
Investment income	19,121	4,497		23,618
Miscellaneous	101			101
Net assets released from restrictions	<u>172,935</u>	<u>(172,935)</u>		
	<u>1,446,256</u>	<u>(89,553)</u>	<u>18,676</u>	<u>1,375,379</u>
Expenses:				
Program	1,098,957			1,098,957
Management and general	81,143			81,143
Fundraising	<u>98,363</u>			<u>98,363</u>
	<u>1,278,463</u>			<u>1,278,463</u>
Change in net assets	167,793	(89,553)	18,676	96,916
Net assets, beginning of year	85,462	176,070	1,074,150	1,335,682
Prior period adjustments, See Note 10	<u>22,105</u>			<u>22,105</u>
Net assets, end of year	<u>\$ 275,360</u>	<u>\$ 86,517</u>	<u>\$ 1,092,826</u>	<u>\$ 1,454,703</u>

The accompanying notes should be read with these financial statements.

INTERNATIONAL SNOW LEOPARD TRUST
Statement of Functional Expenses
For the Year Ended December 31, 2009

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 382,968	\$ 50,265	\$ 45,477	\$ 478,710
Payroll taxes and benefits	64,284	8,437	7,634	80,355
Field operations	374,937			374,937
Travel and conferences	31,727			31,727
Research grants	15,000			15,000
Professional fees	9,651	1,267	1,146	12,064
Printing	9,072	1,191	1,077	11,340
Postage and shipping	13,171	1,729	1,564	16,464
Occupancy	19,121	2,510	2,271	23,902
Office expenses	9,328	1,224	1,108	11,660
Education and awareness	5,027			5,027
Special events	19,244		31,156	50,400
Taxes, fees and licenses	10,027	1,316	1,191	12,534
Interest expense	1,014	300	300	1,614
Contributed services	122,054	12,000	4,621	138,675
Bad debt	5,445			5,445
Miscellaneous	1,956	257	232	2,445
Depreciation	4,931	647	586	6,164
Total expenses	<u>\$ 1,098,957</u>	<u>\$ 81,143</u>	<u>\$ 98,363</u>	<u>\$ 1,278,463</u>

The accompanying notes should be read with these financial statements.

INTERNATIONAL SNOW LEOPARD TRUST

Statement of Cash Flows

For the Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 96,916
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	6,164
Bad debts	5,445
Contributed property, materials and equipment	(77,500)
Unrealized gain on investments	(11,992)
Endowment contributions	(18,646)
Decrease (increase) in current assets:	
Accounts receivable	(19,718)
Inventory	(27,092)
Accrued interest	(1,765)
Prepaid expenses	4,543
Increase (decrease) in current liabilities:	
Accounts payable and accrued expenses	(26,477)
Grants payable	(36,320)
Accrued interest on note payable	(1,786)
NET CASH USED IN OPERATING ACTIVITIES	(108,228)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(14,183)
Deposits to endowment investments	(200,000)
Purchases of furniture and equipment	(1,220)
NET CASH USED IN INVESTING ACTIVITIES	(215,403)

CASH FLOWS FROM FINANCING ACTIVITIES:

Contributions restricted for endowment	200,000
Principal payments on note payable	(19,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	181,000

Net increase (decrease) in cash	(142,631)
Cash and cash equivalents, beginning of year	316,156
Cash and cash equivalents, end of year	\$ 173,525

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for interest	\$ 3,400
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The accompanying notes should be read with these financial statements.

INTERNATIONAL SNOW LEOPARD TRUST
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 1 - NATURE OF THE ORGANIZATION

International Snow Leopard Trust (the Trust) is a Washington nonprofit corporation formed on January 28, 1981. The Trust is managed by a 12-member board of directors. The Trust is dedicated to the conservation of the snow leopard and its mountain habitat by working in partnership with individuals and institutions in Central Asia. The Trust accomplishes its mission through the implementation of innovative conservation, education, research and policy programs. The Trust's programs are supported primarily through grants, contributions and sales of merchandise.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The Trust reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and unrestricted revenue and support

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. Contributions that are permanently restricted by the donor for endowment purposes are reported as increases in permanently restricted net assets. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. 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.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Trust considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents. Cash and cash equivalents exclude cash restricted for the endowment fund. Cash held in a money market account is included in investments. Cash balances may at times exceed federally insured limits.

Inventory

Inventory consists of hand-felted wool products, art and other items for sale through the online store of the Trust. Inventory is valued at the lower of cost (first-in, first-out basis) or market.

Property and equipment

All acquisitions of furniture and equipment in excess of \$1,000 and all expenditures for repairs and maintenance that prolong the useful lives of assets are capitalized. Depreciation is provided on the straight-line basis over the estimated useful lives of from three to five years. Furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

INTERNATIONAL SNOW LEOPARD TRUST
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributed services

The Trust recognizes donated services if the services received either create or enhance nonfinancial assets, or if they require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Trust recognized \$16,621 of contributed professional and other services and \$122,054 of contributed advertising in 2009.

Many volunteers have donated time to the Trust's activities; however the value of these volunteer services is not recorded in the accompanying financial statements as they do not meet the criteria for recognition.

Contributed property, materials and equipment

Donations of property, materials and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Trust reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Trust reclassifies temporarily restricted net assets to unrestricted net assets at that time. Donations of property, materials, and equipment were \$77,500 in 2009.

Functional allocation of expenses

The costs of providing the various activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income tax

The Trust is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation within the meaning of section 509(a) because it is an organization of the type described in section 509(a)(2). The Trust's income tax filings are subject to examination by various taxing authorities. The Trust's open examination periods are 2006 through 2009.

Use of estimates in the preparation of financial statements

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

INTERNATIONAL SNOW LEOPARD TRUST
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 3 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Codification, Subtopic 820-10, *Fair Value Measurements and Disclosures*, establishes a hierarchy for measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The valuation methodologies used to measure fair value have been consistently applied. All assets and liabilities measured at fair value on a recurring basis fall in Level 1 at December 31, 2009.

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded as receivables and revenue when received after being discounted to the anticipated net present value of the future cash flows. The Trust received an unconditional promise to give in the amount of \$800,000 in 2007. The pledge is permanently restricted for endowment purposes and is considered fully collectible. The Trust received an additional pledge of \$22,000 in 2009 which is not part of the endowment. The pledges are expected to be realized in the following periods:

Less than one year		\$	212,000
One to five years			210,000
Less unamortized discount at 5%			<u>(10,158)</u>
		\$	<u>411,842</u>

Of the \$212,000 to be received within one year, \$200,000 is restricted to the endowment and is classified non-current.

Grants payable

The Trust made unconditional promises in 2009 to give to other organizations in 2010. The total of unconditional promises to give to other organizations, or grants payable, totaled \$15,000 as of December 31, 2009.

NOTE 5 - INVESTMENTS

Investments in marketable securities are stated at fair value and consist of the following at December 31, 2009:

Cash and cash equivalents		\$	601,455
Stocks and options			13,756
Mutual funds			<u>113,314</u>
		\$	<u>728,525</u>

INTERNATIONAL SNOW LEOPARD TRUST
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 5 - INVESTMENTS, CONTINUED

A summary of return on investments consists of the following for 2009:

Interest and dividends	\$ 6,220
Unrealized gain	<u>17,398</u>
	<u>\$ 23,618</u>

NOTE 6 - NOTE PAYABLE

The Trust has a note payable to C.G.M.K. Foundation, a charitable trust, in the amount of \$15,000. The note bears simple (non-compounding) interest at five percent per annum. Principal and interest was due on May 14, 2009, but was extended to 2010 at the same interest rate. The note was paid in full in 2010.

NOTE 7 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2009, were restricted for the following purposes:

Research activities	\$ 15,857
Conservation activities	64,911
Educational activities	<u>5,749</u>
	<u>\$ 86,517</u>

Permanently restricted net assets are held in an endowment fund and totaled \$1,092,826 at December 31, 2009. See Note 8.

NOTE 8 - ENDOWMENT

Endowment funds

International Snow Leopard Trust's endowment consists of two donor-restricted endowment funds. The Felburn fund is a general fund. The Freeman fund specifies that \$1,000 be granted annually to an individual that lives in the snow leopard range and works to promote the conservation of the species. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERNATIONAL SNOW LEOPARD TRUST
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 8 - ENDOWMENT, CONTINUED

Interpretation of relevant law

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and its own bylaws. The Board of Directors of the Trust has interpreted UPMIFA as requiring the preservation of the historical dollar amount of a donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trust in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Trust
7. The investment policies of the Trust

Investment return objectives, risk parameters and strategies

The Trust has adopted investment and spending policies for endowment assets, approved by the Board of Directors, that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the and preserve the principal value of these endowment assets. Under this policy the endowment assets are invested in a manner that is intended to provide absolute returns in excess of Treasury bill rates after all expenses and inflation. Returns will be measured over standard economic cycles of three, five, and ten years while assuming a moderate level of investment risk. International Snow Leopard Trust expects its endowment funds, over time, to provide an average rate of return of approximately seven percent annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Trust relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Trust targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

INTERNATIONAL SNOW LEOPARD TRUST
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 8 - ENDOWMENT, CONTINUED

Spending policy and how the investment objectives relate to spending policy

The Trust has a policy of appropriating for distribution each year four percent of its endowment fund's fair value at September 30 of the current year. In establishing this policy, the Trust considered the long-term expected return on its endowment. Accordingly, over the long term, the Trust expects the current spending policy to allow its endowment to grow at an average of three percent annually. This is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2009, was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds:				
Felburn Foundation Endowment			\$ 990,476	\$ 990,476
Freeman Endowment			<u>102,350</u>	<u>102,350</u>
Total funds at December 31, 2009			<u>\$ 1,092,826</u>	<u>\$ 1,092,826</u>

Changes in endowment net assets for the year ended December 31, 2009, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, January 1, 2009	\$ 18,407	\$ (18,407)	\$ 1,074,150	\$ 1,074,150
Investment income allocated to deficiency at 12/31/08	(18,407)	18,407		
Investment income		4,497		4,497
Contributions – discount; Felburn funds			18,676	18,676
Amounts appropriated for expenditure		<u>(4,497)</u>		<u>(4,497)</u>
Endowment net assets, December 31, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,826</u>	<u>\$ 1,092,826</u>

Fund with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Trust to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$18,407 as of December 31, 2008. These deficiencies resulted from unfavorable market fluctuations during fiscal 2008. There were no such deficiencies as of December 31, 2009.

INTERNATIONAL SNOW LEOPARD TRUST
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 9 - LEASE COMMITMENTS

The Trust leases office space under a lease expiring June 30, 2013, with an option to renew for an additional five years. The Trust also leases retail space under a lease expiring June 30, 2010, with an option to renew the lease for an additional two years. Rent expense was \$21,069 for 2009. Future minimum rental payments are as follows for the years ending December 31:

2010	\$	20,322
2011		19,380
2012		19,962
2013		10,128
		\$ 69,792

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

During 2009 the Trust determined that artwork purchased in prior years and available for sale had not been recorded in inventory. In addition management determined that a 2008 grant for which cash was received in 2009 was recorded in 2009, resulting in an overstatement of revenue in 2009. The following reflects the effects of these adjustments to the following beginning balances:

	Previously Reported	Adjustment	Restated
Inventory	\$ 63,691	\$ 9,500	\$ 73,191
Accounts receivable	-	12,605	12,605
Unrestricted net assets	1,335,682	22,105	1,357,787

NOTE 11 - SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through December 8, 2010, which is the date the financial statements were available to be issued, and have determined that there are no subsequent events that require disclosure under FASB Accounting Standards Codification Topic 855, *Subsequent Events*.