

Panthera Corporation

Consolidated Financial Statements

December 31, 2019

Panthera Corporation

Table of Contents
December 31, 2019

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7

Independent Auditors' Report

To the Board of Directors of
Panthera Corporation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Panthera Corporation which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Panthera Corporation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 1, the consolidated financial statements include a disclosure of management's plan to eliminate future operating losses. Our opinion is not modified with respect to this matter.

Baker Tilly US, LLP

New York, New York
November 30, 2020

Panthera Corporation

Consolidated Statement of Financial Position

December 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 1,464,424
Accounts receivable	62,662
Grants receivable	413,618
Donations receivable	317,225
Pledges receivable	3,470,857
Marketable securities	5,819
Other current assets	829,246

Total current assets 6,563,851

Long-Term Assets

Long-term pledges receivable, net	7,653,224
Fixed assets, net	1,782,799

Total long-term assets 9,436,023

Total assets \$ 15,999,874

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 1,304,586
Deferred rent liability	13,890
Unearned grants	606,432
Deferred revenue	86,610

Total current liabilities 2,011,518

Long-Term Liabilities

Deferred rent liability	67,959
-------------------------	--------

Total long-term liabilities 67,959

Total liabilities 2,079,477

Net Assets

Net deficiencies without donor restrictions	(912,016)
Net assets with donor restrictions	14,832,413

Total net assets 13,920,397

Total liabilities and net assets \$ 15,999,874

See notes to consolidated financial statements

Panthera Corporation

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

Changes in Net Assets Without Donor Restrictions

Operating Revenue	
Contributions	\$ 2,531,944
In-kind contributions	88,485
Grant income	1,800,713
Other	137,970
Net assets released from restrictions:	
Satisfaction of purpose restrictions	5,599,933
Satisfaction of time restrictions	4,100,000
	<u>14,259,045</u>
Total operating revenue	
	<u>14,259,045</u>
Expenses	
Program services	11,819,765
Management and general	2,640,789
Fundraising	1,727,882
	<u>16,188,436</u>
Total expenses	
	<u>16,188,436</u>
Net operating loss	<u>(1,929,391)</u>
Nonoperating Item	
Other comprehensive loss on foreign exchange	<u>(188,423)</u>
Total nonoperating loss	<u>(188,423)</u>
Changes in net assets without donor restrictions	<u>(2,117,814)</u>
Changes in Net Assets With Donor Restrictions	
Contributions	6,369,962
Net assets released from donor restrictions:	
Satisfaction of purpose restrictions	(5,599,933)
Satisfaction of time restrictions	(4,100,000)
	<u>(3,329,971)</u>
Change in net assets with donor restrictions	
	<u>(3,329,971)</u>
Changes in net assets	(5,447,785)
Net Assets, Beginning	<u>19,368,182</u>
Net Assets, Ending	<u><u>\$ 13,920,397</u></u>

See notes to consolidated financial statements

Panthera Corporation

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services			Support Services			Total Expenses
	Conservation Science	Conservation Action	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and contracted staff	\$ 1,702,371	\$ 2,702,362	\$ 4,404,733	\$ 1,083,932	\$ 790,136	\$ 1,874,068	\$ 6,278,801
Benefits	322,295	731,576	1,053,871	218,935	132,573	351,508	1,405,379
Contracted services	23,805	174,712	198,517	2,327	436	2,763	201,280
Grants and scholarships	636,889	1,175,541	1,812,430	-	-	-	1,812,430
Awards	15,000	160,905	175,905	-	-	-	175,905
Donated services	-	-	-	34,585	53,900	88,485	88,485
Field supplies and equipment	300,383	651,981	952,364	42,426	2,683	45,109	997,473
Travel/lodging/meals	113,275	588,570	701,845	53,831	121,998	175,829	877,674
Occupancy	52,396	207,623	260,019	175,439	128,929	304,368	564,387
Technology/telephone	128,612	250,397	379,009	106,151	16,746	122,897	501,906
Office supplies	4,416	45,061	49,477	14,190	1,942	16,132	65,609
Professional services	201,254	584,135	785,389	420,079	357,942	778,021	1,563,410
Depreciation/amortization	3,707	276,898	280,605	26,840	10,718	37,558	318,163
Conference/meetings	164,042	176,524	340,566	197,450	55,850	253,300	593,866
Other	43,998	381,037	425,035	264,604	54,029	318,633	743,668
Total	\$ 3,712,443	\$ 8,107,322	\$ 11,819,765	\$ 2,640,789	\$ 1,727,882	\$ 4,368,671	\$ 16,188,436

See notes to consolidated financial statements

Panthera Corporation

Consolidated Statement of Cash Flows

Year Ended December 31, 2019

Cash Flows From Operating Activities

Changes in net assets	\$ (5,447,785)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Effect of foreign currency translation adjustments	(188,423)
Depreciation/amortization expense	318,163
Amortization of discount included in long-term pledges	346,776
Change in foreign currency exchange adjustment	188,423
Provision for deferred rent	16,566
Realized gain on sale of marketable securities	(393)
Changes in operating assets and liabilities:	
Accounts receivable	87,377
Grants receivable	(413,618)
Donations receivable	410,079
Pledges receivable	102,541
Other current assets	(367,710)
Long-term pledges receivable	3,397,972
Accounts payable and accrued expenses	953,232
Deferred revenue and unearned grants	(330,314)
Total adjustments	4,520,671
Net cash used in operating activities	(927,114)

Cash Flows From Investing Activities

Purchase of fixed assets	(231,247)
Proceeds from marketable securities	393
Purchases of marketable securities	(4,317)
Net cash used in investing activities	(235,171)
Decrease in cash and cash equivalents	(1,162,285)

Cash and Cash Equivalents, Beginning 2,626,709

Cash and Cash Equivalents, Ending \$ 1,464,424

See notes to consolidated financial statements

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

1. Description of Organization and Summary of Significant Accounting Policies

Organization

Panthera Corporation is a not-for-profit wildlife conservation organization incorporated in the State of Delaware. Panthera Corporation has a controlling and economic interest in a number of foreign not-for-profit entities, together known as Panthera. Panthera's mission is the conservation of the world's 40 wild cat species, many of which are endangered or threatened. Panthera develops, implements, and oversees wild cat conservation strategies on a global scale. Panthera's large scale initiatives with tigers, lions, snow leopards, jaguars, pumas, leopards, cheetahs and other species currently span four continents. Panthera conducts critical research, enacts effective conservation measures, works closely with the world's top cat biologists, various governments and related agencies, local and international non-governmental organizations, assists and trains felid biologists and educates the local and international populations as to felid conservation. Field work is performed in North America, South America, Africa and Asia in numerous individual countries. These operations are administered out of regional hubs in Costa Rica, Colombia, South Africa, the United Arab Emirates and Thailand.

A brief summary of Panthera's major programs follows:

Tiger - Panthera, through various individual programs, seeks to increase wild tiger populations by at least 50 percent across key sites over the next decade. In addition, Panthera identifies and creates safe corridors for the species to move between core populations.

Lion - Panthera combines an understanding of lion ecology in human dominated landscapes with techniques that provide local communities with the ability and incentive to avoid conflict with lions. In addition, Panthera also works to curtail widespread wire-snare poaching which is pervasive in many key lion landscapes, including Kafue NP (Zambia), Limpopo NP (Mozambique) and Niokolo-Koba NP (Senegal).

Snow Leopard - Panthera developed a state-of-the-art global range map and database of snow leopard habitats and helps delineate critical conservation units and identify prevailing threats. Using the database to target populations that require conservation, Panthera's efforts are geared towards a range-wide approach in conserving the snow leopards.

Jaguar - Panthera utilizes a range-wide approach focusing on the entire spectrum of species influences and dynamics, including prey, key populations, threat mitigation, education and building genetic corridors in which jaguars can move safely. Panthera works closely with ranchers to develop methods and models to demonstrate that cattle ranching and jaguar conservation can co-exist, just as they work with engineers and developers to design roads that allow for easier passage of jaguars and other wildlife.

Puma - Panthera is working to better understand and protect pumas in the Western US (northwest Wyoming, the San Francisco Bay Area and Olympic Peninsula) and in the Torres del Paine National Park region in the Chilean Patagonia. Panthera's work includes studying the effects of wolf reintroduction and human hunting on puma populations, utilizing innovative camera technology to observe the secret social lives of pumas, characterizing dispersal dynamics and impediments, and mitigating human-puma conflict. A range-wide assessment of the status of pumas, from Patagonia to British Columbia is also underway.

Leopard - Panthera seeks to reduce the widespread traditional use of leopard skins by the Shembe Nazareth Baptist Church in southern Africa, along with other cultures that do that same. In addition, Panthera has established a network of monitoring sites across southern Africa, western Africa and a newly established site in Southeast Asia. In Saudi Arabia, Panthera is actively surveying potential areas for the assessment of the extant populations of Arabian leopards, and also preparing for the re-introduction of the subspecies to their former range.

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

Cheetah - Panthera seeks to protect cheetahs by addressing direct threats to them, their prey base and their habitats. To do this, Panthera gathers critical ecological data by surveying and monitoring populations and their prey, collaborating with local law enforcement officials and partners, and working with local communities to mitigate conflict and create cheetah-positive landscapes within communities. Panthera's approach to protecting cheetahs focuses on developing an integrated transboundary program based in Zambia, but operating over the 5-country KAZA landscape, which is the landscape in the Kavango and Zambezi river basins, and eventually expanding across the cheetah's African range.

Small Cats - Panthera also works to understand and conserve the 33 species of small wild cats. Priorities for this program are to focus on the least understood cats, to enhance current data collection on big cat study sites to gather small cat data, and to strategically establish new sites of high conservation value for small cats.

Tech - Panthera's Technology Program developed devices and software supporting species programs, including camera traps and Poachercams. Panthera integrates third party private GSM (global system for mobile) wireless equipment, as well as systems to monitor Poachercam deployments.

Scholarships and Awards - Panthera provides scholarships, research and project to post-graduate students in advanced degree programs, and research and conservation awards to individuals and organizations implementing conservation projects on wild cats. Panthera, in conjunction with the American Museum of Natural History, developed a global felid genetic database to understand the impact of large scale genetic issues impacting felids, and now works through the National Genomics Center for Wildlife and Fish Conservation in Missoula, Montana, for most of its genetic analysis needs.

The individual programs are established and overseen by two divisions: Conservation Science and Conservation Action. Conservation Science is the group that evaluates, from a scientific basis, the science research outcomes and how they will be used to develop activities that integrate into Conservation Action. The Conservation Action division contains Panthera's global and regional field programs, associated personnel and infrastructure to implement the conservation action plans developed by the Conservation Science division.

Management's Plan

During the year ended December 31, 2019, Panthera incurred a net operating loss of approximately \$1,929,000. Panthera also had a negative change in net assets of approximately of (\$5,448,000) for the year ended December 31, 2019, and net deficiencies in net assets without donor restrictions of approximately (\$912,000) as of December 31, 2019. During 2019, Panthera had significant one-time expenses above the normal expense levels, which were considered operational investments. The most significant of these costs/expenses related to the implementation of new computer systems (NetSuite and Concur) and the restructuring of Panthera operations from an individual species driven basis to a centralized management approach by Conservation Actions and Conservation Science.

In order to eliminate future operating losses and to ensure a balance between net assets with and without donor restrictions, Panthera has implemented the following cost reduction procedures:

- Implementation of a salary cost reduction program in 2020 to reduce overall salary expenditures to be in line with anticipated financial resources. This program for full time employees and contractors was for a period of four months and reduced personnel costs by \$300,000.
- The historic individual corporate credit card program has been materially reduced by eliminating individual credit cards for all but a very limited number of employees. The reduction of credit card usage has resulted in savings of approximately \$500,000.

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

- Controlling costs related to projects that are to be funded from donor restricted funds so that no costs are to be incurred until the funds are received.
- Travel was reduced and senior management personnel are now required to approve all international travel.
- A reorganization of the finance department was undertaken in 2020 resulting in a change in employee mix and enhanced skill sets. As part of the finance reorganization, a number of control and reporting processes have been or are in the process of being enhanced. One of the end goals is timely, twelve-month cash flow analysis which will be utilized to monitor contributions and expenditure levels, which will assist in analyzing overall cash management.
- As of the date of this report, Panthera has positive net operating income on its unaudited internal financial statements, and management is forecasting positive results for the year ending December 31, 2020. The budget process for 2021 is underway which will include, at a minimum, a \$350,000 - \$500,000 positive budgeted result from operations.

The following are additional items that would further enhance Panthera's ability to manage its future cash flows:

- As a result of the various fundraising initiatives, 2020 contributions have increased to \$14M through the end of October 2020, which is equal to total contributions for the 2019 year.
- As discussed in Note 9, Panthera filed for and was granted a loan pursuant to the Paycheck Protection Program in the amount of \$802,000. In November 2020, Panthera filed the necessary documents to apply for forgiveness of the entire loan amount.
- To assist in the management of cash flow, Panthera secured a \$750,000 line of credit which is fully available as of the date of this report.

Based on the above management's plan, Panthera's management concludes that substantial doubt about the ability to continue as a going concern has been alleviated.

Summary of Significant Accounting Policies

Basis of Consolidated Financial Statement Presentation

Panthera's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and include the accounts of Panthera and the not-for-profit entities in which Panthera has a controlling and economic interest. These entities consist of Panthera Wild Cat Conservation Belize, Panthera Brasil, Panthera Canada, Fundación Pantera Colombia (Panthera Colombia), Panthera France, Conservacion Panthera Mexico AC (Panthera Mexico) Panthera Wild Cat Conservation SA (Panthera South Africa), and Panthera Wild Cat Conservation Zambia Limited (Panthera Zambia). Panthera also has operating branch offices in Costa Rica, Honduras and Panama. In 2020, Panthera expanded its entities including Panthera Wild Cat Conservation Malaysia (Panthera Malaysia), Stichting Panthera (Panthera Netherlands) and Panthera Wild Cat Conservation Senegal (Panthera Senegal), and is in the process of expanding to Gabon and Thailand. All significant intercompany balances and transactions have been eliminated in consolidation.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

Revenue

Panthera's primary source of financial support consists of donations from the general public, as well as grant income.

Grant Income

Panthera receives various federal government grants and pass-through contracts that are nonreciprocal transactions and records revenue when expenditures have been incurred in compliance with the grantor's restrictions or when deliverable results specified in the agreements have been achieved. Advance payments received for grants and contracts which have not yet been earned are reflected as Unearned Grants. Amounts earned but not yet paid under the grants and contracts are included in grants receivable.

Deferred Revenue

Primarily consists of cash received in advance for program expenses to be incurred in the future when earned.

Operating Indicator

Panthera considers all operating revenue and expenses without donor restrictions to be part of its normal operations and considers net operating income as its operating indicator.

Nonoperating Item

Nonoperating item represents other comprehensive amounts relating to foreign currency translation adjustments. This item is not included as part of the operating indicator and is reported separately in the consolidated statement of activities and changes in net assets.

Consolidated Statement of Cash Flows

For purposes of the consolidated statement of cash flows, Panthera considers all highly liquid debt instruments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Fair Value Measurements

Panthera establishes a framework for measuring the fair value of financial assets and liabilities and nonfinancial assets and liabilities which are measured at fair value on a recurring (annual) basis in the form of a fair value hierarchy that prioritizes the inputs into valuation techniques used to measure fair value into three broad levels. This hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. Further, financial assets and liabilities are classified by level in their entirety based upon the lowest level of input that was significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 - Quoted prices in inactive markets for identical assets or liabilities, quoted prices for similar assets or liabilities in active or inactive markets, or other observable inputs either directly related to the asset or liability or derived principally from corroborated observable market data.

Level 3 - Unobservable inputs due to the fact that there is little or no market activity and/or data. This entails using assumptions in models which estimate what market participants would use in pricing the asset or liability.

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

Panthera had marketable securities as of December 31, 2019, whose cost approximated fair value. Panthera's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2 or Level 3 for the year ended December 31, 2019.

Marketable Securities

Panthera's marketable securities are valued as Level 1 investments and are recorded at fair value. Unrealized holding gains and losses on marketable securities are excluded from the operating indicator and are reported as a separate component of net assets without donor restrictions as nonoperating items until realized. Realized gains and losses from the sale of securities are determined on a first-in, first-out basis and recognized in operating income. A decline in the market value of any securities below cost deemed to be other than temporary results in an impairment to reduce the carrying amount to fair value and is treated as a realized loss at time of other than temporary impairment. To determine if an impairment is other than temporary, Panthera considers all available information relevant to the collectability of the security, including past events, current conditions and reasonable and supportable forecasts when developing estimates of cash flows expected to be collected.

Donor-Imposed Restrictions

Panthera reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. All contributions with donor restrictions are reported in the first instance as an increase in net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the revenue section of the consolidated statement of activities and changes in net assets as net assets released from donor restrictions.

Panthera reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as additions to net assets with donor restrictions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Unconditional Promises to Give (Pledges Receivable)

When Panthera receives unconditional promises to give that are expected to be collected by Panthera within one year, they are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using average risk-free interest rates adjusted by risk premium, if any, applicable to the year in which the promises are received. Amortization of the discounts is included in contribution revenue or as contributions with donor restrictions, as appropriate.

Unconditional Promises to Give to Others

When Panthera makes unconditional promises to give to others, a liability and expense is recorded at the time of such promise.

Conditional Promises to Give by Others

When Panthera receives conditional promises to give, they are not included as contributions by Panthera until the conditions have been substantially met.

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

Conditional Promises to Give to Others

When Panthera makes conditional promises to give to others, no liability or expense is recorded by Panthera until the conditions have been substantially met.

Allowance for Doubtful Accounts

Periodically, the individual accounts, donations receivable and long-term pledge balances are reviewed and evaluated as to their collectability, and a provision for doubtful accounts is estimated based on the amounts Panthera expects to collect on the receivable balance. Receivables are charged against the allowance for doubtful accounts when management has determined that further collection efforts are not warranted.

Other Current Assets

Other current assets consist of primarily camera inventories, which are valued at the lower of cost or market utilizing the weighted average cost method and cash advances for field work.

Fixed Assets

Fixed assets are carried at cost or, if donated, at fair value on date of donation. Leasehold improvements, furniture and fixtures and equipment in excess of \$5,000 or lower amounts in certain foreign countries as required by regulation, that are under the direct control of Panthera are capitalized and amortized/depreciated over their estimated useful lives using the straight-line method starting the month in which they are put into service. Leasehold improvements are amortized over the lesser of the estimated useful life of the improvement or remaining life of the lease; furniture and fixtures are depreciated over five (5) years; and, equipment is depreciated over three (3) to five (5) years. Equipment purchased for use in the field by non-Panthera employees for the various programs and projects is expensed when acquired. The carrying amounts of assets and the related accumulated depreciation or amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations in the year of disposal.

Impairment of Long-Lived Assets

Panthera assesses the recoverability of its long-lived assets, such as property and equipment, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No such events or circumstances occurred during the year ended December 31, 2019 and, accordingly, Panthera has not recognized any asset impairment.

Vacation Liability

Unless required by state or country specific laws, unused vacation days are not carried over to the next year nor are they paid out upon departure from Panthera. The estimated vacation liability, where required by law, is accrued as earned and aggregated approximately \$27,000 as of December 31, 2019, and is included in the consolidated statement of financial position caption accounts payable and accrued expenses.

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

Income Taxes

Panthera Corporation qualifies as a U.S. tax-exempt organization under the existing provisions of Internal Revenue Code Section 501(c)(3) and donations to Panthera Corporation are tax deductible to the donor subject to legal limitations. Panthera's foreign entities are incorporated as not-for-profit organizations and are generally exempt from income taxes. Panthera recognizes the effect of income tax positions only when the tax positions are more likely than not of being sustained. Management is not aware of any violations of Panthera Corporation's or related entities' not-for-profit status, nor of any exposure to unrelated business or other income tax.

In-Kind Contributions

During the year ended December 31, 2019, Panthera received in-kind contributions of services amounting to approximately \$88,000 at fair value. In-kind contributions relate mainly to website advertising and legal services and are reflected in the consolidated statement of functional expenses in the caption donated services.

Allocated Expenses

Panthera's expenses have been summarized on a functional basis in accordance with U.S. GAAP. Most expenses may be identified to their related program or supporting service and are recorded accordingly. Certain other expenses, consisting mainly of occupancy, technology, professional services and depreciation and amortization, have been allocated based on estimated usage, based upon each program's direct expenses as a percentage of total program costs. Salaries and benefits expenses are allocated based upon estimated time spent by the respective individuals on each program area.

Recent Accounting Pronouncements

During 2019, Panthera adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)* using a full retrospective method of adoption to all contracts with customers at January 1, 2018. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. The adoption of ASU 2014-09 did not impact Panthera's consolidated financial statements.

During 2019, Panthera adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 did not impact Panthera's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for Panthera for fiscal years beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the impact of ASU 2016-02 on Panthera's consolidated financial statements.

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is currently evaluating the impact of ASU 2020-07 on Panthera's consolidated financial statements.

2. Donations and Pledges Receivable

Included in donations and pledges receivable as of December 31, 2019 are the following unconditional promises:

Without donor restrictions	\$ 20,248
With donor restrictions, purpose	296,977
With donor restrictions, time	<u>11,500,000</u>
Total	11,817,225
Less unamortized discount	<u>(375,919)</u>
Net unconditional promises	<u>\$ 11,441,306</u>
Amounts due in:	
Less than one year	\$ 3,788,082
One to five years	<u>7,653,224</u>
Total	<u>\$ 11,441,306</u>

The risk adjusted discount rate utilized for determining the amount of unamortized discount was 1.56 percent.

3. Liquidity and Available of Resources

The following table reflects Panthera's financial assets as of December 31, 2019 reduced by net assets with donor restrictions which are not available for general expenditures within one year of the balance sheet date.

Current assets, excluding non-financial assets	\$ 5,734,605
Less net assets with donor restrictions	<u>(7,179,189)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ (1,444,584)</u>

The above table depicts a negative liquidity of (\$1,444,584) as of December 31, 2019, which was due to expenditures exceeding donations and grants in 2019. As part of Panthera'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. To improve the negative liquidity in the fiscal year ending December 31, 2020, management has put in place a management plan (see Note 1) to reduce spending and closely monitor cash flows. In April 2020, Panthera obtained a loan pursuant to the Paycheck Protection Program in the amount of approximately \$802,000 (see Note 9). In addition, Panthera has a \$750,000 line of credit with a bank that is fully available.

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

4. Fixed Assets, Net

Fixed assets consist of the following as of December 31, 2019:

Land	\$	1,267,648
Buildings		260,087
Leasehold improvements		1,004,828
Furniture and fixtures		239,787
Equipment		<u>1,107,365</u>
Total		3,879,715
Less accumulated depreciation and amortization		<u>2,096,916</u>
Net fixed assets	\$	<u><u>1,782,799</u></u>

5. Line of Credit

In December 2019, Panthera entered into a secured line of credit with a financial institution in the amount of \$750,000. Outstanding borrowings are secured by all real and personal property of Panthera. The line bears interest at the prime rate minus one-half percent per annum and expires on December 3, 2020. There was no amount outstanding as of December 31, 2019.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2019 are comprised of contributions restricted by the donors for the following:

Conservation Science	\$	2,033,023
Conservation Action		1,675,307
Time Restricted		<u>11,124,083</u>
Total net assets with donor restrictions	\$	<u><u>14,832,413</u></u>

Net assets released from donor restrictions for the year ended December 31, 2019 were as follows:

Conservation Science	\$	1,202,769
Conservation Action		4,397,164
Time Restricted		<u>4,100,000</u>
Total	\$	<u><u>9,699,933</u></u>

7. Related-Party Transactions

During the year ended December 31, 2019, approximately 58 percent of the total contributions were received from members of Panthera's Board of Directors or their related associations. Donations receivable and long-term pledges receivable (undiscounted) from Directors or their related associations as of December 31, 2019 amounted to approximately \$11,500,000.

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

8. Retirement Plans

Panthera sponsors the Panthera Corporation 401(k) Retirement Plan under which Plan provisions all U.S. based employees may participate and make elective contributions up to the Federal limitations. Panthera makes matching contributions to the Plan of employee elective contributions, at a minimum, on an annual Plan year basis. The Plan contains "safe harbor provisions" whereby Panthera's matching of employee elective contributions subject to Federal limitations is 100 percent of salary deferrals up to three percent of the employee's gross salary plus 50 percent of salary deferrals in excess of three percent but none for salary deferrals in excess of five percent of compensation. Panthera's matching employee elective contributions vest immediately. In addition, Panthera is the sponsor of a salary reduction plan (457(b) Plan). The funding of the 457(b) Plan is solely the responsibility of the participant.

Panthera UK sponsors a defined contribution plan in which employees are eligible to participate. The employee contribution rate is 5 percent of basic salary and the Panthera UK contribution rate is 4 percent of basic salary.

Total pension expense under the above retirement plans for the year ended December 31, 2019 aggregated approximately \$137,000.

9. Commitments and Contingencies

Office Leases

Panthera entered into a noncancelable operating lease for New York office space, effective February 1, 2015, that expires on January 31, 2025. In addition, during 2019 Panthera entered into a noncancelable lease for office space in Colombia for a term of five (5) years, Costa Rica for two (2) years, and Belize for two (2) years.

As of December 31, 2019, minimum future lease payments under these leases are approximately as follows:

2020	\$	380,000
2021		378,000
2022		368,000
2023		368,000
2024		368,000
Thereafter		<u>33,000</u>
Total	\$	<u>1,895,000</u>

Rent expense, including month-to-month cancelable leases, real estate taxes and other specified operating expenses required by lease provisions, for the year ended December 31, 2019 aggregated approximately \$431,000.

Letter of Credit

In conjunction with an office lease, Panthera obtained a \$213,344 irrevocable renewable standby letter of credit from a bank for the benefit of the landlord. The letter of credit, which was renewed for a period of one year on October 31, 2019, is collateralized by Panthera's deposit accounts with the bank. In October 2020, this letter of credit was further extended for a period of one year.

Government Grants and Pass-Through Contracts Awarded to Panthera

As of December 31, 2019, government grants and pass-through contracts awarded but not yet earned and not recognized by Panthera aggregated \$1,887,290. It is anticipated that such amounts will be earned and recognized as revenue in 2020.

Panthera Corporation

Notes to Consolidated Financial Statements

December 31, 2019

Concentration of Credit Risk

Financial instruments which potentially subject Panthera to concentrations of credit risk consist principally of temporary cash investments and receivables. Panthera places its temporary cash investments with high credit quality financial institutions; however, in the event of the financial institution's insolvency, recovery of Panthera's amounts on deposit may be limited to account insurance by the Federal Deposit Insurance Corporation or other protection afforded such deposits. As of December 31, 2019, included within long-term pledges receivable (undiscounted) are approximately \$11,500,000 of pledges.

Subsequent Events

Transactions and events subsequent to December 31, 2019 through November 30, 2020, were reviewed by management and no items were noted that require additional consideration or disclosure in the accompanying consolidated financial statements.

In April 2020, Panthera applied for and was approved for a loan pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration (SBA). The PPP was authorized in the Coronavirus Aid, Relief and Economic Security (CARES) Act. Panthera received the loan proceeds, approximating \$803,000, on April 26, 2020. There are no collateral or guarantee requirements. Under the terms of the PPP, Panthera may be eligible for forgiveness of the loan if it meets certain criteria established by the PPP for the period April 26, 2020 through October 26, 2020. In the event that the forgiveness criteria is not met, payments on the loan will bear interest at 1 percent per annum, and will mature on April 26, 2022. Based on preliminary calculations, Panthera is expecting to meet the PPP forgiveness criteria established by the SBA.

The impact on 2020 donor donations and government grants cannot be determined at this time due to the uncertainties on the nation's overall economy. Panthera has in place various strategies to reduce staff, operations and expenditures, if necessary, should adequate funding not be achieved. The extent to which COVID-19 may impact Panthera's financial condition or results of operations is uncertain.