Conservation International Foundation and Affiliates

Consolidated Financial Report
June 30, 2018

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Conservation International Foundation

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Conservation International Foundation and Affiliates (CI), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservation International Foundation and Affiliates as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our reports dated December 28, 2018 and December 19, 2017, on our consideration of CI'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 those reports is solely 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 the effectiveness of CI's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CI's internal control over financial reporting and compliance.

RSM US LLP

McLean, Virginia
December 28, 2018

Conservation International Foundation and Affiliates

Consolidated Balance Sheets
June 30, 2018 and 2017
(In Thousands)

	2018	2017
Assets		
Cash and cash equivalents	**$ 69,542**	$ 61,466
Investments	**251,147**	212,918
Grants and promises to give, net	**35,438**	102,966
Project advances to partners	**5,329**	-
Grant advances	**3,208**	3,549
Notes receivable, net	**300**	308
Prepaid expenses and other assets	**3,644**	2,871
Property and equipment, net	**4,371**	4,666
Total assets	**$ 372,979**	$ 388,744
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 5,496**	$ 5,349
Accrued salaries, vacation and employee benefits	**9,109**	8,161
Notes payable, net	**766**	984
Grants payable	**4,653**	7,617
Deferred revenue	**35,819**	37,483
Total liabilities	**55,843**	59,594
Commitments and contingencies (Notes 3, 8, 12, 13 and 14)		
Net assets:		
Unrestricted:		
Operating	**4,792**	5,659
Board-designated endowment	**12,559**	11,189
Total unrestricted	**17,351**	16,848
Temporarily restricted	**286,467**	298,985
Permanently restricted	**13,318**	13,317
Total net assets	**317,136**	329,150
Total liabilities and net assets	**$ 372,979**	$ 388,744

See notes to consolidated financial statements.

Conservation International Foundation and Affiliates

Consolidated Statements of Activities
Years Ended June 30, 2018 and 2017
(In Thousands)

	2018				2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions:								
Individuals	**$ 4,894**	**$ 38,044**	**$ -**	**$ 42,938**	$ 4,355	$ 44,807	$ -	$ 49,162
Foundations	**5,682**	**20,811**	**1**	**26,494**	3,142	23,228	2	26,372
Corporations	**1,788**	**2,501**	**-**	**4,289**	1,023	1,306	-	2,329
Other	**3**	**227**	**-**	**230**	6	347	-	353
Cancellations and de-obligations	**-**	**(5,011)**	**-**	**(5,011)**	-	(93)	-	(93)
Grants and contracts:								
Foundations	**605**	**21,262**	**-**	**21,867**	428	15,118	-	15,546
NGO/multilaterals	**2,081**	**15,550**	**-**	**17,631**	1,905	9,956	-	11,861
Corporations	**3,884**	**8,927**	**-**	**12,811**	14,645	6,639	-	21,284
Public funding	**2,169**	**8,477**	**-**	**10,646**	1,202	2,428	-	3,630
Other	**-**	**336**	**-**	**336**	-	-	-	-
Cancellations and de-obligations	**-**	**-**	**-**	**-**	-	(214)	-	(214)
Licensing agreements, product sales and other income	**2,003**	**307**	**-**	**2,310**	1,505	-	-	1,505
Investment income, net	**1,548**	**12,927**	**-**	**14,475**	2,290	23,943	-	26,233
Net assets released from donor restrictions	**136,074**	**(136,074)**	**-**	**-**	124,268	(124,268)	-	-
Total support and revenue	**160,731**	**(11,716)**	**1**	**149,016**	154,769	3,197	2	157,968
Expenses:								
Program services:								
Country, regional, and ocean	**67,677**	**-**	**-**	**67,677**	66,667	-	-	66,667
Grantmaking divisions	**35,998**	**-**	**-**	**35,998**	23,441	-	-	23,441
Moore Center for Science	**8,829**	**-**	**-**	**8,829**	10,198	-	-	10,198
Policy	**5,927**	**-**	**-**	**5,927**	6,032	-	-	6,032
Communications	**5,386**	**-**	**-**	**5,386**	5,319	-	-	5,319
Center for Environmental Leadership in Business	**4,418**	**-**	**-**	**4,418**	13,576	-	-	13,576
Other programs	**4,602**	**-**	**-**	**4,602**	3,367	-	-	3,367
Total program services	**132,837**	**-**	**-**	**132,837**	128,600	-	-	128,600
Supporting services:								
Management and operations	**14,403**	**-**	**-**	**14,403**	14,053	-	-	14,053
Fundraising	**12,988**	**-**	**-**	**12,988**	10,739	-	-	10,739
Total supporting services	**27,391**	**-**	**-**	**27,391**	24,792	-	-	24,792
Total expenses	**160,228**	**-**	**-**	**160,228**	153,392	-	-	153,392
Changes in net assets before nonoperating activity	**503**	**(11,716)**	**1**	**(11,212)**	1,377	3,197	2	4,576
Nonoperating activity:								
(Loss) gain on translation of affiliate and field office net assets	**-**	**(861)**	**-**	**(861)**	-	1,656	-	1,656
Gain on translation of grants and pledges receivable	**-**	**59**	**-**	**59**	-	33	-	33
Changes in net assets	**503**	**(12,518)**	**1**	**(12,014)**	1,377	4,886	2	6,265
Net assets:								
Beginning	**16,848**	**298,985**	**13,317**	**329,150**	15,471	294,099	13,315	322,885
Ending	**$ 17,351**	**$ 286,467**	**$ 13,318**	**$ 317,136**	$ 16,848	$ 298,985	$ 13,317	$ 329,150

See notes to consolidated financial statements.

Conservation International Foundation and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017
(In Thousands)

	2018	2017
Cash flows from operating activities:		
Changes in net assets	**$ (12,014)**	$ 6,265
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,024**	961
Loss on disposal of property and equipment	**2**	-
Net realized and unrealized gain on investments	**(11,299)**	(23,206)
Net realized and unrealized loss (gain) on international retirement savings plan	**133**	(63)
Net gain on translation of foreign denominated grants and promises to give receivable	**(59)**	(33)
Decrease in allowance for doubtful grants and promises to give	**(145)**	(329)
(Decrease) increase in discount to present value for grants and promises to give	**(341)**	529
(Gain) loss on notes receivable	**(3)**	11
Cancellations and de-obligations	**5,011**	307
Changes in assets and liabilities:		
Decrease (increase) in:		
Grants and promises to give	**63,062**	33,600
Project advances to partners	**(5,329)**	-
Grant advances	**341**	(109)
Prepaid expenses and other assets	**(773)**	(713)
(Decrease) increase in:		
Accounts payable and accrued expenses	**147**	(617)
Accrued salaries, vacation and employee benefits	**948**	1,033
Grants payable	**(2,964)**	(3,654)
Deferred revenue	**(1,664)**	21,403
Net cash provided by operating activities	**36,077**	35,385
Cash flows from investing activities:		
Proceeds from sales of investments	**71,613**	139,040
Purchases of investments	**(98,676)**	(180,451)
Purchases of property and equipment	**(731)**	(537)
Collections on notes receivable	**11**	43
Net cash used in investing activities	**(27,783)**	(41,905)
Cash flows from financing activities:		
Principal payments on notes payable	**(218)**	(234)
Net cash used in financing activities	**(218)**	(234)
Net increase (decrease) in cash and cash equivalents	**8,076**	(6,754)
Cash and cash equivalents:		
Beginning	**61,466**	68,220
Ending	**$ 69,542**	$ 61,466
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 13**	$ 14

See notes to consolidated financial statements.

Note 1. Nature of Activities

Nature of activities: Conservation International Foundation and Affiliates (CI) is a nonprofit organization headquartered in Arlington, Virginia, with offices in over 30 countries. CI was established in 1987 under the laws of the State of California and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC).

CI works to ensure a healthy and productive planet for us all. People need nature for many things: a stable climate, clean air, fresh water, abundant food, cultural resources and the incalculable additional benefits that the world's biodiversity provides. Yet economic and infrastructure development, which are necessary for human well-being, can also have serious impacts on nature. CI works at every level – from remote villages to the offices of presidents and prime ministers – to help move society toward a smarter development path.

CI focuses its efforts on four areas:

Combating climate change by protecting forests: CI works to reverse the destruction of tropical forests, which equates to more than one-third of the global action needed to avoid the worst climate scenarios.

Creating holistic models of sustainability: CI creates self-sustaining, scalable conservation models within larger geographic landscapes and seascapes, ensuring that humans and nature can thrive together.

Protecting our oceans at scale: CI works to protect the ocean on an unprecedented global scale while balancing ocean production. Its goal is to double the area of protected ocean by 2025.

Innovating science and finance to accelerate conservation: CI works to create and apply science-based evidence and solutions to conservation policies and works to unlock greater investment in nature.

By promoting healthy, sustainable societies, CI helps improve quality of life for people – especially vulnerable populations who are often directly reliant on nature for their survival.

Affiliates: The accompanying consolidated financial statements include the operations of CI-Brazil, CI-Europe in Belgium, CI-Guyana, CI-Hong Kong, CI-Japan, CI-Mexico, CI-New Zealand, CI-Philippines, CI-Singapore, CI-Suriname, CI-UK and Conservation South Africa. All of the aforementioned organizations are separately incorporated in their respective countries. Due to the significant amount of oversight and support (financial and programmatic) provided by CI, their financial activities have been consolidated with CI's financial activities.

Additionally, Conservation International Foundation is the sole member of Conservation International Ventures LLC (CI Ventures). CI Ventures is an investment facility designed to accelerate investment in small and medium enterprises (SMEs) that have the potential to deliver measurable, scalable conservation impact alongside financial returns. In partnership with leading investors, project developers and conservation-oriented entrepreneurs, CI Ventures will deliver targeted capacity building, bridge financing and other resources to de-risk and scale-up investible projects in sustainable land and seascapes. The overarching goal of CI Ventures is to increase the pipeline of high quality, bankable projects that maximize environmental and social outcomes and unlock additional finance for conservation impact. Accordingly, all financial activities of CI Ventures has been consolidated with CI.

Note 2. Significant Accounting Policies

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation: All transactions between CI and its affiliates have been eliminated in consolidation.

Basis of presentation: CI 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.

Net assets, support, and revenue are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> ***Unrestricted net assets:*** Contributions and other inflows of assets whose use is not subject to donor-imposed stipulations. The Board of Directors has designated a portion of CI's unrestricted net assets as endowment funds to provide ongoing support from its earnings. The board-designated endowment totaled $12,559,000 and $11,189,000 at June 30, 2018 and 2017, respectively. Investment income, up to the limits set by the endowment spending policy, funds training and general CI operations.
>
> ***Temporarily restricted net assets:*** Contributions and other inflows of assets whose use is subject to donor-imposed stipulations that either expire by the passage of time or will be met by actions of CI pursuant to those stipulations, such as usage for specific programs.
>
> ***Permanently restricted net assets:*** Contributions and other inflows of assets whose use is subject to donor-imposed stipulations that the principal must be maintained permanently by CI. These donor-imposed stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by CI's actions.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Foreign currency transactions: The consolidated financial statements and transactions of CI's foreign operations are generally maintained in the relevant local currency. Monthly expenses that are incurred by field offices and affiliates in foreign countries are paid at local currency and then translated into U.S. Dollars at the rate of exchange in effect during the month of the transaction.

Foreign currency translation: The functional currency of CI is the U.S. Dollar. Gains and losses resulting from translations of foreign currencies into U.S. Dollars are recognized as a nonoperating activity in the consolidated statements of activities. Where local currencies are used, assets and liabilities are translated into U.S. Dollars at the consolidated balance sheet date at the exchange rate in effect at year-end.

Allocation of functional expenses: The costs of providing program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Expenses that relate directly to a program or supporting service are allocated to that program or supporting service.

Note 2. Significant Accounting Policies (Continued)

Foreign operations: The accompanying consolidated financial statements include the worldwide operations of CI (field and branch offices). At June 30, 2018 and 2017, assets held in foreign countries totaled approximately $19,647,000 and $16,259,000, respectively. The consolidated statements of activities include support and revenue of $13,813,000 and $10,479,000 from foreign country programs for the years ended June 30, 2018 and 2017, respectively.

Cash and cash equivalents: Cash and short-term investments with maturities at dates of purchase of three months or less are classified as cash and cash equivalents, except that any such cash or investments purchased with endowment funds or with management-designated investment funds are classified as investments.

Investments: Investments are carried at estimated fair market value in the consolidated balance sheets. Fair value of investments is estimated based on quoted market prices where available. Investments may include some short-term investments, which consist primarily of money market funds and other short-term investments temporarily held by investment managers.

Investments in investment partnerships are valued at fair value, based on the applicable percentage ownership of the underlying partnership's net assets as of the measurement date, as determined by CI. In determining fair value, CI utilizes valuations provided by the fund manager of the underlying investment partnerships. The underlying investment partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment partnerships, which may include private placements and other securities for which prices are not readily available, are determined by CI for the respective investment partnerships and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The fair value of CI's investments in other investment partnerships generally represents the amount CI would expect to receive if it were to liquidate its investment in the investment partnerships, excluding any redemption charges that may apply. CI may adjust the respective manager's valuation when circumstances support such an adjustment.

Investment income and net appreciation (depreciation) on investments are reported as follows, when earned:

- As increases (decreases) in temporarily restricted net assets, if the terms of the gift or state law impose restrictions on the current use of the investment income or net appreciation (depreciation)

- As increases (decreases) in unrestricted net assets in all other cases

Concentrations of credit and market risk: CI's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash and cash equivalents, investments and grants and pledges receivable. CI invests its excess cash and cash equivalents and maintains its investments with high-quality financial institutions. CI had approximately $12,741,000 and $10,016,000 of cash and cash equivalents on hand and at financial institutions in foreign countries at June 30, 2018 and 2017, respectively. The majority of the funds invested in foreign countries are uninsured. At times, CI maintains cash balances at financial institutions in the United States in excess of Federal Deposit Insurance Corporation (FDIC) limits. CI has not experienced any losses in such accounts, and management believes the risk in these situations to be minimal. The composition and maturities of investments, as well as investment performance, are regularly monitored by management.

Note 2. Significant Accounting Policies (Continued)

CI invests in common stocks, mutual funds, money market funds, fixed income securities, exchange traded funds, partnerships and private equities. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is possible that changes in risks in the near term could materially affect investment balances and amounts reported in the consolidated financial statements.

Grants, contributions and promises to give: Grants, contributions and promises to give are recognized as support in the year that they are unconditionally received from the donor. They are reported as increases in the appropriate category of net assets. Grants, contributions and promises to give that will not be collected within one year have been discounted at a rate commensurate with the risks involved at the time the gift was pledged, based upon anticipated payment dates. CI has established an allowance for uncollectible pledges in the amount of $642,000 and $787,000 at June 30, 2018 and 2017, respectively. This allowance is mainly based on potential de-obligations of existing restricted pledges. Historically, de-obligations mainly arose in cases where CI has completed the project at less than the full amount of the associated grant, and less frequently, when the donor chooses to discontinue funding for economic or other reasons.

Contributions include in-kind gifts that consisted of donated professional fees, equipment, and airfare in 2018 and 2017. The in-kind contributions are recorded at their fair value as of the date the goods or services are provided. In-kind contributions were $796,000 and $783,000 for the years ended June 30, 2018 and 2017, respectively.

Notes receivable: Notes are recorded as receivables at face value when the agreement is signed by both parties. Related interest income is recognized as it is earned. An allowance for uncollectible notes is based on an evaluation of the collectability of the principal and interest.

Property and equipment: Property and equipment are stated at cost and depreciated on the straight-line basis over their related estimated useful lives, generally three to five years. Assets with a unit cost of $5,000 or more are capitalized. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Leasehold improvements are recorded at cost and are amortized over the lesser of the asset’s useful life or the life of the lease. Land and buildings are stated at cost; buildings are depreciated on the straight-line basis over an estimated useful life of 30 years. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any gain or loss on retirement or disposal of the assets is recorded as revenue or expense.

Impairment of long-lived assets: CI requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Notes payable: Notes payable are recognized as liabilities in the year funds are received from the lender.

Grants payable: For agreements considered to be contributions, grants are recognized as liabilities in the year CI makes the unconditional commitment. For agreements considered to be exchange transactions, the payable is recognized as expenses are incurred by grantees over the reporting period.

Note 2. Significant Accounting Policies (Continued)

Deferred revenue: CI records deferred revenue for grant payments received under approved awards to the extent they exceed expenditures incurred for purposes specific under the grant restrictions.

Income taxes: CI is exempt from income taxes under Section 501(c)(3) of the IRC. In addition, CI has been determined by the Internal Revenue Service (IRS) not to be a private foundation. CI is subject to unrelated business income taxes under Section 512 of the IRC; however, in the opinion of management, no provision for income taxes is required to be made.

CI follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, CI may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated CI's tax positions and concluded that CI had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Generally, CI is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2015.

The aforementioned field offices are organized as tax-exempt entities in their respective countries, with the exception of CI-Guyana. This field office is organized under the Companies Act of Guyana regulations. Its by-laws prohibit the accumulation or distribution of profits.

Reclassifications: Certain items in the June 30, 2017 consolidated financial statements have been reclassified to conform to the June 30, 2018 financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. This ASU will be effective for CI for the fiscal year ending June 30, 2020. Management is currently evaluating the effect that the standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for CI for the fiscal year ending June 30, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. CI is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

Note 2. Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of nonprofit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a nonprofit entity's liquidity, financial performance, and cash flows. The ASU will be effective for CI for the fiscal year ending June 30, 2019. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08*, Not-for-Profit Entitles (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in the ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in the ASU should be applied on a modified prospective basis, although retrospective application is permitted. Where CI is the resource recipient, the ASU will be effective for the fiscal year ending June 30, 2020. Early adoption is permitted. CI is currently evaluating the impact of the pending adoption of this new standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU results in the removal, modification and addition of certain disclosure requirements related to transfers between levels within the fair value hierarchy, valuation processes and unrealized gains/losses presentation for Level 3 measurements, and liquidation timing for investments held at net asset value. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied except for the changes related to Level 3 measurements, which should be applied prospectively. ASU No. 2018-13 will be effective for CI for the fiscal year ending June 30, 2021. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

Subsequent events: CI evaluated subsequent events through December 28, 2018, which is the date the consolidated financial statements were available to be issued.

Note 3. Investments and Fair Value Measurements

Investment income for the years ended June 30, 2018 and 2017, consists of the following (in thousands):

	2018	2017
Realized and unrealized gain, net	$ 11,299	$ 23,206
Interest and dividends	4,485	3,533
Investment management fees	(1,309)	(506)
	$ 14,475	$ 26,233

Note 3. Investments and Fair Value Measurements (Continued)

The Fair Value Measurement Topic of the FASB Accounting Standards Codification (ASC) establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as data that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities such as common stocks, mutual funds, money market funds and exchange traded funds.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include fixed income securities, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. CI has no investments classified as Level 3 at June 30, 2018 and 2017.

Note 3. Investments and Fair Value Measurements (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. CI's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2018 (in thousands):

	2018			
Description	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money market funds	$ 32,209	$ -	$ -	$ 32,209
Investments:				
Common stocks:				
Consumer goods	$ 18,938	$ -	$ -	$ 18,938
Industrial stocks	8,778	-	-	8,778
Financial	6,811	-	-	6,811
Services	3,012	-	-	3,012
Technology	834	-	-	834
Healthcare	593	-	-	593
Basic materials	344	-	-	344
Total common stocks	39,310	-	-	39,310
Mutual funds:				
Mutli-sector equity funds	36,167	-	-	36,167
Mutli-sector bond funds	61	-	-	61
Total mutual funds	36,228	-	-	36,228
Fixed income:				
Corporate bonds	-	40,249	-	40,249
U.S. Government bonds	-	26,802	-	26,802
Municipal bonds	-	18,373	-	18,373
Certificates of deposit	-	917	-	917
Total fixed income	-	86,341	-	86,341
Other assets:				
Money market funds	20,856	-	-	20,856
Gold exchange traded fund	1,068	-	-	1,068
Total other assets	21,924	-	-	21,924
Total publicly traded securities	97,462	86,341	-	183,803
Other investments measured at net asset value (a)	-	-	-	67,344
	$ 97,462	$ 86,341	$ -	$ 251,147

Note 3. Investments and Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level - within the hierarchy as of June 30, 2017 (in thousands):

	2017			
Description	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money market funds	$ 27,513	$ -	$ -	$ 27,513
Investments:				
Common stocks:				
Industrial goods	$ 11,072	$ -	$ -	$ 11,072
Financial	9,189	-	-	9,189
Services	5,086	-	-	5,086
Consumer goods	2,089	-	-	2,089
Healthcare	786	-	-	786
Technology	713	-	-	713
Basic materials	583	-	-	583
Total common stocks	29,518	-	-	29,518
Mutual funds:				
Mutli-sector equity funds	47,179	-	-	47,179
Mutli-sector bond funds	39	-	-	39
Total mutual funds	47,218	-	-	47,218
Fixed income:				
Certificates of deposit	-	4,261	-	4,261
Municipal bonds	-	22,207	-	22,207
U.S. Government bonds	-	17,428	-	17,428
Corporate bonds	-	31,212	-	31,212
Total fixed income	-	75,108	-	75,108
Other assets:				
Money market funds	8,744	-	-	8,744
Gold exchange traded fund	1,062	-	-	1,062
Total other assets	9,806	-	-	9,806
Total publicly traded securities	86,542	75,108	-	161,650
Other investments measured at net asset value (a)	-	-	-	51,268
	$ 86,542	$ 75,108	$ -	$ 212,918

(a) In accordance with Accounting Standards Codification Topic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Note 3. Investments and Fair Value Measurements (Continued)

Alternative investments are less liquid than CI's other investments. The following tables set forth additional disclosures of CI's investments whose fair value is estimated using net asset value per share (or its equivalent) as of June 30, 2018 and 2017.

The following table provides additional information about the investments by strategy (in thousands):

	Fair Value at June 30,		Unfunded	Redemption	Redemption
Investment Strategy	2018	2017	Commitments	Frequency	Notice Period
Equity (a)	$ 63,989	$ 47,531	$ 25,913	Weekly-Annually	5-95 days
Fixed income (b)	3,355	3,737	1,620	N/A, Annually	N/A, 120 days
	$ 67,344	$ 51,268	$ 27,533		

(a) This category includes investments in equities across all sectors and geographic regions, including several long and short hedge funds. The investment strategies of these funds focus on an event or a catalyst that will move an equity price, an equity spread, a credit spread or an implied volatility spread, offering a blend of both growth and value investing styles. Most of the securities underlying the funds are marketable equities. About 80% of the funds have a redemption frequency between weekly to quarterly. The remaining funds can be redeemed annually or at the time of their termination.

(b) This category includes a variety of fixed income investments. It includes investment in a multi-sector fixed-income relative-value fund, as well as investment in secured U.S. middle market secured loans and private debt. The investments held as of June 30, 2018 cannot be liquidated in advance of their natural termination.

Note 4. Grants and Promises to Give Receivable

CI considers grants and promises to give receivable to be collectible within one year, unless otherwise stated by the donor. Unconditional grants and promises to give are due as follows (in thousands):

	2018	2017
Within one year	$ 27,355	$ 86,086
Two to five years	8,866	17,981
Over five years	298	466
Gross grants and promises to give	36,519	104,533
Allowance for doubtful pledges	(642)	(787)
Discount to present value	(439)	(780)
Net grants and promises to give receivable	$ 35,438	$ 102,966

Note 4. Grants and Promises to Give Receivable (Continued)

At June 30, 2018 and 2017, $616,000 and $2,175,000, respectively, had been conditionally pledged to CI. Because of uncertainties with regard to their realization, conditional promises are recognized only if and when the specified conditions are met. As such, these amounts are not reported in the accompanying consolidated balance sheets or consolidated statements of activities.

CI's grants and promises to give receivable balance include receivables from the federal government, foreign governments, and private donors. CI's ten largest contributors during the year ended June 30, 2018, comprised approximately 48% or $71,505,000 of total support and revenue. CI's ten largest contributors during the year ended June 30, 2017, comprised approximately 45% or $71,096,000 of total support and revenue. CI's ten largest grants and promises to give contributor receivable balances, before net present value and allowance for uncollectible pledges, comprised approximately 74% or $27,034,000 at June 30, 2018, and 58% or $61,034,000 at June 30, 2017.

Note 5. Project Advances to Partners

As an accredited implementing agency of the Global Environment Fund (the "GEF"), CI has entered into a limited partnership agreement in an impact investment fund. The investment objectives of the fund are 1) to generate measurable social and environmental outcomes and provide reasonable financial returns for investors by making debt and equity investments in fishing and seafood-related enterprises and 2) to demonstrate the effectiveness of private capital investment as a catalyst to help coastal fisheries to achieve economic, social, and environmental sustainability.

During the year ended June 30, 2018, CI committed and paid $6,000,000 to the fund, of which $671,000 was deployed as a capital contribution and the balance of $5,329,000 remained as a project advance to the partner.

Note 6. Notes Receivable

CI made a loan to an organization which supports biodiversity conservation and conservation-oriented employment in the regions in which CI works. The outstanding note receivable balance at June 30, 2018 bears an interest rate of 3% and is due between July 2018 and June 2020.

At June 30, 2018 and 2017, notes receivable, less allowance for uncollectible notes, totaled approximately $300,000 and $308,000, respectively. The allowance for uncollectible notes at June 30, 2018 and 2017 was $0 and $334,000, respectively.

The following schedule shows required future minimum repayments (in thousands):

Years ending June 30:		
2019	$	150
2020		150
	$	300

Note 7. Property and Equipment

Property and equipment at June 30, 2018 and 2017, consist of the following (in thousands):

	2018	2017
Furniture and equipment	$ 8,569	$ 9,085
Leasehold improvements	3,715	3,307
Land	1,784	1,784
Buildings	552	552
	14,620	14,728
Accumulated depreciation and amortization	(10,249)	(10,062)
Net property and equipment	$ 4,371	$ 4,666

Depreciation and amortization expense for the years ended June 30, 2018 and 2017, was $1,024,000 and $961,000, respectively.

Note 8. Notes Payable

Notes payable at June 30, 2018 and 2017, consist of the following (in thousands):

	2018	2017
L'Agence Française de Développement	$ 766	$ 984

CI entered into note agreements with L'Agence Française de Développement (AFD) to provide loans to small and medium-sized enterprises, which support biodiversity conservation and conservation-oriented employment in the areas where CI works. The remaining loan principal is due between July 2018 and July 2021 and bears interest at a 1.12% rate. The loan agreement has several covenants, including ratios regarding liquidity and debt-to-net assets.

The following schedule shows required future principal payments (in thousands) as of June 30, 2018:

Years ending June 30:	
2019	$ 219
2020	219
2021	219
2022	109
	$ 766

Interest expense for the years ended June 30, 2018 and 2017, was $12,000 and $13,000, respectively.

Note 9. Grants Payable

CI enters into grant agreements with various domestic and foreign non-governmental organizations. For agreements considered to be contributions, CI expenses the grant obligation and records the corresponding liability when the grant agreements are signed because the grants are unconditional. For agreements considered to be exchange transactions, CI recognizes the liability based on expenses incurred by grantees over the reporting period. As of June 30, 2018 and 2017, CI's total grant payable were approximately $4,653,000 and $7,617,000, respectively. CI disburses grant funds to grant recipients based upon the recipients' cash needs and does not schedule these payments in advance. CI estimates that the majority of this balance will be paid to recipients within the next fiscal year, so no discount on these payments is calculated.

Note 10. Board-Designated and Permanently Restricted Net Assets

Management has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, CI classifies as permanently restricted net assets: (a) the original value of permanently restricted cash contributions and (b) the discounted value of the future permanently restricted cash contributions. The remaining portion of the donor-restricted cash contributions are classified as temporarily restricted net assets until those amount are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CI considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- The purpose of CI and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

All earnings from the donor-restricted endowment funds are reflected as temporarily restricted net assets, until appropriated for program expenditures.

CI's endowment funds consist of the following at June 30, 2018 and 2017 (in thousands):

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 10,818	$ 13,318	$ 24,136
Board designated endowment funds	12,559	-	-	12,559
	$ 12,559	$ 10,818	$ 13,318	$ 36,695

Note 10. Board-Designated and Permanently Restricted Net Assets (Continued)

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 9,865	$ 13,317	$ 23,182
Board designated endowment funds	11,189	-	-	11,189
	$ 11,189	$ 9,865	$ 13,317	$ 34,371

Endowment fund activity for the years ended June 30, 2018 and 2017, consists of the following (in thousands):

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 11,189	$ 9,865	$ 13,317	$ 34,371
Investment return:				
Interest and dividends	98	206	-	304
Realized and unrealized gains on investments, net	854	1,782	-	2,636
Amounts appropriated for expenditure	(513)	(1,035)	-	(1,548)
Contributions	931	-	1	932
Endowment net assets, end of year	$ 12,559	$ 10,818	$ 13,318	$ 36,695

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 9,906	$ 7,189	$ 13,315	$ 30,410
Investment return:				
Interest and dividends	135	278	-	413
Realized and unrealized gains on investments, net	1,675	3,468	-	5,143
Amounts appropriated for expenditure	(527)	(1,070)	-	(1,597)
Contributions	-	-	2	2
Endowment net assets, end of year	$ 11,189	$ 9,865	$ 13,317	$ 34,371

Note 10. Board-Designated and Permanently Restricted Net Assets (Continued)

Endowment funds are invested in the following manner as of June 30, 2018 and 2017 (in thousands):

	2018	2017
Common stocks	$ 17,197	$ 20,312
Alternative investments	12,099	10,305
Fixed income	3,655	2,692
Mutual funds	1,767	-
Commodities	1,068	1,062
Money market funds	909	-
	$ 36,695	$ 34,371

Investment and spending policies: CI has adopted 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. CI's spending and investment policies work together to achieve this objective through diversification of asset classes. The current long-term return objective is to generate a return that supports a 5% spending rate, while generating sufficient return to maintain the purchasing power of the corpus of the funds.

To satisfy its long-term rate of return objectives, CI 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). CI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of appropriations annually distributed from CI's various endowed funds for grant making and administration. The current spending policy is to distribute the lesser of the accumulated earnings or 5% of the total endowment assets' average balance of the preceding calendar year. If economic indicators suggest a downturn in investments, CI may choose to reduce the spending percentage to ensure the corpus is preserved.

Annual returns in excess of spending are re-invested in the endowment assets. In the event that an endowment fund experiences investment losses in a particular year, these losses will be attributed to that fund.

Unspent earnings on permanently restricted net assets, net of expenses incurred, totaled approximately $10,818,000 and $9,865,000 at June 30, 2018 and 2017, respectively, and are included in temporarily restricted net assets.

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets are funds with purpose or time stipulations imposed by the donor. During the year ended June 30, 2018, there were $124,358,000 in new temporarily restricted net assets and $136,074,000 released from restriction. Temporarily restricted net assets also incurred a net loss due to foreign currency translations. These activities resulted in a $286,467,000 temporarily restricted net asset balance as of June 30, 2018, consisting of the following balances by program (in thousands):

	June 30, 2017	Operating Additions	Operating Releases	Non-Operating Activity	Reclassifications	June 30, 2018
Management and Operations *	$ 213,454	$ 5,527	$ (7,118)	$ (862)	$ 39	$ 211,040
Grantmaking Divisions	54,380	35,749	(40,844)	36	-	49,321
Country, Regional, and Ocean	22,523	49,971	(57,083)	26	-	15,437
Other Programs	3,149	5,076	(3,790)	-	(39)	4,396
Moore Center for Science	2,688	8,085	(7,988)	(2)	-	2,783
Communications	4	11,770	(9,732)	-	-	2,042
Center for Environmental Leadership in Business	1,511	2,149	(2,534)	-	-	1,126
Policy	1,276	6,031	(6,985)	-	-	322
	$ 298,985	$ 124,358	$ (136,074)	$ (802)	$ -	$ 286,467

* This amount is restricted due to time or is unallocated flexible funding for future years.

During the year ended June 30, 2017, there were $127,465,000 in new temporarily restricted net assets and $124,268,000 released from restriction. Temporarily restricted net assets also incurred a net gain due to foreign currency translations. These activities resulted in a $298,985,000 temporarily restricted net asset balance as of June 30, 2017, consisting of the following balances by program (in thousands):

	June 30, 2016	Operating Additions	Operating Releases	Non-Operating Activity	Reclassifications	June 30, 2017
Management and Operations *	$ 171,914	$ 48,800	$ (8,916)	$ 1,656	$ -	$ 213,454
Grantmaking Divisions	-	3,728	(2,723)	-	53,375	54,380
Country, Regional, and Ocean	37,027	43,787	(57,004)	(31)	(1,256)	22,523
Other Programs	370	7,065	(4,067)	-	(219)	3,149
Moore Center for Science	6,388	7,343	(12,329)	1	1,285	2,688
Center for Environmental Leadership in Business	2,091	1,414	(1,994)	-	-	1,511
Policy	4,687	3,270	(6,682)	-	1	1,276
Communications	2,938	4,752	(7,656)	-	(30)	4
Ecosystem Finance	68,684	7,306	(22,897)	63	(53,156)	-
	$ 294,099	$ 127,465	$ (124,268)	$ 1,689	$ -	$ 298,985

* This amount is restricted due to time or is unallocated flexible funding for future years.

Note 12. Retirement Plans

Eligible U.S. paid employees participate in a defined contribution retirement plan. CI matches employee contributions up to 6% of basic salary. Contributions made by CI during the years ended June 30, 2018 and 2017, amounted to approximately $1,844,000 and $1,797,000, respectively.

Note 12. Retirement Plans (Continued)

CI has established an International Retirement Savings Plan (IRSP) for in-country staff working in CI's field offices. CI adopted the IRSP with an effective participation date of January 1, 2001. In accordance with the IRSP, CI makes annual contributions of 3% of each eligible staff person's annual salary. Contributions for the years ended June 30, 2018 and 2017, were $218,000 and $128,000, respectively. As of June 30, 2018 and 2017, CI's accumulated liability was $1,219,000 and $1,028,000, respectively, which is included in accrued salaries, vacation and employee benefits in the accompanying consolidated balance sheets. An independently-managed investment fund accumulating vested and non-vested CI contributions is included within investments in the accompanying consolidated balance sheets.

CI's Board of Directors has established a Section 457(b) supplemental employee retirement plan (the Plan). Under the terms of the Plan, eligible employees elect to deposit a percentage of their compensation into the Plan, subject to Internal Revenue Service (IRS) limits. Employee deposits and accumulations are accounted for as an asset and offsetting liability on CI's balance sheets until they are distributed to the participants. The amount of deposits and related accumulations were $48,000 and $27,000 at June 30, 2018 and 2017, respectively.

Note 13. Related Party Transactions

During the year ended June 30, 2011, CI-Brazil, an affiliate of CI, entered into a purchase and sale commitment with a related party to sell Rio Negro Comercio, Servicos e Turismo, a property consisting of a lodge situated on 7,647 hectares in the state of Mato Grosso do Sul protected area for the amount of Brazilian Real 7,200,000. The property was appraised by an independent appraiser, and was advertised for sale in a prominent Brazilian newspaper. The sale price was consistent with the appraised price and was the most favorable price offered. Under the terms of the sale, the buyer: (i) may not subdivide the land, (ii) will provide CI-Brazil and other offices of CI the right of first refusal to re-purchase the land in the event that the buyer decides to sell the land and (iii) requires any third party purchaser not to subdivide the land in the event that CI-Brazil decides not to exercise its right of first refusal to re-purchase the land. Additionally, CI will retain the right to have access to the land for training and research purposes. The execution of the deed of purchase and sale of the land is subject to several conditions and the sale will not be recorded until the conditions are met and title is transferred. From the total sale price agreed, funds of Brazilian Real 5,000,000 were paid by the buyer to CI-Brazil as "earnest money" and the remaining amount shall be paid by the buyer, monetarily corrected by Brazilian inflation, when the deed of purchase and sale is executed by the parties after the conditions set forth in the purchase and sale commitment are met. The earnest money received by CI is included in deferred revenue as of June 30, 2018 and 2017.

During the year ended June 30, 2018, CI assisted in the legal and operating activities needed to establish and support the setup of a related party as a new 501(c)(3) organization. Additionally, CI entered into a services agreement with the related party to provide technical and programmatic services while the related party built its capacity as an independent organization. This organization's mission, which CI shares, places a specific focus on ensuring indigenous peoples have the economic power and cultural independence to steward, support, and protect their livelihoods and territories. For the year ended June 30, 2018, CI received $435,000 in contract revenue for services provided and $328,000 in grant revenue for work with indigenous people. At June 30, 2018, there is a remaining related party net receivable balance of $168,000.

Note 14. Commitments and Contingencies

Leases: CI leases office space in Arlington, Virginia; Seattle, Washington; Honolulu, Hawaii; and foreign countries. CI is also obligated under several non-cancelable leases for office equipment. In addition, CI holds land concessions in Guyana.

The lease for CI's Arlington, Virginia headquarters was signed on March 31, 2006, and began on December 1, 2006. On December 26, 2017, an amendment to the lease agreement was signed reducing the rentable square footage occupied by CI and cost per square foot of the lease. Additionally, the term of the lease was extended an additional fifteen years, expiring on November 30, 2036. During the year ended June 30, 2018, CI cancelled the letter of credit with Bank of America that was no longer required as a security deposit on its lease.

CI has entered into several noncancelable lease agreements, and the following is a schedule of future minimal payments by year (in thousands):

Years ending June 30:		
2019	$	4,424
2020		4,110
2021		3,840
2022		2,795
2023		2,144
Thereafter		31,436
	$	48,749

Total rent expense for the years ended June 30, 2018 and 2017, was approximately $4,648,000 and $4,926,000, respectively. Rent expense is recorded on a straight-line basis over the entire lease term. Lease incentives, including rent abatements, are being amortized over the remaining life of the lease. The unamortized portion of these incentives is included in accounts payable and accrued expenses on the accompanying consolidated balance sheets.

U.S. Federal Grants: CI receives grants from various agencies of the U.S. Government. Such grants are subject to audit and periodic reviews by grantor agencies. The ultimate determination of amounts received under the U.S. Government grants is based upon the allowance of costs reported to and accepted by the U.S. Government as a result of the audits. Until such audits have been accepted by the U.S. Government, there exists a potential contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

CI's undrawn letter of credit with the U.S. Government at June 30, 2018 and 2017, was approximately $3.4 million and $3.7 million, respectively. CI draws funds quarterly, based on the prior quarter's spending.

Litigation: CI is involved in various claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on its consolidated financial position, changes in net assets or cash flows.

Self-Insured Health Plan: CI has a self-insured health insurance plan for its employees and their qualifying dependents. CI holds stop-loss insurance coverage, which limits CI's liability to an aggregate maximum claim liability per policy year of $1,000,000 and $150,000 per individual claim. At June 30, 2018 and 2017, the Foundation had medical claims accruals of approximately $296,000 and $241,000, respectively, which are included in accrued salaries, vacation and employee benefits on the accompanying consolidated balance sheets.

Note 15. Analysis of Field Program Expenses

The following is a breakdown by region of country and regional program related expenses (in thousands):

	2018	2017
South and Central America	$ 29,120	$ 27,746
Asia Pacific	17,157	19,109
Africa and Madagascar	13,258	10,798
Oceans	5,284	5,566
Greater China	2,858	3,448
	$ 67,677	$ 66,667

Note 16. Subsequent Events

In October 2018, the conditions surrounding the sale of the Rio Negro Comercio property (Note 13) to a related party were met and the buyer has agreed to pay the remaining amount of Brazilian Real 2,200,000, adjusted for the IGP-M (General Market Price) inflation index to complete the sale. The gain on the sale of the asset will be recognized upon transfer of title to the buyer.

Independent Auditor's Report on the Supplementary Information

Board of Directors
Conservation International Foundation

We have audited the consolidated financial statements of Conservation International Foundation and Affiliates (CI) as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

RSM US LLP

McLean, Virginia
December 28, 2018

Conservation International Foundation and Affiliates

Consolidating Balance Sheet
June 30, 2018
(In Thousands)

	Headquarters	Country and Regional: Affiliate Offices	Country and Regional: Branch Offices	Total
Assets				
Cash and cash equivalents	$ 56,801	$ 7,707	$ 5,034	$ 69,542
Investments	251,145	-	2	251,147
Grants and promises to give, net	32,585	1,940	913	35,438
Project advances to partners	5,329	-	-	5,329
Grant advances	2,147	257	804	3,208
Notes receivable, net	300	-	-	300
Prepaid expenses and other assets	2,710	309	625	3,644
Property and equipment, net	2,315	1,960	96	4,371
Total assets	$ 353,332	$ 12,173	$ 7,474	$ 372,979
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 3,941	$ 537	$ 1,018	$ 5,496
Accrued salaries, vacation and employee benefits	5,278	1,261	2,570	9,109
Notes payable, net	766	-	-	766
Grants payable	4,236	34	383	4,653
Deferred revenue	30,114	2,902	2,803	35,819
Due from (to) accounts	(523)	1,322	(799)	-
Total liabilities	43,812	6,056	5,975	55,843
Commitments and contingencies				
Net assets:				
Unrestricted:				
Operating	3,086	1,706	-	4,792
Board-designated endowment	12,559	-	-	12,559
Total unrestricted	15,645	1,706	-	17,351
Temporarily restricted	280,557	4,411	1,499	286,467
Permanently restricted	13,318	-	-	13,318
Total net assets	309,520	6,117	1,499	317,136
Total liabilities and net assets	$ 353,332	$ 12,173	$ 7,474	$ 372,979

Conservation International Foundation and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018
(In Thousands)

	Country, Regional, and Ocean	Grantmaking Divisions	Moore Center for Science	Policy	Communications	Center for Environmental Leadership in Business	Other Programs	Management and Operations	Fundraising	Total
Salaries and benefits	$ 32,311	$ 5,798	$ 5,771	$ 4,117	$ 2,460	$ 3,093	$ 3,095	$ 10,040	$ 8,027	$ 74,712
External grants	10,949	27,218	798	41	-	-	223	-	-	39,229
Professional services	9,769	1,486	546	290	1,555	506	388	1,510	1,977	18,027
Travel, meetings, and events	7,562	765	819	929	843	415	386	556	2,014	14,289
Occupancy	2,825	482	573	344	320	274	325	974	608	6,725
Equipment and furniture	2,404	94	116	31	56	31	33	937	57	3,759
Depreciation and amortization	527	68	78	47	31	38	40	117	78	1,024
Other expenses	1,330	87	128	128	121	61	112	269	227	2,463
	$ 67,677	$ 35,998	$ 8,829	$ 5,927	$ 5,386	$ 4,418	$ 4,602	$ 14,403	$ 12,988	$ 160,228