

Island Conservation

Financial Statements

December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Island Conservation

Report on the Financial Statements

We have audited the accompanying financial statements of Island Conservation (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Island Conservation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BAKER TILLY US, LLP*Baker Tilly US, LLP*

San Francisco, California

September 30, 2021

ISLAND CONSERVATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 3,019,773	\$ 1,801,215
Grants receivable - due in less than one year	3,393,888	1,792,405
Contracts receivable	872,892	525,646
Employee Retention Credit (ERC) receivable	132,649	-
Other receivables	-	3,442
Prepaid expenses	35,708	70,748
Investments	822,303	-
Other current assets	711	9,795
Total current assets	<u>8,277,924</u>	<u>4,203,251</u>
Non-Current Assets		
Grants receivable beyond one year	1,032,908	212,200
Deposits	12,321	12,321
Total assets	<u>\$ 9,323,153</u>	<u>\$ 4,427,772</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 226,738	\$ 126,608
Accrued vacation	221,090	264,268
Grant advances	251,648	278,689
Total liabilities	<u>699,476</u>	<u>669,565</u>
Net Assets		
Without donor restrictions	2,776,657	1,805,512
With donor restrictions	5,847,020	1,952,695
Total net assets	<u>8,623,677</u>	<u>3,758,207</u>
Total liabilities and net assets	<u>\$ 9,323,153</u>	<u>\$ 4,427,772</u>

ISLAND CONSERVATION
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

	<u>2020</u>			<u>2019</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Foundation and community grants	\$ 1,029,882	\$ 7,111,841	\$ 8,141,723	\$ 1,441,072	\$ 3,816,375	\$ 5,257,447
Government grants - federal	221,830	-	221,830	647,661	-	647,661
Contract income	2,040,193	-	2,040,193	536,292	-	536,292
Contributions	1,001,247	-	1,001,247	194,826	-	194,826
In-kind contributions	-	-	-	4,975	-	4,975
Grant revenue - Paycheck Protection Program (PPP)	442,615	-	442,615	-	-	-
Grant revenue - Employee Retention Credit (ERC)	132,649	-	132,649	-	-	-
Other income (loss)	(9,407)	-	(9,407)	33,106	-	33,106
Net assets released from restrictions:						
Purpose or time restrictions met	3,217,516	(3,217,516)	-	3,759,540	(3,759,540)	-
TOTAL SUPPORT AND REVENUE	<u>8,076,525</u>	<u>3,894,325</u>	<u>11,970,850</u>	<u>6,617,472</u>	<u>56,835</u>	<u>6,674,307</u>
EXPENSES						
Program services	5,042,930	-	5,042,930	4,970,724	-	4,970,724
Supporting services:						
Administration	1,320,683	-	1,320,683	1,190,093	-	1,190,093
Fundraising	741,767	-	741,767	800,541	-	800,541
TOTAL EXPENSES	<u>7,105,380</u>	<u>-</u>	<u>7,105,380</u>	<u>6,961,358</u>	<u>-</u>	<u>6,961,358</u>
Change in net assets	971,145	3,894,325	4,865,470	(343,886)	56,835	(287,051)
NET ASSETS - beginning of year	<u>1,805,512</u>	<u>1,952,695</u>	<u>3,758,207</u>	<u>2,149,398</u>	<u>1,895,860</u>	<u>4,045,258</u>
NET ASSETS - end of year	<u>\$ 2,776,657</u>	<u>\$ 5,847,020</u>	<u>\$ 8,623,677</u>	<u>\$ 1,805,512</u>	<u>\$ 1,952,695</u>	<u>\$ 3,758,207</u>

ISLAND CONSERVATION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2020

	Program Services	Supporting Services		Common Costs	Total
		Administration	Fundraising		
Salaries	\$ 2,270,583	\$ 820,468	\$ 517,576	\$ -	\$ 3,608,627
Consultants and professional fees	947,750	135,764	14,564	72,426	1,170,504
Employee benefits	427,389	121,127	55,711	-	604,227
Supplies	421,733	767	551	31,775	454,826
Grants to others	326,963	-	-	-	326,963
Payroll taxes	187,538	63,627	31,901	-	283,066
Travel and transportation	172,211	9,568	38,531	-	220,310
Occupancy	-	-	-	116,547	116,547
Telephone	-	-	360	63,355	63,715
Postage and shipping	53,081	1,516	1,685	-	56,282
Books and subscriptions	6,585	30,642	8,567	-	45,794
Insurance	-	-	-	44,499	44,499
Bank and payroll fees	3,946	30,289	5,135	-	39,370
Charters	10,434	-	9,204	-	19,638
Utilities	-	-	-	17,373	17,373
Licenses and fees	3,919	5,825	428	-	10,172
Equipment, repairs and maintenance	7,903	-	-	-	7,903
Professional development	6,690	414	728	-	7,832
Printing and duplication	3,152	2,454	75	-	5,681
Recruitment	-	2,051	-	-	2,051
Allocation of common costs	193,053	96,171	56,751	(345,975)	-
TOTAL EXPENSES	\$ 5,042,930	\$ 1,320,683	\$ 741,767	\$ -	\$ 7,105,380

ISLAND CONSERVATION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019

	Program Services	Supporting Services		Common Costs	Total
		Administration	Fundraising		
Salaries	\$ 2,163,784	\$ 661,333	\$ 467,295	\$ -	\$ 3,292,412
Consultants and professional fees	659,388	107,095	5,316	49,666	821,465
Travel and transportation	597,222	83,851	82,546	-	763,619
Employee benefits	417,075	127,750	69,865	-	614,690
Supplies	372,551	11,753	11,390	25,857	421,551
Payroll taxes	175,540	54,569	43,379	-	273,488
Grants to others	218,988	-	-	-	218,988
Occupancy	3,673	-	320	142,368	146,361
Charters	20,827	-	60,727	-	81,554
Telephone	7,753	-	48	66,532	74,333
Insurance	4,889	48	421	47,335	52,693
Postage and shipping	45,212	1,202	2,466	-	48,880
Bank and payroll fees	5,406	38,016	1,866	-	45,288
Books and subscriptions	10,655	18,731	14,967	-	44,353
Professional development	7,954	9,279	2,773	-	20,006
Printing and duplication	3,370	8,695	116	-	12,181
Utilities	-	-	-	11,680	11,680
Depreciation	-	-	-	5,643	5,643
Licenses and fees	1,410	2,640	1,477	-	5,527
Equipment repairs and maintenance	4,684	217	293	-	5,194
Animal care	1,452	-	-	-	1,452
Allocation of common costs	248,891	64,914	35,276	(349,081)	-
TOTAL EXPENSES	\$ 4,970,724	\$ 1,190,093	\$ 800,541	\$ -	\$ 6,961,358

ISLAND CONSERVATION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,865,470	\$ (287,051)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donated securities	(822,303)	-
Depreciation	-	5,643
(Increase) decrease in operating assets:		
Contracts and grants receivable	(2,769,437)	(1,173,749)
Other receivables	(129,207)	(3,442)
Prepaid expenses	35,040	13,834
Other current assets	9,084	7,372
Deposits	-	(2,720)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	100,130	(171,826)
Accrued vacation	(43,178)	36,532
Grant advances	(27,041)	278,689
Net cash provided by (used in) operating activities	1,218,558	(1,296,718)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	792,764
Net cash provided by investing activities	-	792,764
Net increase (decrease) in cash and cash equivalents	1,218,558	(503,954)
CASH AND CASH EQUIVALENTS - beginning of the year	1,801,215	2,305,169
CASH AND CASH EQUIVALENTS - end of the year	\$ 3,019,773	\$ 1,801,215

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. ORGANIZATION

Island Conservation (the “Organization”) is a non-profit corporation founded in 1994 and incorporated in 1997. The Organization’s mission is to prevent extinctions by removing invasive species from islands. The Organization works around the globe in partnership with government and other non-governmental organizations (NGOs) to achieve its mission.

Working with these partners, the Organization’s staff scientists and island ecosystem recovery specialists work to: evaluate invasive species’ impact on native island animals and plants; determine feasibility of invasive species removal; design and implement plans to remove invasive species; and monitor the recovery of native island animals and natural systems after invasive species are removed.

The Organization is supported primarily through private and public grants and contributions. The Organization is headquartered in Santa Cruz, California and has satellite offices in: Boqueron, Puerto Rico; Honolulu, Hawaii; Kelowna, British Columbia; Santiago, Chile; Sydney, Australia; Galapagos, Ecuador; and Auckland, New Zealand.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization’s significant accounting policies follow:

Method of Accounting

The financial statements of the Organization have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed stipulations. The Board of Directors periodically designates a portion of these net assets for use on specific projects.

With Donor Restrictions

Net assets with donor restrictions represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time and net assets to be held in perpetuity as directed by donors. The Organization currently has no assets held in perpetuity.

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash balances and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable include unconditional commitments from various foundations that are recorded at the net realizable value of the amount expected to be collected by management. Grants receivable beyond one year are discounted using a risk-free discount rate. At December 31, 2020 and 2019, the discount on long-term receivables was immaterial to the financial statements. All receivables are deemed fully collectible at December 31, 2020 and 2019.

Property, Equipment and Depreciation

Property and equipment are recorded at cost when purchased and fair value when received as a donation. Depreciation is provided over the estimated useful lives of the respective assets, using the straight-line method of depreciation. Repairs and maintenance are charged to expense as incurred. A workable unit with a cost or basis of \$5,000 or more is considered a fixed asset and accordingly capitalized.

Income Tax Status

The Organization is recognized as a public charity exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code sections of the California Revenue and Taxation Code, is subject to income tax. Management believes that all of the Organization's activities were directly related to its exempt purpose.

Each year, management considers whether the Organization has any uncertain tax positions that require recognition in the financial statements; including whether the Organization has engaged in any activities that could affect the Organization's income tax status or result in taxable income. Management believes that any positions the Organization has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Management has determined that the Organization does not have any material uncertain tax positions that require recognition or disclosure in the financial statements.

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Grants and Contributions

Contributions are recognized under Accounting Standards Codification (“ASC”) 958-605 when the donor makes a promise to the Organization that is, in substance, unconditional. The Organization 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. 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 statement of activities as net assets released from restrictions.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Conditional grants with donor restrictions for which the conditions and restrictions are met simultaneously are reported as revenues without donor restrictions.

In-Kind Contributions

Gifts of property and equipment are recorded as increases in net assets without donor restrictions unless explicit donor stipulations specify how the donated asset 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 increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained; the Organization reports expirations of donor restrictions when long-lived assets are placed in service. There were no gifts of property and equipment for the years ended December 31, 2020 and 2019.

The Organization records contributed professional services and materials at their estimated fair value on the date of receipt. Contributed services are recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses, or additions to property and equipment.

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contract Income

Revenue recognition for contract income is first evaluated under ASC 958-605, *Not-for-profit Entities – Revenue Recognition*, in order to determine whether commensurate value is exchanged. When the Organization determines commensurate value is exchanged in the contract, revenue is recognized under ASC 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Contract income consists of cost reimbursement contracts and fees for services contracts depending on the terms of the contract.

Cost reimbursement contracts are recognized in accordance with ASC 958-605 (refer to *Grants and Contributions* section of Note 2) and are recognized when the condition of incurring allowable costs have been met.

Revenue is recognized for fee for service contracts when performance obligations under the terms of the contracts with the customers are satisfied. The Organization's performance obligation generally consists of the promise to provide a service to its customers. Control of the Organization's services is transferred over time as services are completed and accepted by a customer that meets the agreed-upon specifications. Once control is transferred to the customer, the Organization has completed its performance obligation, and revenue is recognized.

Revenue is based on the consideration specified in the contract for the exchange of services. Payment terms are specified in the contract and there are no variable considerations.

The following table disaggregates the Organization's contract income based on the terms of the contract for the year ended December 31, 2020:

	2020
Cost reimbursement contracts (ASC 958-605)	\$ 2,202,023
Fees for services contracts (ASC 606)	60,000
	<u>\$ 2,262,023</u>
Recorded as:	
Federal grants	\$ 221,830
Contract income	<u>2,040,193</u>
	<u>\$ 2,262,023</u>

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant Advances

Conditional grants received in advance of the Organization fulfilling the condition are recorded as grant advances on the Statements of Financial Position.

Investments

Investments consist principally of donated securities, which are recorded at fair value based on quoted market prices. The Organization has a policy to liquidate donated securities within one day.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its marketable investment securities, using a three-level hierarchy for fair value measurements, based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

Level 1 – inputs to the valuation methodology – quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology – quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.

Level 3 – inputs to the valuation methodology – unobservable and significant to the fair value measurement.

An asset's or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Allocation of Expenses

The costs of providing the Organization's programs and supporting services have been reported on a functional basis in the Statements of Activities and Statements of Functional Expenses. The Organization considers the cost related to operation and maintenance of its office facilities, and certain professional fees to be common costs. These costs are allocated to activities benefited based on employee effort as reported by employees.

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates reflected in the Organization's financial statements include valuation and collectability of grants receivable and the functional allocation of expenses. Actual results may differ from these estimates.

Subsequent Events

Subsequent events were evaluated through September 30, 2021 which is the date the financial statements were available to be issued (refer to Note 11).

Recently Issued Accounting Standards

During February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) will be effective for the Organization for the year ending December 31, 2022. Early adoption is permitted. The Organization is currently evaluating the timing of its adoption of Topic 842 (as amended) and its impact on its financial statements.

During June 2016, FASB issued Accounting Standards Update ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU 2016-13 (as amended) will be effective for the Organization for the year ending December 31, 2022. Early adoption is permitted. The Organization is currently evaluating the timing of its adoption of ASU 2016-13 (as amended) and its impact on its financial statements.

During September 2020, FASB issued ASU 2020-07, *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. ASU 2020-07 will be effective for the Organization for the year ending December 31, 2022. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the effect that ASU 2020-07 will have on its financial statements.

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain amounts in the prior year financial statements were reclassified to conform with the current year presentation.

3. NEW ACCOUNTING PRONOUNCEMENT

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance in U.S. GAAP. ASU 2014-09 and its amendments were included primarily in ASC 606. The Organization has adjusted the presentation of its financial statements accordingly.

The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. Revenue is recognized when control of the promised goods or services is transferred to customers. ASC 606 also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments used (refer to Note 2). The Organization adopted ASC 606 effective January 1, 2020, using the modified retrospective method applied to all customer contracts at the date of initial application. The adoption of ASC 606 did not have a material effect on the Organization's financial position or results of operations and there was no cumulative effect adjustment to the opening balance of net assets as of January 1, 2020 as a result of ASC 606 implementation.

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Island Conservation monitors weekly the availability of resources required to meet its operating needs as well as other contractual commitments, while also maximizing the investment of its available funds. Island Conservation has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit that are staggered, and a line of credit if needed (refer to Note 9).

In addition to financial assets available to meet general expenditures, Island Conservation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted revenue.

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

As of December 31, 2020 and 2019, the following tables show the total financial assets held by the Organization and the amounts of those financial assets could be readily made available within one year of the statement of financial position date to meet general expenditures.

Financial assets at:	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash equivalents	\$ 3,019,773	\$ 1,801,215
Grants receivable	4,426,796	2,004,605
Contracts receivable	872,892	525,646
ERC receivable	132,649	-
Other receivables	-	3,442
Investments	<u>822,303</u>	<u>-</u>
Total financial assets	9,274,413	4,334,908
Less: net assets with donor restrictions	<u>(5,847,020)</u>	<u>(1,952,695)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,427,393</u>	<u>\$ 2,382,213</u>

The Organization considers all expenditures related to its ongoing program, administration and general and fundraising activities to be general expenditures.

5. CONCENTRATION OF CREDIT RISK

Concentrations of credit risk primarily includes cash and cash equivalents, grants receivable and investments.

Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Certain investment accounts are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

At December 31, 2020 and 2019, approximately 34% and 89%, respectively, of receivables were due from two and four grantors, respectively. During the year ended December 31, 2020 and 2019, 25% and 32% of foundation and community grants support came from one and two donors, respectively.

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

6. GRANTS RECEIVABLE

At December 31, 2020 and 2019, grants receivable were expected to be collected in the following periods:

	<u>2020</u>	<u>2019</u>
In one year or less	\$ 3,393,888	\$ 1,792,405
Between one year to five years	<u>1,032,908</u>	<u>212,200</u>
Grants receivable, net	<u>\$ 4,426,796</u>	<u>\$ 2,004,605</u>

7. EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan Act (ARPA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before January 1, 2022. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The Organization qualified for the ERC as its operations were partially suspended during 2020 due to orders from government authorities limiting certain of its activities due to COVID-19. The Organization averaged less than 100 full-time employees (FTEs) during 2019, therefore, it was considered a small employer during 2020. As a small employer, all of the Organization's otherwise qualified wages were eligible for the ERC. For 2020, the ERC equaled 50 percent of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit for each employee of \$5,000.

The Organization accounts for this federal funding in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met. The Organization will claim credits of \$132,649 on timely filed forms 941 which are included in Grant Revenue - ERC in the statement of activities for the year ended December 31, 2020. As of December 31, 2020, the Organization had an ERC receivable of \$132,649.

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

8. PROPERTY AND EQUIPMENT

At December 31, 2020 and 2019, property and equipment consisted of:

	<u>2020</u>	<u>2019</u>
Project related equipment	\$ 149,236	\$ 149,236
Leasehold improvements	29,025	29,025
Software	<u>59,809</u>	<u>59,809</u>
Total property and equipment	238,070	238,070
Less: accumulated depreciation	<u>(238,070)</u>	<u>(238,070)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

9. FAIR VALUE MEASUREMENTS

At December 31, 2020, investments at fair value consisted of the following:

	<u>2020</u>
	<u>Fair Value</u>
	<u>(Level 1)</u>
U.S. Common Stock	<u>\$ 822,303</u>

There were no investments held at December 31, 2019.

10. LINE OF CREDIT

The Organization has a line of credit in the amount of \$750,000 with a financial institution which matures on April 10, 2022. The line of credit is secured by all accounts, contract rights, chattel paper, general intangibles, equipment and other rights to payments of every kind and bears interest at prime plus 1%, with a floor of 5%. The line was not accessed during the years ended December 31, 2020 and 2019, and at December 31, 2020 and 2019, there was no outstanding balance.

ISLAND CONSERVATION
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11. PAYCHECK PROTECTION PROGRAM

On April 25, 2020, the Organization received proceeds in the amount of \$442,615 under the Paycheck Protection Program (“PPP”) which was established as part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act and is administered through the Small Business Administration (“SBA”). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Organization initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

As of December 31, 2020, the Organization had expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP, therefore, the Organization has recorded grant revenue - PPP of \$442,615 within its statement of activities for the year-end December 31, 2020.

On January 14, 2021, the Organization received notice from the SBA that it has forgiven \$442,615 of the PPP proceeds.

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

12. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020 and 2019, net assets with donor restrictions were available for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to time restrictions:		
Time	\$ 760,000	\$ 460,000
Subject to purpose restrictions:		
Chanaral	-	9,180
Data	-	14,100
Farallons	15,000	-
Floreana island	861,532	24,313
Gbird	270,467	-
Global Comms	17,417	49,600
Goat Islands	15,280	-
Gough/Henderson	13,423	53,000
Hawaii	-	5,526
Juan Fernandez archipelago	397,617	-
Kawau	-	3,242
Kamaka	5,000	-
Kayangel	52,627	-
Midway	262,462	135,000
North America	15,000	-
Ngeruktabel	-	28,089
Palau	20,897	30,000
Palmyra	154,322	262,500
PEW Marine	381,831	-
Rat Contraception	332,741	-
Seabirds	1,489,564	179,671
Senestech Trail	-	250,000
Sutton GNP and Floreana	6,868	-
Tetiaroa	20,000	-
Ulithi	163,421	215,816
Various islands	113,077	201,436
Wallis Islets	478,474	-
Wallis et Futuna	-	31,222
	<u>\$ 5,847,020</u>	<u>\$ 1,952,695</u>

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

12. NET ASSETS WITH DONOR RESTRICTIONS (continued)

At December 31, 2020 and 2019, net assets with donor restrictions released for donor restricted program expenses incurred were as follows:

	<u>2020</u>	<u>2019</u>
Blue action fund	10,950	-
Chanaral	9,180	15,820
Chile	-	35,647
Cocos	26,750	-
Conservation matters	50,000	-
COVID - 19	10,000	-
Data	14,100	900
Desecheo	-	7,403
DEI	50,000	-
Floreana island	210,447	1,554,609
Gbird	65,862	-
Glispa	38,000	-
Global Comms	32,185	52,754
Gough/Henderson	39,577	-
Hawaii	10,526	194,518
Innovation	-	10,000
Juan Fernandez archipelago	60,647	21,000
Kawau	-	23,998
Kayangel	-	49,721
Leadership development	-	60,000
Marquesas	-	1,050
Midway	262,538	15,130
Mona	-	7,000
Multiple projects	200,000	-
Ngeruktabel	28,089	-
North America	7,600	-
Palau	9,103	71,503
Palmyra	108,178	-
PEW Marine	379,388	-
Rat Contraception	142,259	-
Seabirds	691,755	1,061,330
Seymour Norte	-	45,000
SWP PS	-	7,300
Sutton GNP and Floreana	34,046	-
Time	550,000	150,000
Ulithi	53,340	224,534
Various islands	89,017	103,000
Wallis et Futuna	-	47,323
Wallis Islets	33,979	-
	<u>\$ 3,217,516</u>	<u>\$ 3,759,540</u>

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

13. CONDITIONAL PROMISES TO GIVE

At December 31, 2020 and 2019 grants and contributions amounting to \$9,745,526 and \$8,383,620, respectively, have not been recognized in the accompanying financial statements because of the condition(s) on which they depend have not been met. The conditions are as follows:

	<u>2020</u>	<u>2019</u>
Incur qualifying program expenses	\$ 7,156,414	\$ 6,012,475
Matching	2,589,112	2,371,145
	<u>\$ 9,745,526</u>	<u>\$ 8,383,620</u>

14. RETIREMENT PLAN

The Organization has established a simple IRA retirement plan, (the "Plan"). The Plan provides for an employer match of all employee elective deferrals up to 3% of compensation. For the years ended December 31, 2020 and 2019, the Organization matched 3% and, accordingly, contributed \$70,738 and \$58,140 respectively, to the Plan.

15. OPERATING LEASES

The Organization has several non-cancelable operating lease arrangements for its offices expiring at various times through June 2022. Future minimum lease payments for these arrangements at December 31, 2020 were as follows and are subject to annual adjustments of 2-6%:

<u>Year ending December 31,</u>	
2021	\$ 86,184
2022	<u>43,092</u>
	<u>\$ 129,276</u>

During the years ended December 31, 2020 and 2019, rent expense was \$116,550 and \$146,361, respectively.

ISLAND CONSERVATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

16. RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. In addition, as of March 2020, the California State Governor ordered the closure of the physical location of every business, except those identified in the “critical infrastructure sectors,” for a limited period of time during the year ended December 31, 2020. The outbreak has led to severe disruptions and uncertainty to economic conditions and credit and capital markets and funding sources. The Organization has responded to the outbreak and has developed contingency plans for operations depending on future developments. The duration and economic impact of the outbreak is uncertain but it is possible operations may be negatively impacted. The Organization will continue to monitor the situation closely, but given the uncertainty about the situation, management cannot estimate the impact to the financial statements.