

# **Island Conservation**

Financial Statements

December 31, 2022 and 2021

# Island Conservation

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December 31, 2022 and 2021

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## Independent Auditors' Report

To the Board of Directors of  
Island Conservation

### Opinion

We have audited the financial statements of Island Conservation (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

## **Other Information Included in the Organization's Annual Report**

Management is responsible for the other information included in the Organization's annual report. The other information comprises of Management's Report and Chairman's Statement but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Baker Tilly US, LLP*

San Francisco, California  
April 27, 2023

# Island Conservation

## Statements of Financial Position

December 31, 2022 and 2021

|  | <u>2022</u>          | <u>2021</u>         |
|--|----------------------|---------------------|
| <b>Assets</b>                                |                      |                     |
| <b>Current Assets</b>                        |                      |                     |
| Cash and cash equivalents                    | \$ 9,304,327         | \$ 5,655,308        |
| Grants receivable, due in less than one year | 3,167,114            | 2,262,638           |
| Employee Retention Credit (ERC) receivable   | -                    | 426,649             |
| Other receivables                            | 21,633               | 9,544               |
| Prepaid expenses                             | 149,680              | 218,554             |
| Investments                                  | 474,600              | 912,983             |
| Other current assets                         | 442                  | 839                 |
|  | <u>13,117,796</u>    | <u>9,486,515</u>    |
| <b>Noncurrent Assets</b>                     |                      |                     |
| Property and equipment, net                  | 41,263               | 50,683              |
| Grants receivable beyond one year, net       | -                    | 322,918             |
| Deposits                                     | 10,500               | 17,108              |
|  | <u>52,763</u>        | <u>390,709</u>      |
| Total assets                                 | <u>\$ 13,169,559</u> | <u>\$ 9,877,224</u> |
| <b>Liabilities and Net Assets</b>            |                      |                     |
| <b>Current Liabilities</b>                   |                      |                     |
| Accounts payable and accrued expenses        | \$ 338,613           | \$ 256,050          |
| Accrued vacation                             | 197,808              | 181,000             |
| Grant advances                               | 507,328              | 787,316             |
| Deferred revenue                             | -                    | 63,928              |
|  | <u>1,043,749</u>     | <u>1,288,294</u>    |
| Total liabilities                            | <u>1,043,749</u>     | <u>1,288,294</u>    |
| <b>Net Assets</b>                            |                      |                     |
| Without donor restrictions                   | 4,400,321            | 4,880,768           |
| With donor restrictions                      | 7,725,489            | 3,708,162           |
|  | <u>12,125,810</u>    | <u>8,588,930</u>    |
| Total net assets                             | <u>12,125,810</u>    | <u>8,588,930</u>    |
| Total liabilities and net assets             | <u>\$ 13,169,559</u> | <u>\$ 9,877,224</u> |

See notes to financial statements

## Island Conservation

### Statements of Activities

Years Ended December 31, 2022 and 2021

|  | 2022                          |                            |                      | 2021                          |                            |                     |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|---------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| <b>Support and Revenue</b>                     |                               |                            |                      |                               |                            |                     |
| Foundation and community grants                | \$ 1,399,858                  | \$ 8,422,285               | \$ 9,822,143         | \$ 2,432,334                  | \$ 4,991,509               | \$ 7,423,843        |
| Government grants, federal                     | -                             | 473,273                    | 473,273              | -                             | 316,906                    | 316,906             |
| Individual contributions                       | 307,330                       | 341,725                    | 649,055              | 250,832                       | -                          | 250,832             |
| Fee for service                                | 917,829                       | -                          | 917,829              | 271,936                       | -                          | 271,936             |
| Contributed nonfinancial assets                | 15,065                        | -                          | 15,065               | 7,541                         | -                          | 7,541               |
| Grant revenue, Employee Retention Credit (ERC) | -                             | -                          | -                    | 294,000                       | -                          | 294,000             |
| Loss on return of grant                        | -                             | -                          | -                    | -                             | (526,497)                  | (526,497)           |
| Other income (loss)                            | 18,000                        | -                          | 18,000               | (3,540)                       | -                          | (3,540)             |
| Net assets released from restrictions:         |                               |                            |                      |                               |                            |                     |
| Purpose or time restrictions met               | 5,219,956                     | (5,219,956)                | -                    | 6,920,776                     | (6,920,776)                | -                   |
| <b>Total support and revenue</b>               | <b>7,878,038</b>              | <b>4,017,327</b>           | <b>11,895,365</b>    | <b>10,173,879</b>             | <b>(2,138,858)</b>         | <b>8,035,021</b>    |
| <b>Expenses</b>                                |                               |                            | -                    |                               |                            |                     |
| Program services                               | 6,105,200                     | -                          | 6,105,200            | 6,011,884                     | -                          | 6,011,884           |
| Administration                                 | 1,455,778                     | -                          | 1,455,778            | 1,300,744                     | -                          | 1,300,744           |
| Fundraising                                    | 797,507                       | -                          | 797,507              | 757,140                       | -                          | 757,140             |
| <b>Total expenses</b>                          | <b>8,358,485</b>              | <b>-</b>                   | <b>8,358,485</b>     | <b>8,069,768</b>              | <b>-</b>                   | <b>8,069,768</b>    |
| <b>Change in net assets</b>                    | <b>(480,447)</b>              | <b>4,017,327</b>           | <b>3,536,880</b>     | <b>2,104,111</b>              | <b>(2,138,858)</b>         | <b>(34,747)</b>     |
| <b>Net Assets, Beginning</b>                   | <b>4,880,768</b>              | <b>3,708,162</b>           | <b>8,588,930</b>     | <b>2,776,657</b>              | <b>5,847,020</b>           | <b>8,623,677</b>    |
| <b>Net Assets, Ending</b>                      | <b>\$ 4,400,321</b>           | <b>\$ 7,725,489</b>        | <b>\$ 12,125,810</b> | <b>\$ 4,880,768</b>           | <b>\$ 3,708,162</b>        | <b>\$ 8,588,930</b> |

See notes to financial statements

## Island Conservation

Statement of Functional Expenses  
Year Ended December 31, 2022

|                                     | Program<br>Services | Supporting Services |                   | Total               |
|-------------------------------------|---------------------|---------------------|-------------------|---------------------|
|                                     |                     | Administration      | Fundraising       |                     |
| Salaries                            | \$ 1,985,373        | \$ 875,733          | \$ 498,767        | \$ 3,359,873        |
| Consultants and professional fees   | 1,130,556           | 150,256             | 34,000            | 1,314,812           |
| Grants to others                    | 1,029,302           | -                   | 3,500             | 1,032,802           |
| Travel and transportation           | 694,063             | 74,176              | 86,995            | 855,234             |
| Employee benefits and payroll taxes | 500,763             | 194,009             | 106,625           | 801,397             |
| Supplies                            | 394,508             | 22,197              | 9,594             | 426,299             |
| Insurance                           | 76,204              | 17,154              | 13,801            | 107,159             |
| Occupancy                           | 80,628              | 11,057              | 8,896             | 100,581             |
| Telephone                           | 52,821              | 11,676              | 8,529             | 73,026              |
| Postage and shipping                | 58,528              | 5,719               | 1,840             | 66,087              |
| Bank and payroll fees               | 2,210               | 62,103              | 1,591             | 65,904              |
| Utilities                           | 36,109              | 3,762               | 3,066             | 42,937              |
| Professional development            | 20,086              | 2,253               | 8,312             | 30,651              |
| Books and subscriptions             | 532                 | 13,321              | 7,893             | 21,746              |
| Depreciation                        | 20,399              | -                   | -                 | 20,399              |
| Equipment repairs and maintenance   | 16,776              | 1,705               | -                 | 18,481              |
| Printing and duplication            | 5,598               | 3,240               | 2,223             | 11,061              |
| Licenses and fees                   | 744                 | 3,832               | 780               | 5,356               |
| Recruitment                         | -                   | 3,585               | 1,095             | 4,680               |
| Total expenses                      | <u>\$ 6,105,200</u> | <u>\$ 1,455,778</u> | <u>\$ 797,507</u> | <u>\$ 8,358,485</u> |

See notes to financial statements

## Island Conservation

### Statement of Functional Expenses

Year Ended December 31, 2021

|                                     | Program<br>Services | Supporting Services |                   | Total               |
|-------------------------------------|---------------------|---------------------|-------------------|---------------------|
|                                     |                     | Administration      | Fundraising       |                     |
| Salaries                            | \$ 1,906,419        | \$ 832,831          | \$ 543,095        | \$ 3,282,345        |
| Consultants and professional fees   | 1,113,536           | 157,371             | 24,212            | 1,295,119           |
| Grants to others                    | 933,131             | -                   | -                 | 933,131             |
| Supplies                            | 718,421             | 15,477              | 15,106            | 749,004             |
| Travel and transportation           | 524,474             | 40,047              | 17,398            | 581,919             |
| Employee benefits and payroll taxes | 473,562             | 142,970             | 86,203            | 702,735             |
| Occupancy                           | 108,640             | 2,785               | 22,697            | 134,122             |
| Insurance                           | 38,107              | 31,817              | 7,398             | 77,322              |
| Telephone                           | 68,342              | 961                 | 7,921             | 77,224              |
| Equipment repairs and maintenance   | 42,719              | 1,149               | -                 | 43,868              |
| Bank and payroll fees               | 3,405               | 35,653              | 3,423             | 42,481              |
| Postage and shipping                | 35,119              | 1,806               | 2,189             | 39,114              |
| Books and subscriptions             | 6,055               | 15,303              | 15,439            | 36,797              |
| Utilities                           | 17,514              | 449                 | 3,659             | 21,622              |
| Professional development            | 11,488              | 2,598               | 1,246             | 15,332              |
| Printing and duplication            | 5,347               | 4,217               | -                 | 9,564               |
| Licenses and fees                   | 1,904               | 6,338               | 135               | 8,377               |
| Recruitment                         | 3,222               | 3,949               | -                 | 7,171               |
| Miscellaneous                       | 479                 | -                   | 7,019             | 7,498               |
| Depreciation                        | -                   | 5,023               | -                 | 5,023               |
| Total expenses                      | <u>\$ 6,011,884</u> | <u>\$ 1,300,744</u> | <u>\$ 757,140</u> | <u>\$ 8,069,768</u> |

See notes to financial statements



## Island Conservation

### Statements of Cash Flows

Years Ended December 31, 2022 and 2021

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| <b>Cash Flows From Operating Activities</b>  |                     |                     |
| Change in net assets   | \$ 3,536,880        | \$ (34,747)         |
| Adjustments to reconcile change in net assets to net cash provided by from operating activities: |                     |                     |
| Donated securities   | (474,600)           | (912,983)           |
| Depreciation   | 20,399              | 5,023               |
| (Increase) decrease in operating assets:   |                     |                     |
| Grants receivable  | (581,558)           | 2,714,132           |
| Employee Retention Credit (ERC) receivable   | 426,649             | (294,000)           |
| Other receivables  | (12,089)            | (9,544)             |
| Prepaid expenses   | 68,874              | (182,846)           |
| Other current assets   | 397                 | (128)               |
| Deposits   | 6,608               | (4,787)             |
| Increase (decrease) in operating liabilities:  |                     |                     |
| Accounts payable and accrued expenses  | 82,563              | 29,312              |
| Accrued vacation   | 16,808              | (40,090)            |
| Grant advances   | (279,988)           | 535,668             |
| Deferred revenue   | (63,928)            | 63,928              |
|  | <u>2,747,015</u>    | <u>1,868,938</u>    |
| Net cash provided by operating activities  |                     |                     |
| <b>Cash Flows From Investing Activities</b>  |                     |                     |
| Purchases of equipment   | (10,979)            | (55,706)            |
| Proceeds from sales of investments   | 912,983             | 822,303             |
|  | <u>902,004</u>      | <u>766,597</u>      |
| Net cash provided by investing activities  |                     |                     |
| Net increase in cash and cash equivalents  | 3,649,019           | 2,635,535           |
| <b>Cash and Cash Equivalents, Beginning</b>  | <u>5,655,308</u>    | <u>3,019,773</u>    |
| <b>Cash and Cash Equivalents, Ending</b>   | <u>\$ 9,304,327</u> | <u>\$ 5,655,308</u> |

See notes to financial statements

# Island Conservation

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Notes to Financial Statements  
December 31, 2022 and 2021

## 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 may designate 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.

### 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.

## Island Conservation

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Notes to Financial Statements  
December 31, 2022 and 2021

### Grants Receivable

Grants receivable include unconditional commitments from various foundations and government agencies 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. During the year ended December 31, 2022, there were no grants receivable beyond one year that were discounted. During the year ended December 31, 2021, grants receivable beyond one year were discounted at a rate of 1.6%. All receivables were deemed fully collectible at December 31, 2022 and 2021.

### 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.

### Revenue Recognition

#### Grants and Contributions

Contributions are recognized when the donor makes a promise to the Organization that is 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.

Foundation and community grants and contributions consist of cost reimbursement grants and unconditional grants depending on the terms of the agreement.

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.

## Island Conservation

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Notes to Financial Statements  
December 31, 2022 and 2021

### Contributed Nonfinancial Assets

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.

### Fee for Service Income

Revenue recognition for fee for service income is first evaluated in order to determine whether commensurate value is exchanged. When the Organization determines commensurate value is exchanged in the contract, revenue is recognized 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.

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.

Contract liabilities consist of unearned revenue from fee for service income. Contract liabilities at January 1, 2021 was \$0.

### 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 and marketable securities which are recorded at fair value based on quoted prices in active markets. The Organization has a policy to liquidate donated securities immediately.

### 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 - quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - 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.

## Island Conservation

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Notes to Financial Statements  
December 31, 2022 and 2021

Level 3 - 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.

### 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 April 27, 2023 which is the date the financial statements were available to be issued.

### Recently Issued Accounting Standards

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 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. The FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) will be effective for the Organization for the year ending December 31, 2023. Early adoption is permitted. The Organization is currently evaluating the timing of its adoption of ASU No. 2016-13 (as amended) and its impact on its financial statements.

### Reclassifications

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

## 3. New Accounting Pronouncements

During 2022, the Organization adopted Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Organization has adjusted the presentation of these financial statements accordingly.

## Island Conservation

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Notes to Financial Statements  
December 31, 2022 and 2021

Effective January 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), and all related amendments using the modified retrospective approach. The Organization's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Lease expense for the Organization's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Foundation's right-of-use assets.

The new standard also provides for several accounting policy elections as follows:

- The Foundation elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Foundation is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

At the date of adoption, the Organization evaluated its lease agreements to be immaterial and did not record a right-of-use asset.

#### **4. Liquidity and Availability of Financial Assets**

Island Conservation monitors 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, 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, 2022 and 2021

As of December 31, 2022 and 2021, 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.

|   | <u>2022</u>          | <u>2021</u>         |
|---|----------------------|---------------------|
| Financial assets at:  |                      |                     |
| Cash and cash equivalents   | \$ 9,304,327         | \$ 5,655,308        |
| Grants receivable   | 3,167,114            | 2,585,556           |
| ERC receivable  | -                    | 426,649             |
| Other receivables   | 21,633               | 9,544               |
| Investments   | 474,600              | 912,983             |
|   | <u>12,967,674</u>    | <u>9,590,040</u>    |
| Total financial assets  |                      |                     |
|   | 12,967,674           | 9,590,040           |
| Less grants receivable due in more than one year                        | <u>-</u>             | <u>(322,918)</u>    |
|   |                      |                     |
| Financial assets available to meet general expenditures within one year | <u>\$ 12,967,674</u> | <u>\$ 9,267,122</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.

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, 2022 and 2021, approximately 54% and 45%, of receivables were due from three and two grantors, respectively. During the year ended December 31, 2022 and 2021, 65% and 30% of foundation and community grants support came from three donors and two donors, respectively.

### 6. Grants Receivable

At December 31, 2022 and 2021, grants receivable were expected to be collected in the following periods:

|                                | <u>2022</u>         | <u>2021</u>         |
|--------------------------------|---------------------|---------------------|
| In one year or less            | \$ 3,167,114        | \$ 2,689,287        |
| Between one year to five years | -                   | 333,334             |
| Present value discount         | -                   | (10,416)            |
|                                | <u>3,167,114</u>    | <u>3,012,205</u>    |
| Grants receivable, net         | <u>\$ 3,167,114</u> | <u>\$ 3,012,205</u> |

## Island Conservation

Notes to Financial Statements  
December 31, 2022 and 2021

### 7. Property and Equipment

At December 31, 2022 and 2021, property and equipment consisted of:

|                               | <u>2022</u>      | <u>2021</u>      |
|-------------------------------|------------------|------------------|
| Project related equipment     | \$ 151,290       | \$ 146,608       |
| Leasehold improvements        | -                | 29,025           |
| Vehicle                       | 12,088           | 12,088           |
|                               | <hr/>            | <hr/>            |
| Total property and equipment  | 163,378          | 187,721          |
|                               | <hr/>            | <hr/>            |
| Less accumulated depreciation | (122,115)        | (137,038)        |
|                               | <hr/>            | <hr/>            |
| Property and equipment, net   | <u>\$ 41,263</u> | <u>\$ 50,683</u> |

### 8. Fair-Value Measurements

At December 31, 2022 and 2021, investments at fair value consisted of the following:

|                   | <u>2022</u>       | <u>2021</u>       |
|-------------------|-------------------|-------------------|
|                   | <u>Fair Value</u> | <u>Fair Value</u> |
|                   | <u>(Level 1)</u>  | <u>(Level 1)</u>  |
| U.S. Common Stock | <u>\$ 474,600</u> | <u>\$ 912,983</u> |

### 9. Line of Credit

The Organization has a line of credit in the amount of \$750,000 with a financial institution which matures on June 10, 2023. 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, 2022 and 2021, and at December 31, 2022 and 2021, there was no outstanding balance.

### 10. Net Assets With Donor Restrictions

At December 31, 2022 and 2021, net assets with donor restrictions were available for the following purposes:

|                                  | <u>2022</u>         | <u>2021</u>         |
|----------------------------------|---------------------|---------------------|
| Subject to purpose restrictions: |                     |                     |
| All staff retreat                | \$ 3,000            | \$ 20,700           |
| Island Ocean Connection          | 4,217,001           | -                   |
| Seabirds                         | 1,452,051           | 379,922             |
| Drones                           | 559,189             | 928,788             |
| Juan Fernandez                   | 333,019             | 344,336             |
| Midway                           | 300,067             | -                   |
| Wallis Islets                    | -                   | 357,666             |
| Rat contraception                | -                   | 286,217             |
| Other programs                   | 861,162             | 1,390,533           |
|                                  | <hr/>               | <hr/>               |
| Total                            | <u>\$ 7,725,489</u> | <u>\$ 3,708,162</u> |



## Island Conservation

Notes to Financial Statements  
December 31, 2022 and 2021

### 11. Net Assets Released From Donor Restrictions

At December 31, 2022 and 2021, net assets with donor restrictions released for donor restricted program expenses incurred were as follows:

|                    | <u>2022</u>         | <u>2021</u>         |
|--------------------|---------------------|---------------------|
| Time restricted    | \$ -                | \$ 760,000          |
| Purpose restricted | 5,219,956           | 6,160,776           |
|                    | <u>\$ 5,219,956</u> | <u>\$ 6,920,776</u> |

### 12. Conditional Promises to Give

At December 31, 2022 and 2021 grants and contributions amounting to \$8,512,892 and \$9,386,964, 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>2022</u>         | <u>2021</u>         |
|-----------------------------------|---------------------|---------------------|
| Incur qualifying program expenses | \$ 7,237,757        | \$ 7,825,343        |
| Matching                          | 1,275,135           | 1,561,621           |
| Total                             | <u>\$ 8,512,892</u> | <u>\$ 9,386,964</u> |

### 13. 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, 2022 and 2021, the Organization matched 3% and, accordingly, contributed \$60,468 and \$61,041 respectively, to the Plan.

### 14. Contributed Nonfinancial Assets

The Organization records various in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value using estimated prices when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

For the years ended December 31, 2022 and 2021, the Organization received donated goods consisting of the following:

| <b>Type of Contributions</b> | <u>Activity</u> | <u>2022</u> | <u>2021</u> |
|------------------------------|-----------------|-------------|-------------|
| Supplies                     | Program         | \$ 15,065   | \$ 7,541    |

## **Island Conservation**

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Notes to Financial Statements  
December 31, 2022 and 2021

### **15. Litigation**

The Organization is involved in various legal actions in the normal course of business. While the results of such proceedings cannot be predicted with certainty, management expects the ultimate resolutions of these matters will not have a material adverse effect on the Organization's financial position or results of operations.

### **16. Subsequent Events**

As discussed in Note 5, certain of the Organization's banking accounts exceed FDIC insured limits at times. With the recent developments in the banking sector beginning in March 2023 resulting in further credit risk for any uninsured balances held in a financial institution, the Organization is evaluating steps to mitigate its risk as it relates to cash in excess of FDIC limits.