

# **Island Conservation**

Financial Statements and  
Supplementary Information

December 31, 2023 and 2022

# Island Conservation

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December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023, and 2022, 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2024, on our consideration of the Organization'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 that report 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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

## **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  
May 20, 2024

# Island Conservation

Statements of Financial Position  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 903,008	\$ 9,304,327
Grants receivable	1,559,670	3,167,114
Other receivables	280,728	21,633
Prepaid expenses	173,979	149,680
Investments	6,070,157	474,600
Other current assets	37,665	442
	<u>9,025,207</u>	<u>13,117,796</u>
<b>Noncurrent Assets</b>		
Property and equipment, net	92,346	41,263
Deposits	11,400	10,500
Programmatic investments	80,000	-
	<u>183,746</u>	<u>51,763</u>
Total assets	<u>\$ 9,208,953</u>	<u>\$ 13,169,559</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 401,805	\$ 338,613
Accrued vacation	226,137	197,808
Grant advances	181,089	507,328
Deferred revenue	68,908	-
	<u>877,939</u>	<u>1,043,749</u>
Total liabilities	<u>877,939</u>	<u>1,043,749</u>
<b>Net Assets</b>		
Without donor restrictions	3,814,133	4,400,321
With donor restrictions	4,516,881	7,725,489
	<u>8,331,014</u>	<u>12,125,810</u>
Total net assets	<u>8,331,014</u>	<u>12,125,810</u>
Total liabilities and net assets	<u>\$ 9,208,953</u>	<u>\$ 13,169,559</u>

See notes to financial statements

## Island Conservation

### Statements of Activities

Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Foundation and community grants	\$ 751,367	\$ 4,267,657	\$ 5,019,024	\$ 1,399,858	\$ 8,422,285	\$ 9,822,143
Government grants, federal	-	1,213,454	1,213,454	-	473,273	473,273
Individual contributions	504,497	116,160	620,657	307,330	341,725	649,055
Fee for service	1,089,977	-	1,089,977	917,829	-	917,829
Contributed nonfinancial assets	272,040	-	272,040	15,065	-	15,065
Investment income, net	451,990	-	451,990	-	-	-
Other income	86,071	-	86,071	18,000	-	18,000
Net assets released from restrictions:						
Purpose or time restrictions met	8,805,879	(8,805,879)	-	5,219,956	(5,219,956)	-
Total support and revenue	11,961,821	(3,208,608)	8,753,213	7,878,038	4,017,327	11,895,365
<b>Expenses</b>						
Program services	10,115,368	-	10,115,368	6,105,200	-	6,105,200
Administration	1,554,206	-	1,554,206	1,455,778	-	1,455,778
Fundraising	878,435	-	878,435	797,507	-	797,507
Total expenses	12,548,009	-	12,548,009	8,358,485	-	8,358,485
Change in net assets	(586,188)	(3,208,608)	(3,794,796)	(480,447)	4,017,327	3,536,880
<b>Net Assets, Beginning</b>	4,400,321	7,725,489	12,125,810	4,880,768	3,708,162	8,588,930
<b>Net Assets, Ending</b>	\$ 3,814,133	\$ 4,516,881	\$ 8,331,014	\$ 4,400,321	\$ 7,725,489	\$ 12,125,810

See notes to financial statements

## Island Conservation

Statement of Functional Expenses  
Year Ended December 31, 2023

	Program Services	Supporting Services		Total
		Administration	Fundraising	
Salaries	\$ 2,348,382	\$ 876,716	\$ 579,285	\$ 3,804,383
Grants to others	2,477,288	2,000	-	2,479,288
Travel and transportation	1,630,123	107,214	52,889	1,790,226
Consultants and professional fees	1,446,988	167,614	48,031	1,662,633
Supplies	1,218,100	27,371	9,143	1,254,614
Employee benefits and payroll taxes	548,751	209,470	137,031	895,252
Business insurance	103,045	26,703	17,828	147,576
Postage and shipping	108,286	3,707	348	112,341
Utilities	78,464	16,576	12,478	107,518
Occupancy	70,087	8,492	5,622	84,201
Bank and payroll fees	5,576	76,278	1,299	83,153
Depreciation	37,038	-	-	37,038
Books and subscriptions	855	16,520	7,791	25,166
Professional development	14,294	3,004	2,050	19,348
Printing and duplication	10,947	1,327	4,640	16,914
Licenses and fees	10,831	1,451	-	12,282
Equipment repairs and maintenance	5,923	5,455	-	11,378
Recruitment	390	4,308	-	4,698
Total expenses	<u>\$ 10,115,368</u>	<u>\$ 1,554,206</u>	<u>\$ 878,435</u>	<u>\$ 12,548,009</u>

See notes to financial statements



## Island Conservation

Statement of Functional Expenses

Year Ended December 31, 2022

	Program	Supporting Services		Total
	Services	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
Business insurance	76,204	17,154	13,801	107,159
Occupancy	80,628	11,057	8,896	100,581
Telephone	88,930	15,438	11,595	115,963
Postage and shipping	58,528	5,719	1,840	66,087
Bank and payroll fees	2,210	62,103	1,591	65,904
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

### Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (3,794,796)	\$ 3,536,880
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donated securities	(20,306)	(474,600)
Depreciation	37,038	20,399
Realized and unrealized gains on investment	(267,142)	-
(Increase) decrease in operating assets:		
Grants receivable	1,607,444	(581,558)
Employee Retention Credit (ERC) receivable	-	426,649
Other receivables	(259,095)	(12,089)
Prepaid expenses	(24,299)	68,874
Other current assets	(37,223)	397
Deposits	(900)	6,608
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	63,192	82,563
Accrued vacation	28,329	16,808
Grant advances	(326,239)	(279,988)
Deferred revenue	68,908	(63,928)
	<u>(2,925,089)</u>	<u>2,747,015</u>
<b>Net cash from operating activities</b>		
<b>Cash Flows From Investing Activities</b>		
Purchases of equipment	(88,121)	(10,979)
Proceeds from sales of investments	18,829,921	912,983
Purchases of investments	(24,218,030)	-
	<u>(5,476,230)</u>	<u>902,004</u>
<b>Net cash from investing activities</b>		
	<u>(8,401,319)</u>	<u>3,649,019</u>
<b>Net change in cash and cash equivalents</b>		
	<u>9,304,327</u>	<u>5,655,308</u>
<b>Cash and Cash Equivalents, Beginning</b>		
	<u>\$ 903,008</u>	<u>\$ 9,304,327</u>
<b>Cash and Cash Equivalents, Ending</b>		

See notes to financial statements

# Island Conservation

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Notes to Financial Statements  
December 31, 2023 and 2022

## 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, 2023 and 2022

### Receivables

#### Allowance for Credit Losses

The Organization recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The Organization pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. Receivables are written off when the Organization determines that such receivables are deemed uncollectible.

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. There was no allowance for credit losses as of December 31, 2023. As of December 31, 2022, prior to the adoption of ASU No. 2016-13, all receivables were deemed collectible and no allowance for doubtful accounts was recorded.

#### Allowance for Doubtful Accounts

The Organization also recognizes an allowance for doubtful accounts for receivables arising from nonreciprocal revenue. Management specifically analyzes historical bad debts, ability and intent to pay, current funding trends and changes in payment terms and rates when evaluating the adequacy of the allowance for doubtful accounts. Grants receivable beyond one year are discounted using a risk-free discount rate. During the years ended December 31, 2023, and December 31, 2022, there were no grants receivable beyond one year that were discounted. All receivables were deemed fully collectible at December 31, 2023 and 2022.

### Investments

Investments consist principally of donated securities, equity securities and treasury bills which are recorded at cost 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. Realized and unrealized gains and losses are included in the statements of activities. Gains and losses are reflected as increases or decreases in the net asset without donor restrictions, unless the donor or relevant laws place a restriction on the gains and losses, they will be recorded as net assets with donor restrictions.

#### Programmatic Investments

Programmatic investments include equity investments and are recorded at fair market value. Upon origination of the investment, the Organization determines the recoverability of the investment. At December 31, 2023, amortization of \$20,000 was recorded.

## Island Conservation

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Notes to Financial Statements  
December 31, 2023 and 2022

### 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.

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.

### 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.

## Island Conservation

Notes to Financial Statements

December 31, 2023 and 2022

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.

### 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 receivables and liabilities consist of the following:

	<u>2023</u>	<u>2022</u>
Contract receivables	\$ 279,020	\$ 21,633
Contract liabilities	41,428	-

### Grant Advances

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

### 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, 2023 and 2022

## 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 May 20, 2024, which is the date the financial statements were available to be issued.

## 3. New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, *Current Expected Credit Losses (CECL)*, which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Organization adopted the ASU using the modified retrospective approach. The adoption of ASU 2016-13 had no impact on the financial statements for the year ended December 31, 2023.

## 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).

As of December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial assets at:		
Cash and cash equivalents	\$ 903,008	\$ 9,304,327
Grants receivable	1,559,670	3,167,114
Other receivables	280,728	21,633
Investments	<u>6,070,157</u>	<u>474,600</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,813,563</u>	<u>\$ 12,967,674</u>

## Island Conservation

Notes to Financial Statements  
December 31, 2023 and 2022

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, 2023 and 2022, approximately 31% and 54%, of receivables were due from four and three grantors, respectively. During the year ended December 31, 2023 and 2022, 64% and 65% of foundation and community grants support came from four donors and three donors, respectively.

### 6. Grants Receivable

At December 31, 2023 and 2022, grants receivable were expected to be collected in the following periods:

	<u>2023</u>	<u>2022</u>
In one year or less	\$ 1,559,670	\$ 3,167,114
Grants receivable, net	<u>\$ 1,559,670</u>	<u>\$ 3,167,114</u>

### 7. Property and Equipment

At December 31, 2023 and 2022, property and equipment consisted of:

	<u>2023</u>	<u>2022</u>
Project related equipment	\$ 239,411	\$ 151,290
Vehicle	12,088	12,088
Total property and equipment	251,499	163,378
Less accumulated depreciation	<u>(159,153)</u>	<u>(122,115)</u>
Property and equipment, net	<u>\$ 92,346</u>	<u>\$ 41,263</u>



## Island Conservation

Notes to Financial Statements  
December 31, 2023 and 2022

### 8. Fair-Value Measurements

At December 31, 2023 and 2022, the major categories of investments measured at fair value on a recurring basis during the years ended December 31, 2023 and 2022 using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3) consist of the following:

	2023		
	Level 1	Level 2	Total
Equities	\$ 2,676,312	\$ -	\$ 2,676,312
Fixed income funds	2,394,888	-	2,394,888
Treasury bills	-	998,957	998,957
	<u>\$ 5,071,200</u>	<u>\$ 998,957</u>	<u>\$ 6,070,157</u>
2022			
	Level 1	Level 2	Total
Equities	\$ 474,600	\$ -	\$ 474,600

### 9. Line of Credit

The Organization has a line of credit in the amount of \$750,000 with a financial institution which matures on May 24, 2024. 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, 2023 and 2022, and at December 31, 2023 and 2022, there was no outstanding balance.

### 10. Net Assets With Donor Restrictions

At December 31, 2023 and 2022, net assets with donor restrictions were available for the following purposes:

	2023	2022
Subject to purpose restrictions:		
All staff retreat	\$ -	\$ 3,000
Island Ocean Connection	-	4,217,001
Seabirds	531,707	1,452,051
Drones	349,785	559,189
Juan Fernandez	133,374	333,019
Midway	160,577	300,067
Other programs	430,152	861,162
Innovation	83,336	-
IOCC	2,827,950	-
Total	<u>\$ 4,516,881</u>	<u>\$ 7,725,489</u>

## Island Conservation

Notes to Financial Statements  
December 31, 2023 and 2022

### 11. Net Assets Released from Donor Restrictions

At December 31, 2023 and 2022, net assets with donor restrictions released for donor restricted program expenses incurred were as follows:

	<u>2023</u>	<u>2022</u>
Purpose restricted	\$ 7,246,209	\$ 2,052,842
Purpose and time restricted	1,559,670	3,167,114
	<u>\$ 8,805,879</u>	<u>\$ 5,219,956</u>

### 12. Conditional Promises to Give

At December 31, 2023 and 2022 grants and contributions amounting to \$8,291,186 and \$8,512,892, 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>2023</u>	<u>2022</u>
Incur qualifying program expenses	\$ 3,043,319	\$ 7,237,757
Matching	5,247,867	1,275,135
Total	<u>\$ 8,291,186</u>	<u>\$ 8,512,892</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, 2023 and 2022, the Organization matched 3% and, accordingly, contributed \$68,744 and \$60,468 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, 2023, and 2022, the Organization received donated goods consisting of the following:

<b>Type of Contributions</b>	<u>Activity</u>	<u>2023</u>	<u>2022</u>
Supplies	Program	\$ 272,040	\$ 15,065

## **Island Conservation**

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Notes to Financial Statements  
December 31, 2023 and 2022

### **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.

**Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of  
Island Conservation

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of Island Conservation (the Organization), which comprise the Organization's statement of financial position as of December 31, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly US, LLP*

San Francisco, California  
May 20, 2024

**Report on Compliance  
for Each Major Federal Program and  
Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Directors of  
Island Conservation

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Island Conservation (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-01 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly US, LLP*

San Francisco, California  
May 20, 2024



## Island Conservation

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor/Program	Assistance Listing Number	Total Federal Expenditures
<b>United States Department of the Interior</b>		
Economic, Social and Political Development of the Territories	15.875	\$ 2,857
Economic, Social and Political Development of the Territories	15.875	139,437
Economic, Social and Political Development of the Territories	15.875	19,919
Economic, Social and Political Development of the Territories	15.875	253,307
Economic, Social and Political Development of the Territories	15.875	50,000
Economic, Social and Political Development of the Territories	15.875	15,000
Economic, Social and Political Development of the Territories	15.875	6,242
Total Economic, Social and Political Development of the Territories		<u>486,762</u>
Coastal	15.630	52,176
Coastal	15.630	71,000
Coastal	15.630	8,360
Coastal	15.630	4,506
Total Coastal		<u>136,042</u>
Partners for Fish and Wildlife	15.631	28,885
Partners for Fish and Wildlife	15.631	23,495
Total Partners for Fish and Wildlife		<u>52,380</u>
Endangered Species Recovery Implementation	15.657	57,552
Total Endangered Species Recovery Implementation		<u>57,552</u>
Total United States Department of the Interior		<u>732,736</u>
<b>United States Department of Defense</b>		
Conservation and Rehabilitation of Natural Resources on Military Installations	12.005	180,227
Total Conservation and Rehabilitation of Natural Resources on Military Installations		<u>180,227</u>
Total United States Department of Defense		<u>180,227</u>
<b>United States Department of Agriculture</b>		
Wildlife services	10.028	201,135
Wildlife services	10.028	91,181
Total Wildlife services		<u>292,316</u>
Total United States Department of Agriculture		<u>292,316</u>
<b>Research and Development Cluster</b>		
<b>National Aeronautics and Space Administration</b>		
Science	43.001	8,175
Total Science		<u>8,175</u>
Total National Aeronautics and Space Administration		<u>8,175</u>
Total research and development cluster		<u>8,175</u>
Total expenditures of federal awards		<u>\$ 1,213,454</u>

## Island Conservation

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Notes to Schedule of Expenditures of Federal Awards  
December 31, 2023

### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Island Conservation under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Island Conservation, it is not intended to and does not present the financial position, changes in net assets or cash flows of Island Conservation.

### 2. Summary of Significant Accounting Policies (Modify as Appropriate)

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Assistance Listing Numbers and pass-through entity identifying numbers are presented where available.

### 3. Indirect Cost Rate

The Organization has not elected to use the 10% de minimis indirect cost rate.

# Island Conservation

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2023

## Section I - Summary of Auditors' Results

### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness (es) identified? \_\_\_\_\_ yes

  X   no

Significant deficiency (ies) identified? \_\_\_\_\_ yes

  X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes

  X   no

### Federal Awards

Internal control over major programs:

Material weakness (es) identified? \_\_\_\_\_ yes

  X   no

Significant deficiency (ies) identified?   X   yes

\_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?   X   yes

\_\_\_\_\_ no

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes

  X   no

Dollar threshold used to distinguish between type A and type B programs: \_\_\_\_\_

\$750,000

Identification of major federal programs:

**Assistance Listing Number** \_\_\_\_\_

15.875

**Name of Federal Program** \_\_\_\_\_

Economic, Social, and Political Development of the Territories

## Section II - Financial Statement Findings

None.

## Island Conservation

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Schedule of Findings and Questioned Costs  
Year Ended December 31, 2023

### Section III - Federal Award Findings and Questioned Costs

#### **Finding: 2023-01 - Cash Management and Reporting - Significant Deficiency in Internal Control over Compliance**

*Federal Program:* ALN #15,875; Economic, Social and Political Development of the Territories

*Criteria:* The Organization should have performed and documented their controls over cash management and reporting for their cost-reimbursement contracts.

*Condition:* During the audit, we noted that while in the testing of transactions for allowable costs, the Organization had documentation of proper approvals, summary reimbursement requests to the grantor prepared by the Finance Manager were not reviewed nor approved before submission, therefore not meeting the minimum requirements of 2 CFR section 200.514.

*Cause:* The Organization does not perform controls over submission requests from grantors due to having controls over expenses incurred that qualify for reimbursement.

*Effect:* Due to the condition noted above, the Organization did not follow the requirements of 2 CFR section 200.514, which includes internal controls over reimbursements. The Organization does not have sufficient controls set in place to document the review and approval of the reimbursement summary of expenses submitted to grantors.

*Recommendation:* The Organization should implement controls over summary submission reports prepared by the Finance Manager, including a review by the Controller and approval prior to submission.

*View of Responsible Officials:* Management agrees with the finding presented by the audit. Management has taken corrective actions to meet this standard.

### Summary of Prior Year Findings

None.