

Island Conservation

Financial Statements and
Supplementary Information

December 31, 2024 and 2023

Island Conservation

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December 31, 2024 and 2023

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Independent Auditors' Report

To the Board of Directors of
Island Conservation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Island Conservation (the Organization), which comprise the statements of financial position as of December 31, 2024 and 2023, 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, 2024, and 2023, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Grant Expenditures – Darwin Initiative, as required by the Darwin Initiative Grant, 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 April 30, 2025, 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
April 30, 2025

Island Conservation

Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,624,615	\$ 903,008
Grants receivable	1,694,211	1,559,670
Other receivables	160,454	280,728
Prepaid expenses	237,583	173,979
Investments	7,616,931	6,070,157
Other current assets	28,491	37,665
	<u>11,362,285</u>	<u>9,025,207</u>
Noncurrent Assets		
Property and equipment, net	50,768	92,346
Grants receivable, net of current portion	1,728,245	-
Deposits	11,400	11,400
Programmatic investments	40,000	80,000
	<u>\$ 13,192,698</u>	<u>\$ 9,208,953</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 341,816	\$ 401,805
Accrued payroll liabilities	317,006	226,137
Grant advances	720,811	181,089
Deferred revenue	1,944,070	68,908
	<u>3,323,703</u>	<u>877,939</u>
Net Assets		
Without donor restrictions		
Undesignated	3,359,233	3,814,133
Board designated endowment	1,564,239	-
	<u>4,923,472</u>	<u>3,814,133</u>
With donor restrictions	<u>4,945,523</u>	<u>4,516,881</u>
	<u>9,868,995</u>	<u>8,331,014</u>
	<u>\$ 13,192,698</u>	<u>\$ 9,208,953</u>

See notes to financial statements

Island Conservation

Statements of Activities

Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Foundation and community grants	\$ 1,927,078	\$ 5,293,025	\$ 7,220,103	\$ 751,367	\$ 4,267,657	\$ 5,019,024
Government grants, federal	-	3,316,878	3,316,878	-	1,213,454	1,213,454
Individual contributions	841,179	69,207	910,386	504,497	116,160	620,657
Fee for service	1,680,705	-	1,680,705	1,089,977	-	1,089,977
Contributed nonfinancial assets	-	-	-	272,040	-	272,040
Investment income, net	447,326	-	447,326	451,990	-	451,990
Other income	89,149	-	89,149	86,071	-	86,071
Net assets released from restrictions:						
Purpose or time restrictions met	8,250,468	(8,250,468)	-	8,805,879	(8,805,879)	-
Total support and revenue	13,235,905	428,642	13,664,547	11,961,821	(3,208,608)	8,753,213
Expenses						
Program services	9,407,905	-	9,407,905	10,115,368	-	10,115,368
Administration	1,801,071	-	1,801,071	1,554,206	-	1,554,206
Fundraising	917,590	-	917,590	878,435	-	878,435
Total expenses	12,126,566	-	12,126,566	12,548,009	-	12,548,009
Change in net assets	1,109,339	428,642	1,537,981	(586,188)	(3,208,608)	(3,794,796)
Net Assets, Beginning	3,814,133	4,516,881	8,331,014	4,400,321	7,725,489	12,125,810
Net Assets, Ending	\$ 4,923,472	\$ 4,945,523	\$ 9,868,995	\$ 3,814,133	\$ 4,516,881	\$ 8,331,014

See notes to financial statements

Island Conservation

Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services	Supporting Services		Total
		Administration	Fundraising	
Salaries	\$ 2,651,193	\$ 1,008,671	\$ 596,002	\$ 4,255,866
Consultants and professional fees	2,010,825	361,908	33,035	2,405,768
Travel and transportation	1,744,401	59,339	65,820	1,869,560
Employee benefits and payroll taxes	763,338	289,300	169,529	1,222,167
Grants to others	1,017,772	-	-	1,017,772
Supplies	568,005	18,005	16,264	602,274
Postage and shipping	322,573	5,108	1,657	329,338
Business insurance	114,690	27,569	16,889	159,148
Occupancy	60,607	8,995	5,315	74,917
Licenses and fees	41,700	16,683	8,254	66,637
Utilities	44,854	4,743	3,003	52,600
Depreciation	46,873	-	-	46,873
Professional development	21,074	750	1,822	23,646
Total expenses	<u>\$ 9,407,905</u>	<u>\$ 1,801,071</u>	<u>\$ 917,590</u>	<u>\$ 12,126,566</u>

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

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,537,981	\$ (3,794,796)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated securities	(598,240)	(20,306)
Depreciation	46,873	37,038
Realized and unrealized gains on investments	(377,516)	(267,142)
(Increase) decrease in operating assets:		
Grants receivable	(1,862,786)	1,607,444
Other receivables	120,274	(259,095)
Prepaid expenses	(63,604)	(24,299)
Other current assets	9,174	(37,223)
Deposits	-	(900)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(59,989)	63,192
Accrued payroll liabilities	90,869	28,329
Grant advances	539,722	(326,239)
Deferred revenue	1,875,162	68,908
	<u>1,257,920</u>	<u>(2,925,089)</u>
Net cash provided by (used in) operating activities		
Cash Flows From Investing Activities		
Purchases of equipment	(5,295)	(88,121)
Proceeds from sales of investments	18,711,689	18,829,921
Purchases of investments	(19,242,707)	(24,218,030)
	<u>(536,313)</u>	<u>(5,476,230)</u>
Net cash used in investing activities		
	721,607	(8,401,319)
Net change in cash and cash equivalents		
Cash and Cash Equivalents, Beginning	<u>903,008</u>	<u>9,304,327</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,624,615</u>	<u>\$ 903,008</u>

See notes to financial statements

Island Conservation

Notes to Financial Statements
December 31, 2024 and 2023

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.

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 has designated a portion of this class of net assets for a board restricted endowment and as operating reserves. The Board designated net assets are not available for the Organization's operations without Board of Directors' approval.

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

Notes to Financial Statements
December 31, 2024 and 2023

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, 2024 and 2023.

Allowance for Doubtful Accounts

The Organization 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. All receivables were deemed fully collectible at December 31, 2024 and 2023.

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, 2024 and 2023, amortization of \$40,000 and \$20,000 was recorded, respectively.

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Notes to Financial Statements
December 31, 2024 and 2023

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 property and equipment and capitalized accordingly.

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.

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Notes to Financial Statements
December 31, 2024 and 2023

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>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Contract receivables	\$ 160,454	\$ 280,728	\$ 21,633
Deferred revenue	1,944,070	68,908	-

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.

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Notes to Financial Statements
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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 30, 2025, which is the date the financial statements were available to be issued.

3. Liquidity and Availability of Financial Assets

The Organization 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. The Organization 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, 2024 and 2023, 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>2024</u>	<u>2023</u>
Financial assets at:		
Cash and cash equivalents	\$ 1,624,615	\$ 903,008
Grants receivable	3,422,456	1,559,670
Other receivables	160,454	280,728
Investments	<u>7,616,931</u>	<u>6,070,157</u>
 Total financial assets	 12,824,456	 8,813,563
 Less grants receivable due in more than one year	 (1,728,245)	 -
Less board designated endowment	<u>(1,564,239)</u>	<u>-</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 9,531,972</u>	 <u>\$ 8,813,563</u>

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

4. Concentrations

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.

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Notes to Financial Statements
December 31, 2024 and 2023

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, 2024 and 2023, approximately 57% and 31% of receivables were due from three and four grantors, respectively. During the years ended December 31, 2024 and 2023, 21% and 64% of foundation and community grants support came from one donor and four donors, respectively.

5. Grants Receivable

At December 31, 2024 and 2023, grants receivable were expected to be collected in the following periods:

	<u>2024</u>	<u>2023</u>
Due in less than one year	\$ 1,694,211	\$ 1,559,670
Due in one to five years	1,850,000	-
	3,544,211	1,559,670
Less discount to present value	(121,755)	-
Grants receivable, net	<u>\$ 3,422,456</u>	<u>\$ 1,559,670</u>

6. Property and Equipment

At December 31, 2024 and 2023, property and equipment consisted of:

	<u>2024</u>	<u>2023</u>
Project related equipment	\$ 244,706	\$ 239,411
Vehicle	12,088	12,088
Total property and equipment	256,794	251,499
Less accumulated depreciation	(206,026)	(159,153)
Property and equipment, net	<u>\$ 50,768</u>	<u>\$ 92,346</u>

7. Fair-Value Measurements

At December 31, 2024 and 2023, the major categories of investments measured at fair value on a recurring basis during the years ended December 31, 2024 and 2023 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:

	<u>2024</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	\$ 3,555,692	\$ -	\$ 3,555,662
Fixed income funds	3,076,230	-	3,076,230
Treasury bills	-	985,009	985,009
	<u>\$ 6,631,922</u>	<u>\$ 985,009</u>	<u>\$ 7,616,931</u>

Island Conservation

Notes to Financial Statements
December 31, 2024 and 2023

	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>

8. Line of Credit

The Organization has a line of credit in the amount of \$750,000 with a financial institution which matures on August 19, 2025. 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%. During the years ended December 31, 2024 and 2023, the line was not accessed and there was no outstanding balance.

9. Net Assets With Donor Restrictions

At December 31, 2024 and 2023, net assets with donor restrictions were available for the following purposes:

	2024	2023
Subject to purpose restrictions:		
Seabirds	\$ 2,195,941	\$ 531,707
IOCC	2,095,394	2,827,950
Other programs	233,139	430,152
Drones	134,030	349,785
Midway	87,019	160,577
Tetiaroa/Kaho'olawe	50,000	-
Juan Fernandez	-	133,374
Innovation	-	83,336
Subject to time restrictions	<u>150,000</u>	<u>-</u>
Total	<u>\$ 4,945,523</u>	<u>\$ 4,516,881</u>

10. Net Assets Released from Donor Restrictions

At December 31, 2024 and 2023, net assets with donor restrictions released for donor restricted program expenses incurred were as follows:

	2024	2023
Purpose restricted	\$ 6,168,257	\$ 7,246,209
Purpose and time restricted	<u>2,082,211</u>	<u>1,559,670</u>
	<u>\$ 8,250,468</u>	<u>\$ 8,805,879</u>

Island Conservation

Notes to Financial Statements
December 31, 2024 and 2023

11. Board Designated Endowment

The Board of Directors has designated certain investment funds as endowments (board restricted endowment). The primary purpose of the board designated endowment is to provide a sustainable maximum level of return that is consistent with prudent risk levels, in line with the Organization's desired risk tolerance. The long-term investment program balances short-term special program needs with the preservation of the real (inflation-adjusted) value of assets. The goal of the board designated endowment is to provide real returns of 4-7% above inflation over long periods. Actual returns in any given year may vary from this target.

Returns on the board restricted endowment will be reinvested. Each year, the Board of Directors will evaluate strategic operational initiatives that may require distributions from the endowment. These distributions are limited to 4% annually. However, if the return on investment exceeds 7% in a year, distributions may go as high as 6%. That distribution requires Board of Directors' approval.

Changes in board restricted endowment net assets for the years ended December 31, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Balance, Beginning	\$ -	\$ -
Contributions	1,520,830	-
Investment return, net	43,409	-
Balance, Ending	<u>\$ 1,564,239</u>	<u>\$ -</u>

12. Conditional Promises to Give

At December 31, 2024 and 2023, grants and contributions amounting to \$7,069,418 and \$8,291,186, 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>2024</u>	<u>2023</u>
Incur qualifying program expenses	\$ 4,197,851	\$ 3,043,319
Matching	2,871,567	5,247,867
Total	<u>\$ 7,069,418</u>	<u>\$ 8,291,186</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, 2024 and 2023, the Organization matched 3% and, accordingly, contributed \$80,863 and \$68,744, respectively, to the Plan.

Island Conservation

Notes to Financial Statements
December 31, 2024 and 2023

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, 2024 and 2023, the Organization received donated goods consisting of the following:

Type of Contributions	Activity	2024	2023
Supplies	Program	\$ -	\$ 272,040

15. Related Parties

During the years ended December 31, 2024 and 2023, the Organization received contributions from board members totaling \$451,938 and \$410,422, respectively.

16. Litigation

Legal

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.

Government Funding

The Organization is a recipient of federal, state and local funds. These funds may be subject to audit and final acceptance by the grantors. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

**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, 2024 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 April 30, 2025.

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
April 30, 2025

**Report on Compliance
for The 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 The Major Federal Program

Opinion on The 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 the Organization's major federal program for the year ended December 31, 2024. The Organization's major federal program 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 its major federal program for the year ended December 31, 2024.

Basis for Opinion on The 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 the 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 the major federal program 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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
April 30, 2025

Island Conservation

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal Grantor/Pass-through Grantor/Program	Assistance Listing Number	Total Federal Expenditures
United States Department of the Interior		
Economic, Social and Political Development of the Territories	15.875	\$ 26,180
Economic, Social and Political Development of the Territories	15.875	198,941
Economic, Social and Political Development of the Territories	15.875	28,995
Economic, Social and Political Development of the Territories	15.875	249,454
Economic, Social and Political Development of the Territories	15.875	48,009
Economic, Social and Political Development of the Territories	15.875	7,309
Economic, Social and Political Development of the Territories	15.875	28,546
Total Economic, Social and Political Development of the Territories		<u>587,434</u>
Fish and Wildlife Management Assistance	15.608	9,659
Fish and Wildlife Management Assistance	15.608	40,841
Total Fish and Wildlife Management Assistance		<u>50,500</u>
Coastal	15.630	16,083
Coastal	15.630	977
Total Coastal		<u>17,060</u>
Partners for Fish and Wildlife	15.631	46,115
Partners for Fish and Wildlife	15.631	45,897
Total Partners for Fish and Wildlife		<u>92,012</u>
National Wildlife Refuge System Enhancements	15.654	48,972
Total National Wildlife Refuge System Enhancements		<u>48,972</u>
Endangered Species Recovery Implementation	15.657	56,022
Endangered Species Recovery Implementation	15.657	42,000
Total Endangered Species Recovery Implementation		<u>98,022</u>
Natural Resource Damage Assessment and Restoration	15.658	74,804
Total Natural Resource Damage Assessment and Restoration		<u>74,804</u>
Total United States Department of the Interior		<u>968,804</u>
United States Department of Defense		
Conservation and Rehabilitation of Natural Resources on Military Installations	12.005	40,997
Total Conservation and Rehabilitation of Natural Resources on Military Installations		<u>40,997</u>
Total United States Department of Defense		<u>40,997</u>
United States Department of Agriculture		
Wildlife services	10.028	269,338
Wildlife services	10.028	800,000
Wildlife services	10.028	1,068,464
Total Wildlife services		<u>2,137,802</u>
Total United States Department of Agriculture		<u>2,137,802</u>
Research and Development Cluster		
National Aeronautics and Space Administration		
Science	43.001	169,275
Total Science		<u>169,275</u>
Total National Aeronautics and Space Administration		<u>169,275</u>
Total research and development cluster		<u>169,275</u>
Total expenditures of federal awards		<u>\$ 3,316,878</u>

Island Conservation

Notes to the Schedule of Expenditures of Federal Awards
December 31, 2024

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, 2024. 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

Expenditures reported on the Schedule are reported on the accrual or modified 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. 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, 2024

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? _____ yes

X 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)? _____ yes

X 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(s)

Name of Federal Program or Cluster

10.028

Wildlife Services

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None.

Island Conservation

Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

Summary of Prior Year Findings

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.

Island Conservation

Schedule of Grant Expenditures - Darwin Initiative
For the Period Ended December 31, 2024

The following is the schedule of grant expenditures related to the Darwin Initiative grant from July 2018 through December 31, 2024:

Personnel	\$	217,505
Travel		65,594
Fieldwork		64,835
Indirect		61,750
Supplies		48,759
Consultants		<u>12,726</u>
Total	\$	<u>471,169</u>