



**Gary McGee & Co. LLP**  
CERTIFIED PUBLIC ACCOUNTANTS



Financial Statements and Other Information as of and for the Year  
Ended December 31, 2021 and Report of Independent Accountants

THE XERCES SOCIETY, INC.

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## REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors  
The Xerces Society, Inc.:*

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of The Xerces Society, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Xerces Society, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Xerces Society, Inc. and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States, 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 Xerces Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Xerces Society, Inc.'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 Xerces Society, Inc.'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.

#### *Summarized Comparative Information*

We have previously audited The Xerces Society, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in black ink that reads "Amy McLean & Co. LLP". The signature is written in a cursive, flowing style.

August 11, 2022



THE XERCES SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(WITH COMPARATIVE AMOUNTS FOR 2020)

	2021	2020
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,779,457	2,825,023
Government grants, contracts, and other receivables <i>(note 4)</i>	736,900	627,864
Private grants and contributions receivable <i>(note 5)</i>	1,230,718	112,619
Investments <i>(note 6)</i>	8,355,912	6,642,542
Inventories	118,144	118,795
Prepaid expenses	88,113	71,033
Property and equipment <i>(note 7)</i>	32,898	21,386
<b>Total assets</b>	<b>\$13,342,142</b>	<b>10,419,262</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	122,764	80,553
Accrued payroll and related expenses	458,248	400,968
Deferred revenue <i>(note 12)</i>	867,316	1,290,355
Note payable <i>(note 8)</i>	-	713,211
<b>Total liabilities</b>	<b>1,448,328</b>	<b>2,485,087</b>
<b>Net assets:</b>		
Without donor restrictions:		
Available for programs and general operations	8,942,106	5,876,540
Board-designated reserve <i>(note 9)</i>	299,399	281,741
Net investment in capital assets	32,898	21,386
<b>Total without donor restrictions</b>	<b>9,274,403</b>	<b>6,179,667</b>
With donor restrictions <i>(note 10)</i>	2,619,411	1,754,508
<b>Total net assets</b>	<b>11,893,814</b>	<b>7,934,175</b>
Commitments and contingencies <i>(notes 4, 5, 14, 15, and 16)</i>		
<b>Total liabilities and net assets</b>	<b>\$13,342,142</b>	<b>10,419,262</b>

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021		Total	2020
	Without donor restrictions	With donor restrictions		
Operating revenues, gains, and other support:				
Private grants and contributions	\$ 3,688,096	3,047,712	6,735,808	3,869,506
Government grants and contracts	–	1,223,122	1,223,122	1,342,418
Program revenue	1,008,931	–	1,008,931	757,473
Interest income	915	–	915	1,063
Investment return, net ( <i>note 6</i> )	24,387	7,770	32,157	139,285
Other income	42,266	–	42,266	57,045
Total operating revenues and gains	4,764,595	4,278,604	9,043,199	6,166,790
Net assets released from restrictions and other reclassifications ( <i>note 11</i> )	3,413,701	(3,413,701)	–	–
Total operating revenues, gains, and other support	8,178,296	864,903	9,043,199	6,166,790
Expenses ( <i>note 13</i> ):				
Program services	4,257,124	–	4,257,124	3,781,366
Management and general	538,196	–	538,196	448,810
Fundraising	870,955	–	870,955	739,396
Total expenses	5,666,275	–	5,666,275	4,969,572
Net operating results	2,512,021	864,903	3,376,924	1,197,218
Non-operating activities:				
Paycheck Protection Program loan forgiveness ( <i>note 8</i> )	582,715	–	582,715	–
Increase in net assets	3,094,736	864,903	3,959,639	1,197,218
Net assets at beginning of year	6,179,667	1,754,508	7,934,175	6,736,957
Net assets at end of year	\$ 9,274,403	2,619,411	11,893,814	7,934,175

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021											2020
	Program services					Supporting services						
	Pollinator conservation	Endangered species conservation	Pesticide reduction	Community engagement	Other conservation	Total	Management and general	Fundraising	Shared costs	Total	Total	
Salaries and related expenses	\$ 1,651,096	895,784	292,154	182,045	156,162	3,177,241	358,720	426,614	374,468	1,159,802	4,337,043	4,017,949
Contract services and subrecipient awards	10,768	33,951	3,000	5,610	–	53,329	–	–	1,802	1,802	55,131	61,915
Professional services	13,146	–	5,390	26,908	5,503	50,947	78,553	99,876	6,198	184,627	235,574	166,710
Telephone	1,038	698	85	–	–	1,821	–	–	50,758	50,758	52,579	27,919
Insurance	–	–	–	–	–	–	15,701	–	–	15,701	15,701	14,979
Rent and utilities	175	–	–	–	–	175	–	–	86,270	86,270	86,445	103,562
Bank fees	–	43	–	786	100	929	1,756	41,046	–	42,802	43,731	31,390
Equipment and maintenance	6,585	2,024	813	5,328	2,652	17,402	12,106	8,871	134,557	155,534	172,936	87,098
Postage	850	229	2,167	4,649	4,397	12,292	–	69,596	2,333	71,929	84,221	68,915
Supplies	128,965	80,388	3,438	40,060	–	252,851	–	3,041	7,056	10,097	262,948	141,540
Travel	43,439	49,484	170	711	1,002	94,806	81	–	–	81	94,887	62,595
Publication design and printing	14,814	3,743	933	23,691	10,001	53,182	356	112,076	531	112,963	166,145	115,062
Dues and fees	13,848	8,558	1,958	2,408	68	26,840	5,754	9,328	195	15,277	42,117	26,558
Mailing list rental	–	–	–	–	–	–	–	–	–	–	–	192
Grants and awards	–	–	–	–	9,914	9,914	–	–	–	–	9,914	38,752
Depreciation	–	–	–	1,141	–	1,141	–	–	5,762	5,762	6,903	4,436
Total expenses before allocation of shared costs	1,884,724	1,074,902	310,108	293,337	189,799	3,752,870	473,027	770,448	669,930	1,913,405	5,666,275	4,969,572
Allocation of shared costs	255,981	142,320	42,052	38,440	25,461	504,254	65,169	100,507	(669,930)	(504,254)	–	–
Total expenses	\$ 2,140,705	1,217,222	352,160	331,777	215,260	4,257,124	538,196	870,955	–	1,409,151	5,666,275	4,969,572

See accompanying notes to financial statements.



THE XERCES SOCIETY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
Cash flows from operating activities:		
Cash received from grants, contributions, contracts, and other sources	\$ 7,359,953	6,622,313
Cash received for dividends and interest	41,110	102,970
Cash paid to grantees	(9,914)	(38,752)
Cash paid to employees, suppliers, and contractors	(5,566,396)	(4,878,644)
Net cash provided by operating activities	1,824,753	1,807,887
Cash flows from investing activities:		
Purchase of investments	(8,585,518)	(7,412,076)
Proceeds from sale or maturity of investments	6,870,474	5,913,651
Reinvestment of dividend and interest income	(6,364)	(7,825)
Capital expenditures	(18,415)	(15,458)
Net cash used in investing activities	(1,739,823)	(1,521,708)
Cash flows from financing activities:		
Proceeds from issuance of debt	-	713,211
Repayment of note principal	(130,496)	-
Net cash provided by (used in) financing activities	(130,496)	713,211
Net increase (decrease) in cash and cash equivalents	(45,566)	999,390
Cash and cash equivalents at beginning of year	2,825,023	1,825,633
Cash and cash equivalents at end of year	\$ 2,779,457	2,825,023

Supplemental schedule of noncash financing activities:

Paycheck Protection Program loan forgiveness	\$ 582,715	-
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See accompanying notes to consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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1. Organization

The Xerces Society, Inc. is a nonprofit organization, founded in 1971, that protects the natural world by conserving invertebrates and their habitat. Named after the extinct Xerces blue butterfly, *Glaucopsyche xerces*, the Xerces Society (Xerces) advocates for invertebrates and their habitats by working with diverse partners that include scientists, land managers, educators, policymakers, farmers, and communities. Its core programs focus on native pollinators, endangered species, pesticide reduction, and community engagement. Within all these programs, Xerces focuses on advancing climate-resilient habitat for invertebrates and seeks to establish and maintain a diverse and inclusive community that collectively supports Xerces' mission. Xerces' work has led to the restoration and protection of millions of acres of habitat for invertebrates. Funding comes from membership donations, government grants and contracts, corporate support, foundation grants, and other program revenue.

2. Program Services

During the year ended December 31, 2021, Xerces incurred program service expenses in the following major categories:

**Pollinator Conservation** – Xerces' Pollinator Conservation program works across the United States to educate farmers, land managers, and the public about the importance of pollinators and other beneficial insects, and to establish habitat protection and management as keys to their conservation. As a leading voice in pollinator conservation, Xerces promotes practical solutions that address the root causes of pollinator declines: habitat loss, pesticide use, unsustainable farming practices, disease, and climate change. It directly reaches agricultural professionals and farmers as well as other land managers through trainings, workshops, and other outreach events. In addition, Xerces manages the only third-party certified

pollinator conservation program to help farmers to protect and restore habitat for pollinators. As a result of Xerces' work, native pollinators are now a key priority for agricultural conservation programs across the United States, and over a million of acres of habitat improvements have been made for these vital insects.

**Endangered Species Conservation** – To conserve and restore the diversity of life on earth, Xerces' Endangered Species Conservation program engages in education, research, community science, conservation planning, and advocacy to protect at-risk species and their habitats. The program collaborates with scientists and land managers to raise awareness about the plight of invertebrates and to gain protection for the most vulnerable species before they decline to a level at which recovery is impossible. It also works with federal, state, and local agencies to promote climate-resilient restoration and best practices for habitat management. Its current work includes efforts to protect bumblebees, monarchs and other butterflies, freshwater mussels, fireflies, snails, and other invertebrates. Through community science projects, which include Bumble Bee Watch, the Western Monarch Counts, and the Western Monarch Milkweed Mapper, Xerces engages thousands of individuals who gather data to inform conservation efforts.

**Pesticide Reduction** – Xerces' Pesticide Reduction program reduces reliance on pesticides by supporting the diverse natural systems that reduce pest problems. It provides scientific resources for farmers, backyard gardeners, urban foresters, agency staff, and policy makers so that they can make informed decisions about pesticide use and regulation. By providing on-the-ground technical support, Xerces increases the adoption of ecologically sound pest management practices everywhere.

Community Engagement – The Community Engagement program provides resources on invertebrate conservation to all age groups. It provides expertise on habitat for pollinators and other invertebrates to community and school gardens, cities, and college campuses, and it offers conservation workshops for urban and suburban audiences, reaching hundreds of thousands of people each year. By engaging volunteers, or Xerces Ambassadors, and youth, Xerces educates and inspires individuals and communities to take action to conserve invertebrates.

Other Conservation – Xerces undertakes a variety of other conservation activities to raise awareness and appreciation of the valuable role of invertebrates, and their role in protecting the natural world. These include the publication of its magazine *Wings: Essays on Invertebrate Conservation*, which features the work of renowned wildlife photographers, scientists, and conservationists. Xerces also provides dozens of publications for free download through its website, including guidelines to help farmers and gardeners conserve pollinators, guides to identifying endangered bumble bees, tools for monitoring stream health using aquatic insects, and many more. Another aspect of this program is the Joan M. DeWind award, which is open to graduate and undergraduate students. Each year, chosen applicants receive financial support from Xerces for Lepidoptera research and conservation projects.

### 3. Summary of Significant Accounting Policies

The significant accounting policies followed by Xerces are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

**Basis of Presentation** – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Xerces and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the Xerces Board of Directors may designate a portion of these net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of Xerces and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

**Cash Equivalents** – For purposes of the financial statements, Xerces considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value. For investments not traded on organized exchanges, fair value estimates are provided by investment managers.

Net investment return, which includes both current yield (interest and dividend income) and net appreciation (decline) in the fair value of investments (both the realized gains or losses and the unrealized appreciation (decline) of those investments), is reported in the statement of activities, net of investment expenses. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

Xerces has some exposure to investment risks, including interest rate, market, and credit risks, for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Inventories – Inventories, which consist primarily of publications and other literature held for sale and for use in Xerces' educational programs, are carried at the lower of cost or fair value. Cost is determined using the first-in, first-out method.

Capital Assets and Depreciation – Property and equipment are carried at cost, and initially at fair value when acquired by gift. Xerces capitalizes depreciable assets with a value of \$5,000 or more that have a useful life of five years or more. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally five years.

Revenue Recognition – With regard to revenues, Xerces evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange Transactions* – If the transfer of assets is determined to be an exchange transaction, Xerces recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.

Xerces' exchange transactions include revenues from service fees, workshop registrations, and royalties. These revenues are generally recognized over time as deliverables are met (e.g. as work is performed) or at the time of service delivery.

- *Contributions and Grants* – If the transfer of assets is determined to be a contribution, Xerces evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.
- *Governmental Support* – Activities funded by governments are often carried out for the benefit of the general public, rather than to obtain goods or services for the government's own use or proprietary benefit. Accordingly, if the primary beneficiary of the activity is the general public rather than the government itself, the transaction is treated as nonreciprocal (i.e., a contribution). Government grants and contracts may include government funds passed-through colleges, universities, or other entities.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor’s commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, 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.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement Xerces’ programs. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that Xerces would have purchased if not donated are recognized in the statement of activities. During the year ended December 31, 2021, no contributed services were recorded.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of Xerces’ activities. During the year ended December 31, 2021, no contributed land, buildings, equipment, or other materials were recorded.

Advertising Expenses – Advertising and marketing costs, representing primarily costs incurred to expand the region’s awareness of Xerces’ programs and activities, are charged to expense as they are incurred.

Grants – Grants are accrued when awarded by Xerces and unconditional. Grants are provided from available resources and in accordance with restrictions imposed by donors.

Concentrations of Credit Risk – Xerces’ financial instruments consist primarily of cash, cash equivalents, brokered certificates of deposit, Treasury Bills, mutual funds, and common stock, which may subject Xerces to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). All interest-bearing checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2021, Xerces held \$56,963 in excess of FDIC insurance. In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

Certain receivables may also, from time to time, subject Xerces to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, Xerces' management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Income Taxes – Xerces is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

Subsequent Events – Subsequent events have been evaluated by management through August 11, 2022, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2020 – The accompanying financial information as of and for the year ended December 31, 2020 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

#### 4. Government Grants, Contracts, and Other Receivables

Government grants, contracts, and other receivables are summarized as follows at December 31, 2021:

Unconditional government grants receivable, expected to be collected in less than one year	\$ 528,883
Program service fees receivable ( <i>note 12</i> )	202,165
Other receivables	5,852
	<hr/>
	\$ 736,900

#### Conditional Grants

As of December 31, 2021, Xerces had been awarded governmental grants and contracts totaling \$5,408,805, of which receipt is conditioned upon the incurrence of certain allowable costs or other matching requirements. These funds have not been included in the accompanying financial statements because the associated conditions had not been satisfied as of December 31, 2021.

#### 5. Private Grants and Contributions Receivable

Private grants and contributions receivable are summarized as follows at December 31, 2021:

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 803,169
One year to five years	440,000
	<hr/>
	1,243,169
Less discount <sup>1</sup>	(12,451)
	<hr/>
	\$ 1,230,718

<sup>1</sup> Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.24%.

#### Conditional Grants

As of December 31, 2021, Xerces had been awarded private grants totaling \$243,352, of which receipt is conditioned upon the successful review and approval of financial and program reports. These funds have not been included in the accompanying financial statements because the associated conditions had not been satisfied as of December 31, 2021.

## 6. Investments and Investment Return

A summary of investments, carried at fair value, as of December 31, 2021 is as follows:

United States Treasury bills	\$ 4,994,344
Brokered certificates of deposit	2,998,426
Mutual funds:	
Bond funds	236,788
Equity funds	125,944
Common stock	410
	<hr/>
	\$ 8,355,912

Net investment return for the year ended December 31, 2021 is summarized as follows:

Interest and dividend income	\$ 40,195
Net decline in the fair value of investments	(8,038)
	<hr/>
	\$ 32,157

## 7. Property and Equipment

A summary of property and equipment at December 31, 2021 is as follows:

Website	\$ 23,767
Equipment	21,546
Furniture and fixtures	32,231
	<hr/>
	77,544
Less accumulated depreciation	(44,646)
	<hr/>
	\$ 32,898

## 8. Note Payable

On April 7, 2020, Xerces obtained an unsecured loan from a commercial bank in the amount of \$713,211, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The bank's loan was guaranteed by the U.S. Small Business Administration ("SBA"), under a program intended to provide a direct incentive for small businesses and nonprofits to keep their employees on payroll during the COVID-19 pandemic). Qualifying businesses could spend loan proceeds to cover payroll, mortgage interest, rent, and utilities. PPP borrowers could later qualify to have the loans forgiven if the proceeds were used to pay specific eligible costs, with the amount of loan forgiveness reduced if less than 60% of the funds were spent on payroll, full-time headcount declined, or if salary levels decreased over a covered period of either eight weeks or 24 weeks.

In accordance with the provisions of the PPP and SBA's promise of forgiveness, Xerces used a majority of the loan proceeds for the qualifying expenses. During the year-ended December 31, 2021, Xerces requested and obtained forgiveness for \$582,715 of the loan and repaid the remaining \$130,496.

## 9. Board-Designated Reserve

As of December 31, 2021, the Board of Directors had designated \$299,399 as a reserve fund, set aside to stabilize Xerces' finances by providing for substantial emergency expenses or losses. The fund is not intended to make up for general income shortfalls in any given year.

## 10. Net Assets with Donor Restrictions

The following summarizes Xerces' net assets with donor-imposed restrictions as of December 31, 2021:

<i>Expendable net assets restricted for the following purposes:</i>	
Endangered species	\$ 929,690
Pollinator conservation	747,402
Pesticide reduction	266,454
Community engagement	66,129
Joan M. DeWind award	63,332
Other conservation	11,554
	2,084,561
<i>Expendable net assets unrestricted as to purpose, but restricted as to time:</i>	
Pledges to benefit the Xerces' general operations in future periods	534,850
	Total net assets with donor restrictions
	\$ 2,619,411

## 11. Net Assets Released from Restrictions and Other Reclassifications

During the year ended December 31, 2021, restrictions on contributions in the amount of \$3,458,755 expired or were otherwise satisfied by the organization's expenditures in satisfaction of the restricted purposes, or by the occurrence of other events specified by donors. Accordingly, a corresponding amount is reported as a reclassification from net assets with donor restriction to net assets without donor restriction in the accompanying financial statements.

In addition, during the year ended December 31, 2021, Xerces reclassified net assets without donor restriction totaling \$45,054 to net assets with donor restriction in satisfaction of matching requirements related to various governmental and private grants.

Total expenditures in satisfaction of donor restricted purposes	\$ 3,458,755
Less unrestricted net assets reclassified to net assets with donor restrictions in satisfaction of matching requirements	(45,054)
	Net assets released from restriction and other reclassifications
	\$ 3,413,701

## 12. Contracts with Customers

Program revenue from contracts with customers is recognized over a period of time as performance obligations are satisfied or as the project is completed over the term of the contract. Other revenues from contracts with customers such as workshop fees are recognized at a point in time, (e.g. upon occurrence of the workshop).

### *Accounts Receivable from Customers*

Xerces reported accounts receivable from contracts with customers of \$202,165 at December 31, 2021.

### *Deferred Revenues from Customers*

Deferred revenues of \$867,316 at December 31, 2021 consists of prepayments received for future services.

## 13. Expenses

The costs of providing the various programs and activities of Xerces have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the organization, and therefore require allocation on a reasonable basis that is applied consistently. Those expenses include depreciation, and other facility-related costs, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.



#### 14. Employee Retirement Benefits

Xerces maintains a qualified profit-sharing retirement plan, as described under Section 401(k) of the Internal Revenue Code. Employees must complete one year of service, have worked 1,000 or more hours at the time of their anniversary, and be 21 years of age in order to become eligible to participate in the plan. Qualified employees become eligible to make voluntary contributions to the plan on a pre-tax basis up to the limits allowed by law. Upon meeting the employee eligibility requirements, employee and employer contributions are fully vested. Xerces makes a safe harbor contribution totaling 3% of qualifying compensation as well as discretionary contributions to the plan. During the year ended December 31, 2021, Xerces contributed \$250,033 to this plan as safe harbor and discretionary contributions.

#### 15. Commitments and Contingencies

Amounts received or receivable under Xerces' governmental grants and contracts are subject to audit and adjustment by the granting or contracting agencies. Any expenditures or claims disallowed as a result of such audits would become a liability of the organization's unrestricted net assets. In the opinion of Xerces' management, any adjustments that might result from such audits would not be material to Xerces' overall financial statements.

#### 16. Operating Lease Commitments

Xerces leases office space for its Portland Oregon office under an operating lease that expires in June of 2026. At December 31, 2021, the minimum annual lease commitments under this agreement are as follows:

<i>Years ending December 31,</i>	
2022	\$ 49,074
2023	50,304
2024	51,816
2025	53,370
2026	27,078
	\$ 231,642

Rent expense for all operating leases, including month to month agreements, totaled \$79,450 for the year ended December 31, 2021.

#### 17. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at December 31, 2021:

<i>Total financial assets:</i>	
Cash and cash equivalents	\$ 2,779,457
Governmental grants, contracts, and other receivables	736,900
Private grants and contributions receivable	1,230,718
Investments	8,355,912
	13,102,987
 <i>Less financial assets not available within the year ending December 31, 2022:</i>	
Financial assets restricted by donors for future periods greater than one year	(427,549)
Financial assets restricted by donors for student awards	(63,332)
	(490,881)
 <i>Plus other funds subject to appropriation for expenditure:</i>	
Fiscal year 2022 appropriation of financial assets restricted for student awards	8,000
	\$12,620,106

As part of its liquidity management, Xerces has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Xerces also invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds. In addition, Xerces maintains a reserve fund, specifically put in place to stabilize Xerces' finances by providing for substantial emergency expenses or losses, though it is not intended to make up for general income shortfalls in any given year.

## 18. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

All financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined under generally accepted accounting principles.

The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect Xerces' best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At December 31, 2021, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 2	Total
<i>Investments (note 6):</i>			
United States Treasury bills	\$ 4,994,344	–	4,994,344
Mutual funds	362,732	–	362,732
Stocks	410	–	410
Certificates of deposit	–	2,998,426	2,998,426
	\$ 5,357,486	2,998,426	8,355,912

## 19. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 3,959,639
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	6,903
Net decline in the fair value of investments	8,038
Paycheck Protection Program loan forgiveness	(582,715)
<i>Net changes in:</i>	
Government grants, contracts, and other receivables	(109,036)
Private grants and contributions receivable	(1,118,099)
Inventories	651
Prepaid expenses	(17,080)
Accounts payable and accrued expenses	42,211
Accrued payroll and related expenses	57,280
Deferred revenue	(423,039)
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Total adjustments	(2,134,886)
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Net cash provided by operating activities	\$ 1,824,753
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## 20. Recently-Issued Accounting Standard

In February of 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a liability and a right of use asset for all lease obligations with exception for short-term leases. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. The new standard is effective for Xerces' annual reporting period ending December 31, 2022. A modified retrospective transition approach is required for lessees for leases existing at, or entered into after, the beginning of the earliest comparative period presented, or as of the effective date of adoption, in the financial statements, with certain practical expedients available. Xerces is evaluating the impact of the new standard on its financial statements.

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THE XERCES SOCIETY, INC.

GOVERNING BOARD AND MANAGEMENT

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Board Members as of  
December 31, 2021

Linda Craig, *President*

Beth Robertson-Martin, *Vice President*

Lisa Bertelson, *Secretary*

Casey Sclar, Ph.D., *Treasurer*

Betsy Lopez-Wagner

Sacha H. Spector

Rachael Winfree, Ph.D.

Jay Withgott

Management

Scott Hoffman Black, *Executive Director*

Karl Souza, *Director of Finance & Operations*

Denise Ledgerwood, *Director of Grants & Corporate  
Giving*

Megan Faria, *Financial Manager*

THE XERCES SOCIETY, INC.

INQUIRIES AND OTHER INFORMATION

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