



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS



Financial Statements and Other Information as
of and for the Year Ended December 31, 2023
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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

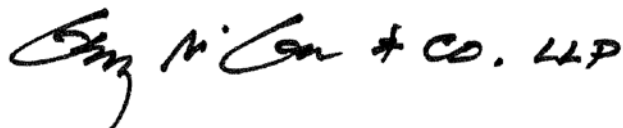
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

June 13, 2024

THE XERCES SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

(WITH COMPARATIVE AMOUNTS FOR 2022)

	2023	2022
Assets:		
Cash and cash equivalents	\$ 4,930,397	3,047,867
Government grants, contracts, and other receivables <i>(note 4)</i>	1,501,186	1,043,560
Private grants and contributions receivable <i>(note 5)</i>	801,017	1,316,718
Investments <i>(note 6)</i>	7,715,885	8,942,092
Inventories	126,120	136,871
Prepaid expenses	73,465	62,904
Property and equipment <i>(note 7)</i>	63,403	55,707
Right-of-use asset – operating lease <i>(note 8)</i>	160,264	219,634
Total assets	\$15,371,737	14,825,353
Liabilities:		
Accounts payable and accrued expenses	180,231	178,319
Accrued payroll and related expenses	688,472	569,431
Deferred revenue <i>(note 12)</i>	778,414	915,317
Lease obligation – operating lease <i>(note 8)</i>	160,264	219,634
Total liabilities	1,807,381	1,882,701
Net assets:		
Without donor restrictions:		
Available for programs and general operations	11,546,541	10,188,116
Board-designated reserve <i>(note 9)</i>	288,127	254,827
Net investment in capital assets	63,403	55,707
Total without donor restrictions	11,898,071	10,498,650
With donor restrictions <i>(note 10)</i>	1,666,285	2,444,002
Total net assets	13,564,356	12,942,652
Commitments and contingencies <i>(notes 4, 5, 14 and 15)</i>		
Total liabilities and net assets	\$15,371,737	14,825,353

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023		Total	2022
	Without donor restrictions	With donor restrictions		
Revenues, gains, and other support:				
Private grants and contributions	\$ 3,486,308	2,072,794	5,559,102	5,440,602
Government grants and contracts	–	3,099,668	3,099,668	2,147,245
Program revenue	992,941	–	992,941	1,122,377
Interest income	59,640	–	59,640	2,934
Investment return, net (<i>note 6</i>)	373,339	6,550	379,889	(50,611)
Other income	19,257	–	19,257	156
Total revenues and gains	4,931,485	5,179,012	10,110,497	8,662,703
Net assets released from restrictions and other reclassifications (<i>note 11</i>)	5,956,729	(5,956,729)	–	–
Total revenues, gains, and other support	10,888,214	(777,717)	10,110,497	8,662,703
Expenses (<i>note 13</i>):				
Program services	7,710,775	–	7,710,775	5,986,348
Management and general	716,130	–	716,130	654,926
Fundraising	1,061,888	–	1,061,888	972,591
Total expenses	9,488,793	–	9,488,793	7,613,865
Increase (decrease) in net assets	1,399,421	(777,717)	621,704	1,048,838
Net assets at beginning of year	10,498,650	2,444,002	12,942,652	11,893,814
Net assets at end of year	\$11,898,071	1,666,285	13,564,356	12,942,652

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023											2022
	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	\$ 2,314,684	1,781,970	644,966	302,646	526,514	5,570,780	488,760	536,594	680,776	1,706,130	7,276,910	5,880,990
Contract services and subrecipient awards	63,249	95,163	31,170	—	4,750	194,332	—	—	1,535	1,535	195,867	101,687
Professional services	8,877	7,845	413	4,115	41,365	62,615	102,188	122,374	5,772	230,334	292,949	279,425
Telephone	1,482	—	—	—	—	1,482	—	—	81,016	81,016	82,498	72,761
Insurance	—	—	—	—	—	—	18,972	—	—	18,972	18,972	15,406
Rent and utilities	—	—	—	—	—	—	—	—	86,925	86,925	86,925	81,010
Bank fees	7	88	—	1,023	101	1,219	2,920	50,717	—	53,637	54,856	53,213
Equipment and maintenance	5,201	2,792	153	9,823	1,304	19,273	14,871	9,512	123,001	147,384	166,657	160,740
Postage	9,831	1,862	2,158	20,795	3,761	38,407	91	69,125	6,299	75,515	113,922	87,552
Supplies	196,654	189,211	12,516	62,403	13,708	474,492	20	5,061	3,973	9,054	483,546	373,751
Travel	134,157	144,200	10,527	3,071	15,227	307,182	6,441	3,070	899	10,410	317,592	231,973
Publication design and printing	29,197	13,755	6,255	114,497	13,348	177,052	—	121,791	182	121,973	299,025	192,691
Dues and fees	18,195	12,040	2,674	3,759	1,570	38,238	6,613	12,428	35	19,076	57,314	66,149
Grants and awards	—	—	—	—	7,500	7,500	—	—	—	—	7,500	7,500
Miscellaneous expense	—	—	—	—	—	—	—	21,079	—	21,079	21,079	—
Depreciation	3,494	4,660	—	2,281	—	10,435	—	—	2,746	2,746	13,181	9,017
Total expenses before allocation of shared costs	2,785,028	2,253,586	710,832	524,413	629,148	6,903,007	640,876	951,751	993,159	2,585,786	9,488,793	7,613,865
Allocation of shared costs	326,097	261,039	84,118	61,040	75,474	807,768	75,254	110,137	(993,159)	(807,768)	—	—
Total expenses	\$ 3,111,125	2,514,625	794,950	585,453	704,622	7,710,775	716,130	1,061,888	—	1,778,018	9,488,793	7,613,865

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
Cash flows from operating activities:		
Cash received from grants, contributions, contracts, and other sources	\$ 9,592,140	8,365,721
Cash received for dividends and interest	350,708	42,453
Cash paid to grantees	(7,500)	(7,500)
Cash paid to employees, suppliers, and contractors	(9,286,240)	(7,364,042)
Cash paid for amounts included in the measurement of operating lease liabilities	(60,729)	(60,086)
Net cash provided by operating activities	588,379	976,546
Cash flows from investing activities:		
Purchase of investments	(15,994,298)	(13,247,812)
Proceeds from sale or maturity of investments	17,600,394	12,578,039
Reinvestment of dividend and interest income	(291,068)	(6,537)
Capital expenditures	(20,877)	(31,826)
Net cash provided (used in) investing activities	1,294,151	(708,136)
Net increase in cash and cash equivalents	1,882,530	268,410
Cash and cash equivalents at beginning of year	3,047,867	2,779,457
Cash and cash equivalents at end of year	\$ 4,930,397	3,047,867
Supplemental schedule of noncash investing activities:		
Right-of-use assets upon FASB ASU 2016-02 implementation	\$ -	276,647

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, Inc. (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, 2023, 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 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 1.5 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, and other invertebrates. Through community science projects, which include Bumble Bee Watch, the Western Monarch Counts, the Western Monarch Milkweed Mapper, and the Firefly Atlas, Xerces engages tens of 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, rangeland managers, backyard gardeners, nursery managers, urban foresters and park managers, federal, state and local 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. Xerces pesticide reduction programs have eliminated and lowered pesticide use across millions of acres of rangeland, farmland and towns and cities.

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. Our Bee City USA network works with towns, cities and college and university campuses to protect and restore pollinator habitat and to reach broadly into these communities to promote pollinators. Bee City USA affiliates have restored habitat, minimized pesticide use and reached more than 1.4 million people with pollinator conservation messaging. By engaging volunteers, over 100 Xerces Ambassadors, and youth through X Kids, 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 hundreds of publications for free download through its website, including guidelines to help farmers and gardeners conserve pollinators, guides to identifying endangered bumble bees, other beneficial insects and soil invertebrates 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.

Current Expected Credit Losses – Accounts receivable measured at amortized cost are presented at the net amount expected to be collected. Xerces estimates the current expected credit losses on its accounts receivable using the aging schedule approach in which receivables are grouped into aging categories, based upon how long the receivables have been outstanding. Historical write-offs of each aging category are used to develop an estimate of future losses applied to each current aging category, adjusted for management's expectations about current and future economic conditions.

Inventories – Inventories, which consist primarily of publications and other literature 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, 2023, 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, 2023, no contributed land, buildings, equipment, or other materials were recorded.

Advertising Expenses – Advertising and marketing costs, representing primarily costs incurred to expand 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. To extend FDIC insurance to cover more of Xerces’ cash holdings at its principal bank, during 2023 Xerces joined the bank’s Insured Cash Sweep (“ICS”) service which spreads cash balances among participating banks. Consequently, at December 31, 2023, Xerces held just \$121,715 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 June 13, 2024, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2022 – The accompanying financial information as of and for the year ended December 31, 2022 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, 2023:

Unconditional government grants receivable, expected to be collected in less than one year	\$ 1,202,612
Program service fees receivable (<i>note 12</i>)	284,955
Other receivables	13,619
	\$ 1,501,186

Management's analysis concluded that an allowance for doubtful collection is not necessary. All significant receivables have been collected subsequent to December 31, 2023, or are deemed fully collectible.

Conditional Grants

As of December 31, 2023, Xerces had been awarded governmental grants and contracts totaling \$12,596,301, 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, 2023.

5. Private Grants and Contributions Receivable

Private grants and contributions receivable are summarized as follows at December 31, 2023:

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 616,985
One year to five years	210,000
	826,985
Less discount ¹	(25,968)
	\$ 801,017

¹ 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 4.97%.

Conditional Grants

As of December 31, 2023, Xerces had been awarded private grants totaling \$353,294, 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, 2023.

6. Investments and Investment Return

A summary of investments, carried at fair value, as of December 31, 2023 is as follows:

United States Treasury	
bills and notes	\$ 3,788,042
Brokered certificates of deposit	3,599,364
<i>Mutual funds:</i>	
Equity funds	215,405
Bond funds	113,074
	<hr/>
	\$ 7,715,885

Net investment return for the year ended December 31, 2023 is summarized as follows:

Interest and dividend income ¹	\$ 291,068
Net increase in the fair value	
of investments	88,821
	<hr/>
	379,889

¹ Presented net of external investment expenses

7. Property and Equipment

A summary of property and equipment at December 31, 2023 is as follows:

Website	\$ 76,470
Furniture and fixtures	26,132
Equipment	17,012
	<hr/>
	119,614
Less accumulated depreciation	(56,211)
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	\$ 63,403

8. Leases

Xerces has entered into an operating lease agreement for office space. The ROU asset and associated lease liability have been recorded for this lease in accordance with Topic 842. The lease expires in June of 2026 with no renewal option.

At December 31, 2023, Xerces' ROU asset and corresponding lease liability for the office lease totaled \$160,264.

Lease expense related to the operating lease totaled \$60,729 for the year ended December 31, 2023.

As of December 31, 2023, the discount rate and remaining lease term for the operating lease are as follows:

Discount rate	1.26%
Remaining lease term (years)	2.50

Future Lease Payments

Operating lease payments are expected to be paid for each of the following fiscal years:

Years ending December 31,

2024	\$ 63,657
2025	65,561
2026	33,431
	<hr/>
	162,649
Less present value discount	(2,385)
	<hr/>
Total lease liability	\$ 160,264

9. Board-Designated Reserve

As of December 31, 2023, the Board of Directors had designated \$288,127 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, 2023:

<i>Expendable net assets restricted for the following purposes:</i>	
Endangered species	\$ 583,357
Pollinator conservation	434,284
Pesticide reduction	217,387
Joan M. DeWind award	40,352
Community engagement	39,616
	1,314,996
<i>Expendable net assets unrestricted as to purpose, but restricted as to time:</i>	
Pledges to benefit the Xerces' general operations in future periods	351,289
	Total net assets with donor restrictions
	\$ 1,666,285

11. Net Assets Released from Restrictions and Other Reclassifications

During the year ended December 31, 2023, restrictions on contributions in the amount of \$6,505,937 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, 2023, Xerces reclassified net assets without donor restriction totaling \$549,208 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	\$ 6,505,937
Less unrestricted net assets reclassified to net assets with donor restrictions in satisfaction of matching requirements	(549,208)
	Net assets released from restriction and other reclassifications
	\$ 5,956,729

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. 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 \$284,955 at December 31, 2023. See note 4.

Deferred Revenues from Customers

Deferred revenues of \$778,414 at December 31, 2023 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, 2023, Xerces contributed \$378,898 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. 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, 2023, 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 and notes	\$ 3,788,042	–	3,788,042
Mutual funds	328,479	–	328,479
Brokered certificates of deposit	–	3,599,364	3,599,364
	\$ 4,116,521	3,599,364	7,715,885

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, 2023:

<i>Total financial assets:</i>	
Cash and cash equivalents	\$ 4,930,397
Governmental grants, contracts, and other receivables	1,501,186
Private grants and contributions receivable	801,017
Investments	7,715,885
	<hr/> 14,948,485
<i>Less financial assets not available within the year ending December 31, 2024:</i>	
Financial assets restricted by donors for future periods greater than one year	(184,032)
Financial assets restricted by donors for student awards	(40,352)
	<hr/> (224,384)
<i>Plus other funds subject to appropriation for expenditure:</i>	
Fiscal year 2024 appropriation of financial assets restricted for student awards	8,000
	<hr/> \$14,732,101

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. 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	\$ 621,704
<hr/>	
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	13,181
Net increase in the fair value of investments	(88,821)
<i>Net changes in:</i>	
Government grants, contracts, and other receivables	(457,626)
Private grants and contributions receivable	515,701
Inventories	10,751
Prepaid expenses	(10,561)
Right-of-use asset – operating lease	59,370
Accounts payable and accrued expenses	1,912
Accrued payroll and related expenses	119,041
Deferred revenue	(136,903)
Lease obligation – operating lease	(59,370)
	<hr/> (33,325)
Total adjustments	(33,325)
	<hr/>
Net cash provided by operating activities	\$ 588,379
	<hr/>

THE XERCES SOCIETY, INC.

GOVERNING BOARD AND MANAGEMENT

Board Members as of
December 31, 2023

Beth Robertson-Martin, *President*

Casey Sclar, Ph.D., *Vice President*

Jay Withgott, *Secretary*

Linda Craig, *Treasurer*

Betsy Lopez-Wagner

Sacha H. Spector

Rachael Winfree, Ph.D.

Management

Scott Hoffman Black, *Executive Director*

Karl Souza, *Director of Finance & Operations*

Denise Ledgerwood, *Director of Grants & Corporate
Giving*

Megan Faria, *Financial Planning & Analysis Manager*

Logan Lauvray, *Accounting & Data Manager*

THE XERCES SOCIETY, INC.

INQUIRIES AND OTHER INFORMATION

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