



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS



Financial Statements and Other Information as of and for the Year
Ended December 31, 2019 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 Financial Statements

We have audited the accompanying financial statements of The Xerces Society, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements 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 Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2019, 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.

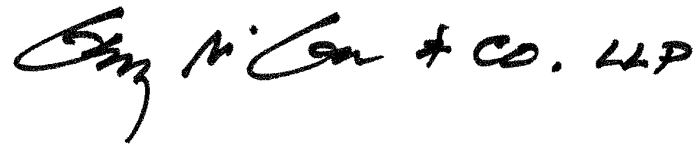
Other Matters

Emphasis of Matter

In 2019, The Xerces Society, Inc. adopted Financial Accounting Standard Board Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (topic 606)*. Our opinion is not modified with respect to this matter.

Summarized Comparative Information

We have previously audited The Xerces Society, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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.

May 28, 2020

THE XERCES SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH COMPARATIVE AMOUNTS FOR 2018)

	2019	2018
Assets:		
Cash and cash equivalents	\$ 1,825,633	1,750,666
Government grants, contracts, and other receivables (<i>note 5</i>)	723,655	490,708
Private grants and contributions receivable (<i>note 6</i>)	190,975	569,898
Investments (<i>note 7</i>)	5,098,914	3,773,387
Inventories	130,535	78,980
Prepaid expenses	43,529	65,267
Property and equipment (<i>note 8</i>)	10,364	14,339
Total assets	\$ 8,023,605	6,743,245
Liabilities:		
Accounts payable and accrued expenses	49,938	105,152
Accrued payroll and related expenses	368,079	336,814
Deferred revenue (<i>note 12</i>)	868,631	939,587
Total liabilities	1,286,648	1,381,553
Net assets:		
Without donor restrictions:		
Available for programs and general operations	4,678,357	3,885,817
Board-designated reserve (<i>note 9</i>)	253,487	218,843
Net investment in capital assets	10,364	14,339
Total without donor restrictions	4,942,208	4,118,999
With donor restrictions (<i>note 10</i>)	1,794,749	1,242,693
Total net assets	6,736,957	5,361,692
Commitments and contingencies (<i>notes 5, 6, 14, 15, and 16</i>)		
Total liabilities and net assets	\$ 8,023,605	6,743,245

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		Total	2018
	Without donor restrictions	With donor restrictions		
Revenues, gains, and other support:				
Private grants and contributions	\$ 2,090,288	2,025,235	4,115,523	3,276,972
Government grants and contracts	–	1,304,459	1,304,459	1,138,865
Program revenue	779,011	–	779,011	826,961
Interest income	2,471	–	2,471	2,359
Investment return, net (<i>note 7</i>)	162,381	15,127	177,508	45,400
Total revenues and gains	3,034,151	3,344,821	6,378,972	5,290,557
Net assets released from restrictions and other reclassifications (<i>note 11</i>)	2,792,765	(2,792,765)	–	–
Total revenues, gains, and other support	5,826,916	552,056	6,378,972	5,290,557
Expenses (<i>note 13</i>):				
Program services	3,852,715	–	3,852,715	3,539,866
Management and general	403,420	–	403,420	383,213
Fundraising	747,572	–	747,572	629,973
Total expenses	5,003,707	–	5,003,707	4,553,052
Increase in net assets	823,209	552,056	1,375,265	737,505
Net assets at beginning of year	4,118,999	1,242,693	5,361,692	4,624,187
Net assets at end of year	\$ 4,942,208	1,794,749	6,736,957	5,361,692

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
Cash flows from operating activities:		
Cash received from grants, contributions, contracts, and other sources	\$ 6,274,013	5,101,937
Cash received for dividends and interest	112,051	63,558
Cash paid to grantees	(7,500)	(27,266)
Cash paid to employees, suppliers, and contractors	(5,045,998)	(4,414,877)
Net cash provided by operating activities	1,332,566	723,352
Cash flows from investing activities:		
Purchase of investments	(5,351,433)	(3,081,134)
Proceeds from sale or maturity of investments	4,101,541	2,594,969
Reinvestment of dividend and interest income	(7,707)	(7,594)
Capital expenditures	—	(8,701)
Net cash used in investing activities	(1,257,599)	(502,460)
Net increase in cash and cash equivalents	74,967	220,892
Cash and cash equivalents at beginning of year	1,750,666	1,529,774
Cash and cash equivalents at end of year	\$ 1,825,633	1,750,666

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019					Total	2019			Total	2018	
	Program services						Management and general	Fundraising	Shared costs			
	Pollinator conservation	Endangered species	Community engagement	Pesticide reduction	Other conservation							
Salaries and related expenses	\$ 1,539,031	662,999	305,492	106,179	177,389	2,791,090	272,641	371,247	370,151	1,014,039	3,805,129	3,375,956
Contract services and subrecipient awards	9,410	51,143	—	—	—	60,553	—	195	132	327	60,880	97,719
Professional services	10,303	12,897	1,079	165	150	24,594	47,162	88,458	23,227	158,847	183,441	137,160
Telephone	10,434	3,857	1,598	1,545	—	17,434	6	—	13,748	13,754	31,188	27,865
Insurance	—	4,172	—	—	—	4,172	12,333	—	—	12,333	16,505	10,802
Rent and utilities	—	—	—	—	—	—	—	—	100,621	100,621	100,621	97,615
Bank fees	152	390	513	—	132	1,187	226	23,103	—	23,329	24,516	21,119
Equipment and maintenance	1,309	2,111	473	—	—	3,893	7,089	6,428	64,565	78,082	81,975	75,428
Postage	8,237	1,734	323	—	580	10,874	40	66,889	2,068	68,997	79,871	81,346
Supplies	72,164	17,418	9,126	161	57,283	156,152	152	1,289	5,339	6,780	162,932	124,900
Travel	109,992	63,710	8,008	2,323	13,159	197,192	12,892	2,640	5	15,537	212,729	259,039
Publication design and printing	53,208	18,032	14,334	60	13,977	99,611	270	87,450	1,923	89,643	189,254	171,043
Dues and fees	18,727	4,115	482	970	1,587	25,881	3,843	7,599	370	11,812	37,693	33,869
Mailing list rental	—	—	—	—	—	—	—	5,498	—	5,498	5,498	7,233
Grants and awards	—	—	—	—	7,500	7,500	—	—	—	—	7,500	27,266
Depreciation	—	—	—	—	—	—	—	—	3,975	3,975	3,975	4,692
Total expenses before allocation of shared costs	1,832,967	842,578	341,428	111,403	271,757	3,400,133	356,654	660,796	586,124	1,603,574	5,003,707	4,553,052
Allocation of shared costs	244,436	112,486	45,515	14,828	35,317	452,582	46,766	86,776	(586,124)	(452,582)	—	—
Total expenses	\$ 2,077,403	955,064	386,943	126,231	307,074	3,852,715	403,420	747,572	—	1,150,992	5,003,707	4,553,052

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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 Society 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. The Society's work has led to the restoration and protection of millions of acres of habitat for invertebrates. Funding comes from membership dues and donations, government grants and contracts, corporate support, foundation grants, and other program revenue.

2. Program Services

During the year ended December 31, 2019, the Society incurred program service expenses in the following major categories:

Pollinator Conservation – The Society's 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. It directly reaches agricultural professionals and farmers as well as other land managers through trainings, workshops, and other outreach events. As a result of the Society's work, native pollinators are now a key priority for agricultural conservation programs across the United States, and hundreds of thousands of acres of habitat improvements have been made for these vital insects.

Endangered Species – To conserve and restore the diversity of life on earth, the Society's 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. Its current work includes efforts to protect bumblebees, monarchs and other butterflies, freshwater mussels and other aquatic invertebrates, fireflies, snails, and other invertebrates.

Community Engagement – The Community Engagement program provides resources on invertebrate conservation to all age groups and engages with communities in urban and suburban areas. With most of the US population living in cities and towns, it is essential to provide resources and engage with these communities. It provides expertise on pollinator and other invertebrate habitat for community and school gardens, and offers conservation workshops for urban and suburban audiences. By engaging volunteers, or Xerces Ambassadors, the Society educates and inspires individuals and communities to take action to conserve invertebrates.

Pesticide Reduction – The Society's 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, the Society increases the adoption of ecologically sound pest management practices everywhere.

Other Conservation – The Society undertakes a variety of other conservation activities to raise awareness and appreciation of the valuable role of invertebrates. These include publication of its magazine, *Wings: Essays on Invertebrate Conservation*, which features the work of renowned wildlife photographers, scientists, and conservationists. The Society 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 the Society for Lepidoptera research and conservation projects.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Society 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 the Society 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 Society’s 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 the Society 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, the Society 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.

The Society 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 the Society’s 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. The Society capitalizes depreciable assets with a value of \$3,000 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, the Society 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, the Society 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.

The Society’s exchange transactions include revenues from service fees, workshop registrations, merchandise and publication sales, 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, the Society 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).

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 consolidated 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 the Society’s programs. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that the Society would have purchased if not donated are recognized in the statement of activities. During the year ended December 31, 2019, 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 the Society’s activities. During the year ended December 31, 2019, 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 the Society’s programs and activities, are charged to expense as they are incurred.

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

Concentrations of Credit Risk – The Society’s financial instruments consist primarily of cash, cash equivalents, brokered certificates of deposit, mutual funds, and common stock, which may subject the Society 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, 2019, the Society held \$388,559 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 the Society to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the Society’s 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 – The Society 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 May 28, 2020, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2018 –
The accompanying financial information as of and for the year ended December 31, 2018 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. Recently-Adopted Accounting Standards

Effective January 1, 2019, the Society adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), and additional ASUs issued to clarify the guidance in ASU 2014-09, which amends the existing accounting standards for revenue recognition. The Society adopted the new revenue standard applying the modified retrospective transition method to all contracts as of the date of adoption. As a result of this adoption, the Society determined there was no material effect.

5. Government Grants, Contracts, and Other Receivables

Government grants, contracts, and other receivables are summarized as follows at December 31, 2019:

Unconditional government grants receivable, expected to be collected in less than one year	\$ 653,141
Program service fees receivable	64,900
Other receivables	5,614
	\$ 723,655

As of December 31, 2019, the Society had been awarded governmental grants and contracts totaling \$2,292,159, 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, 2019.

6. Private Grants and Contributions Receivable

Private grants and contributions receivable are summarized as follows at December 31, 2019:

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 175,975
One year to five years	15,000
	\$ 190,975

As of December 31, 2019, the Society had been awarded private grants totaling \$760,725, 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, 2019.

7. Investments

A summary of investments, carried at fair value, as of December 31, 2019 is as follows:

Brokered certificates of deposit	\$ 4,766,553
Mutual funds:	
Bond funds	198,050
Equity funds	124,124
Common stock	10,187
	\$ 5,098,914

Net investment return for the year ended December 31, 2019 is summarized as follows:

Interest and dividend income	\$ 109,580
Net increase in the fair value of investments	67,928
	\$ 177,508

8. Property and Equipment

A summary of property and equipment at December 31, 2019 is as follows:

Equipment	\$	22,586
Furniture and fixtures		35,020
		<hr/> 57,606
Less accumulated depreciation		(47,242)
	\$	<hr/> 10,364

9. Board-Designated Reserve

As of December 31, 2019, the Board of Directors had designated \$253,487 as a reserve fund, set aside to stabilize the Society's 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 the Society's net assets with donor-imposed restrictions as of December 31, 2019:

Expendable net assets restricted for the following purposes:

Pollinator conservation	\$	1,101,631
Pesticide reduction		334,667
Community engagement		181,239
Joan M. DeWind award		68,688
Endangered species		64,879
Other conservation		29,745

1,780,849

Expendable net assets unrestricted as to purpose, but restricted as to time:

Pledges to benefit the Society's general operations in future periods		13,900
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Total net assets with donor restrictions	\$	<hr/> 1,794,749
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11. Net Assets Released from Restrictions and Other Reclassifications

During the year ended December 31, 2019, restrictions on contributions in the amount of \$3,011,094 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, 2019, the Society reclassified net assets without donor restriction totaling \$218,329 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	\$	3,011,094
Less unrestricted net assets reclassified to net assets with donor restrictions in satisfaction of matching requirements		(218,329)
		<hr/>
Net assets released from restriction	\$	2,792,765

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

The Society reported accounts receivable from contracts with customers of \$64,900 at December 31, 2019.

Continued

Deferred revenues of \$868,631 at December 31, 2019 consists of prepayments received for future services.

The Society applied the practical expedient allowed in FASB ASC 606 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less.

13. Expenses

The costs of providing the various programs and activities of the Society 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. Operating Leases

The Society leases office space under operating leases that expire in June and October of 2021. At December 31, 2019, the minimum annual lease commitments under these agreements are as follows:

<i>Years ending December 31,</i>	
2020	\$ 58,444
2021	33,314
	<hr/>
	\$ 91,758

Rent expense for all operating leases, including month-to-month agreements, totaled \$88,918 for the year ended December 31, 2019.

15. Employee Retirement Benefits

The Society 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. The Society makes a safe harbor contribution totaling 3% of qualifying compensation as well as a discretionary contribution to the plan. During the year ended December 31, 2019, the Society contributed \$211,506 to this plan, which was 8.0% of participants' qualifying compensation for the year ended December 31, 2019.

16. Contingencies

Amounts received or receivable under the Society's 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 the Society's management, any adjustments that might result from such audits would not be material to the Society's overall financial statements.

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, 2019:

<i>Total financial assets:</i>	
Cash and cash equivalents	\$ 1,825,633
Governmental grants, contracts, and other receivables	723,655
Private grants and contributions receivable	190,975
Investments	5,098,914
	<hr/>
	7,839,177
 <i>Less financial assets not available within the year ending December 31, 2020:</i>	
Financial assets restricted by donors for student awards	(68,688)
 <i>Plus other funds subject to appropriation for expenditure:</i>	
Fiscal year 2020 appropriation of financial assets restricted for student awards	15,126
	<hr/>
	\$ 7,785,615

As part of its liquidity management, the Society has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Society also invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds. In addition, the Society maintains a reserve fund, specifically put in place to stabilize the Society's 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.

Continued

- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Society’s 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, 2019, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 2	Total
<i>Investments (note 7):</i>			
Mutual funds	\$ 322,174	–	322,174
Stocks	10,187	–	10,187
Certificates of deposit	–	4,766,553	4,766,553
	\$ 332,361	4,766,553	5,098,914

19. Reclassification of 2018 Comparative Totals

Certain 2018 amounts presented herein have been reclassified to conform to the 2019 presentation.

20. 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	\$ 1,375,265
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	3,975
Net increase in the fair value of investments	(67,928)
<i>Net changes in:</i>	
Government grants, contracts, and other receivables	(232,947)
Private grants and contributions receivable	378,923
Inventories	(51,555)
Prepaid expenses	21,738
Accounts payable and accrued expenses	(55,214)
Accrued payroll and related expenses	31,265
Deferred revenue	(70,956)
Total adjustments	(42,699)
Net cash provided by operating activities	\$ 1,332,566

21. Subsequent Event – Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (resulting in the disease identified as COVID-19) began to spread across the world. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, almost all state and regional jurisdictions in the U.S., including Oregon, declared a public health state of emergency ordering the public to stay at home, closing specified businesses, and requiring social distancing measures for most public and private facilities. The financial impacts on the organization cannot be determined. Possible effects could include reduced operations and fundraising.

However, it is anticipated that the effects of these events will continue for some time and include prolonged disruptions to and/or restrictions on our employees' ability to work and on the ability of our patrons, customers, and other constituents to fully participate in our programs. Impacts on all revenue streams (earned, contributed, and public) are unknown, but may be profound. We have taken immediate measures to adapt the delivery of our programming in order to keep our employees and constituents safe, as well as facilitate ongoing availability of our services, and execution of our conservation mission.



THE XERCES SOCIETY, INC.

GOVERNING BOARD AND MANAGEMENT

**Board Members as of
December 31, 2019**

Linda Craig, *President*

Beth Robertson-Martin, *Vice President*

Logan Lauvray, *Treasurer*

Sacha H. Spector, *Secretary*

Lisa Bertelson

Casey Sclar, Ph.D.

Marla Spivak, Ph.D.

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 Manager*

THE XERCES SOCIETY, INC.

INQUIRIES AND OTHER INFORMATION

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