

**GALAPAGOS CONSERVANCY, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**



**GALAPAGOS CONSERVANCY, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
Galapagos Conservancy, Inc.

We have audited the accompanying financial statements of Galapagos Conservancy, Inc. (the Conservancy), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 of America; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors consider internal control relevant to the Conservancy'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 Conservancy'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 Galapagos Conservancy, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*CalibreCPAGroup, PLLC*

Bethesda, MD  
April 15, 2020

**GALAPAGOS CONSERVANCY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,510,689	\$ 894,368
Grants and contributions receivable	193,852	842,192
Prepaid expenses	40,954	27,185
Inventory	-	5,090
Total current assets	1,745,495	1,768,835
NET PROPERTY AND EQUIPMENT		
	-	1,250
INVESTMENTS		
	5,595,194	4,764,384
Total assets	\$ 7,340,689	\$ 6,534,469
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 83,019	\$ 88,611
Grants payable	340,712	211,828
Refundable advances	29,503	-
Deferred lease incentives	9,206	8,815
Total liabilities	462,440	309,254
NET ASSETS		
Without donor restrictions	2,961,625	2,374,930
With donor restrictions	3,916,624	3,850,285
Total net assets	6,878,249	6,225,215
Total liabilities and net assets	\$ 7,340,689	\$ 6,534,469

See accompanying notes to financial statements.

**GALAPAGOS CONSERVANCY, INC.**

**STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>						
Grants and contributions	\$ 3,342,689	\$ 570,742	\$ 3,913,431	\$ 2,902,352	\$ 359,601	\$ 3,261,953
Investment income (loss)	566,201	273,473	839,674	(240,954)	(111,250)	(352,204)
Sales	16,228	-	16,228	10,569	-	10,569
Net assets released from restriction	<u>777,876</u>	<u>(777,876)</u>	<u>-</u>	<u>926,228</u>	<u>(926,228)</u>	<u>-</u>
Total revenue	<u>4,702,994</u>	<u>66,339</u>	<u>4,769,333</u>	<u>3,598,195</u>	<u>(677,877)</u>	<u>2,920,318</u>
<b>EXPENSES</b>						
Program services	3,108,993	-	3,108,993	2,562,959	-	2,562,959
Supporting services						
Management and general	392,583	-	392,583	301,024	-	301,024
Fundraising	<u>614,723</u>	<u>-</u>	<u>614,723</u>	<u>546,186</u>	<u>-</u>	<u>546,186</u>
Total expenses	<u>4,116,299</u>	<u>-</u>	<u>4,116,299</u>	<u>3,410,169</u>	<u>-</u>	<u>3,410,169</u>
CHANGE IN NET ASSETS	586,695	66,339	653,034	188,026	(677,877)	(489,851)
<b>NET ASSETS</b>						
Beginning of year	<u>2,374,930</u>	<u>3,850,285</u>	<u>6,225,215</u>	<u>2,186,904</u>	<u>4,528,162</u>	<u>6,715,066</u>
End of year	<u>\$ 2,961,625</u>	<u>\$ 3,916,624</u>	<u>\$ 6,878,249</u>	<u>\$ 2,374,930</u>	<u>\$ 3,850,285</u>	<u>\$ 6,225,215</u>

See accompanying notes to financial statements.

**GALAPAGOS CONSERVANCY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2019

	Program Services			Supporting Services			Total
	Education for Sustainability	GTRI	Science for Conservation	Total Programs	Management and General	Fundraising	
Grants	\$ 392,297	\$ -	\$ 851,052	\$ 1,243,349	\$ -	\$ -	\$ 1,243,349
Salaries, benefits and payroll taxes	145,780	198,612	194,768	539,160	190,270	102,145	831,575
Accounting fees	15,240	12,319	23,246	50,805	105,664	35,220	191,689
Consulting fees	195,300	13,964	55,294	264,558	7,871	122,500	394,929
Copywriting charges	-	-	-	-	-	23,400	23,400
Cost of goods sold	-	-	11,307	11,307	-	-	11,307
Depreciation expense	-	-	-	-	1,250	-	1,250
Insurance expense	1,006	813	1,534	3,353	2,641	1,378	7,372
Legal fees	48,801	8,134	24,401	81,336	345	-	81,681
List rental	-	-	-	-	-	22,330	22,330
Mail house	676	547	1,031	2,254	1,776	79,278	83,308
Member email program	-	-	51,534	51,534	-	-	51,534
Occupancy	7,764	6,276	25,922	39,962	20,391	10,639	70,992
Office expenses	10,290	103,391	22,409	136,090	27,028	14,101	177,219
Other professional fees	8,556	30,219	13,408	52,183	22,473	13,091	87,747
Permits, fees and licenses	1,899	1,535	2,897	6,331	4,989	2,603	13,923
Postage and shipping	-	-	20,189	20,189	3,295	81,388	104,872
Premiums on member development	-	-	10,162	10,162	-	-	10,162
Printing and design	-	-	22,284	22,284	-	102,267	124,551
Travel and meetings	170,468	358,434	9,197	538,099	2,560	4,383	545,042
Web expense	-	-	36,037	36,037	2,030	-	38,067
<b>Total expenses</b>	<b>\$ 998,077</b>	<b>\$ 734,244</b>	<b>\$ 1,376,672</b>	<b>\$ 3,108,993</b>	<b>\$ 392,583</b>	<b>\$ 614,723</b>	<b>\$ 4,116,299</b>

See accompanying notes to financial statements.

**GALAPAGOS CONSERVANCY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services		Total
	Education for Sustainability	GTRI	Science for Conservation	Total Programs	Management and General	Fundraising	
Grants	\$ 466,368	\$ -	\$ 398,068	\$ 864,436	\$ -	\$ -	\$ 864,436
Salaries, benefits and payroll taxes	149,349	161,877	200,994	512,220	192,722	65,381	770,323
Accounting fees	28,818	7,601	59,603	96,022	37,184	12,619	145,825
Consulting fees	251,446	4,500	47,583	303,529	5,393	112,750	421,672
Copywriting charges	-	-	-	-	-	17,950	17,950
Cost of goods sold	-	-	2,370	2,370	-	-	2,370
Depreciation expense	2,107	556	1,743	4,406	2,718	923	8,047
Insurance expense	1,647	298	1,455	3,400	489	427	4,316
Legal fees	5,267	1,390	101,566	108,223	6,797	2,306	117,326
List rental	-	-	-	-	-	24,993	24,993
Mail house	-	-	5,223	5,223	-	72,843	78,066
Member email program	-	-	19,987	19,987	-	-	19,987
Occupancy	15,720	4,146	24,369	44,235	20,283	6,883	71,401
Office expenses	18,348	29,772	26,055	74,175	19,175	5,826	99,176
Other professional fees	15,565	44,855	86,709	147,129	7,704	29,261	184,094
Permits, fees and licenses	3,984	1,106	3,296	8,386	-	6,885	15,271
Postage and shipping	7	-	21,712	21,719	3,617	85,318	110,654
Premiums on member development	-	-	9,723	9,723	-	-	9,723
Printing and design	158	-	21,187	21,345	-	96,700	118,045
Travel and meetings	239,077	59,834	4,335	303,246	4,942	5,121	313,309
Web expense	1,642	433	11,110	13,185	-	-	13,185
<b>Total expenses</b>	<b>\$ 1,199,503</b>	<b>\$ 316,368</b>	<b>\$ 1,047,088</b>	<b>\$ 2,562,959</b>	<b>\$ 301,024</b>	<b>\$ 546,186</b>	<b>\$ 3,410,169</b>

See accompanying notes to financial statements.



**GALAPAGOS CONSERVANCY, INC.**

**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants and contributions received	\$ 4,550,956	\$ 2,969,218
Investment income received	216,804	250,924
Sales revenue received	16,228	10,569
Grants disbursed	(1,114,465)	(1,764,566)
Payment to vendors, suppliers and employees	<u>(2,883,316)</u>	<u>(2,565,150)</u>
Net cash provided by (used for) operating activities	<u>786,207</u>	<u>(1,099,005)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(2,655,976)	(3,476,943)
Proceeds from sales of investments	<u>2,484,090</u>	<u>3,459,715</u>
Net cash used for investing activities	<u>(171,886)</u>	<u>(17,228)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Endowment contributions received	<u>2,000</u>	<u>2,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	616,321	(1,114,233)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>894,368</u>	<u>2,008,601</u>
End of year	<u>\$ 1,510,689</u>	<u>\$ 894,368</u>

See accompanying notes to financial statements.

**GALAPAGOS CONSERVANCY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2019 AND 2018

**NOTE 1. ORGANIZATION**

Galapagos Conservancy, Inc. (the Conservancy) is a not-for-profit organization incorporated under the laws of Delaware in 1985. The scientific purposes of the Conservancy include the advancement of scientific research and conservation, principally in the Galapagos Islands. The Conservancy is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The Conservancy's major sources of income are donor contributions and investment income.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The financial statements are prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles, whereby revenue is recognized when earned and expenses are recognized when incurred.

**Financial Statement Presentation** - The Conservancy's financial statements have been prepared in accordance with guidance which requires that the financial statements of a not-for-profit organization report the amounts for each of two distinct classes of net assets and changes therein - net assets without donor restrictions and net assets with donor restrictions.

**Net Asset Classification** - Net assets are reported as either with or without donor restrictions. Donor restrictions may be temporary or perpetual, and so are disclosed as follows:

*Net Assets Without Donor Restrictions* - Represents net assets not subject to donor-imposed stipulations. These net assets are available for the overall operations of the Conservancy, and certain amounts have been designated for use by the Board of Directors.

*Net Assets with Temporary Donor Restrictions* - Net assets subject to donor-imposed stipulations that will be met either by actions of the Conservancy and/or the passage of time.

*Net Assets with Perpetual Donor Restrictions* - The Conservancy reports contributions which require that the amounts be maintained in perpetuity as net assets with perpetual donor restrictions.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Cash and Cash Equivalents** - For the purpose of reporting cash flows, the Conservancy considers amounts immediately available for withdrawal from bank accounts and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents, except for those securities held in the Conservancy's investment portfolio.

**Inventory** - Inventory is available for sale to members and the general public and is reported at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

**Investments** - Investments are reported at fair value. Investment income reported in the statements of activities includes all interest and dividends, unrealized gains and losses on securities held at year-end, realized gains and losses from sales of securities during the year, and net of related external investment management fees. The Conservancy invests in domestic and international equities, fixed income securities, and shares of mutual funds. Such investments are exposed to various risks, such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

The Conservancy has adopted the provisions of the *Fair Value Measurements and Disclosure* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as its valuation methodology. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. A hierarchy exists to help maximize the use of observable inputs when measuring fair value. Fair value measurements are then classified by how observable or unobservable the inputs are that are used to determine fair value. The three levels of the fair value hierarchy used to determine the fair value of the Conservancy's investments are:

Level 1 - Inputs to the valuation methodology are quoted prices available in actively traded markets for identical investments as of the reporting date.

Level 2 - Inputs to the valuation methodology are quoted prices outside of active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following are descriptions of the Conservancy's valuation methodologies used for financial instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

***Mutual funds and equity securities*** - These investments are valued at the closing price reported on the New York Stock Exchange Composite Listing or other active market on which these securities are traded. These securities are classified within Level 1 of the valuation hierarchy.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fixed income securities** - Investments in corporate and government fixed income securities are generally valued based on market interest rates and maturity dates for similar securities and are classified within Level 2 of the valuation hierarchy, unless such investments are held in a mutual fund in which case the securities are valued as described above.

**Property and Equipment** - Property and equipment purchases are recorded at cost if purchased and at fair value if donated; depreciation is computed on the straight-line basis over their estimated useful lives ranging from three to seven years. All property and equipment purchase with an estimated useful life over one year and cost greater than \$500 is capitalized. Depreciation expense for the years ended December 31, 2019 and 2018 was \$1,250 and \$8,047, respectively.

**Refundable Advances** - Refundable advances consists of unexpended grant awards received under a cost-reimbursement grant accounted for as a conditional contribution.

**Restricted and Unrestricted Revenue** - Contributions received are reported as increases in net assets not subject to donor restrictions unless received with donor stipulations that require the assets be used for specific purposes or in specific time periods.

All donor-restricted revenue, including endowment investment income, is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with temporary donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give are measured at fair value and reported as increases in net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses which could be directly identified with a specific program were charged to that program, but expenses for general use or not directly identifiable were allocated to each program based on time and effort studies for all staff.

**Income Taxes** - The Conservancy is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Conservancy accounts for income taxes in accordance with the Accounting Standards Codification (ASC) Topic Income Taxes. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Conservancy performed an evaluation of uncertain tax positions for the year ended December 31, 2019 and 2018, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2019, the statute of limitations for tax years 2016 through 2018 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Conservancy files returns.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements Adopted** - During the year ended December 31, 2019, the Conservancy adopted the provisions of Accounting Standards Updates 2014-09, *Revenue from Contracts with Customers*, and 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Update 2014-09 prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized, including performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. It also requires expanded disclosures about the nature, amount, and timing of revenues and cash flows. Update 2018-08 provides a framework for determining whether a particular transaction is an exchange or a contribution, including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and guidance to assist entities in determining whether a contribution is conditional or unconditional. These Updates had no significant impact on the Conservancy's financial statements.

**NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following table represents the Conservancy's financial assets available to meet cash needs for general expenditures within one year as of December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Financial assets at end of year		
Cash and cash equivalents	\$ 1,510,689	\$ 894,368
Grants and contributions receivable	193,852	842,192
Investments	<u>5,595,194</u>	<u>4,764,384</u>
Total financial assets at end of year	7,299,735	6,500,944
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	(500,588)	(709,722)
Endowment funds and unexpended earnings thereon	<u>(5,595,194)</u>	<u>(4,764,384)</u>
Total financial assets available for general expenditures within one year	<u>\$ 1,203,953</u>	<u>\$ 1,026,838</u>

The Conservancy has a goal to maintain sufficient financial assets in the form of cash and cash equivalents on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$400,000. The Conservancy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of unforeseen obligations, the Conservancy may be granted access to Board-designated endowment assets of approximately \$2.2 million and has access to a line of credit of \$200,000 as of December 31, 2019.

#### NOTE 4. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2019 and 2018, grants and contributions receivable totaled \$193,852 and \$842,192, respectively, and were all expected to be collected within one year. No allowance for uncollectible amounts has been reported since management expects these amounts to be collected in full. In addition, the Conservancy had conditional contributions receivable of approximately \$363,000, subject to receipt and recognition based on allowable expenses incurred in connection with a cost-reimbursable grant agreement.

#### NOTE 5. CONCENTRATION OF CASH

The Conservancy places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. The Conservancy from time to time may have amounts on deposit in excess of insured limits. As of December 31, 2019, the Conservancy had approximately \$996,000 on deposit in excess of the FDIC insurance limits.

#### NOTE 6. INVESTMENTS

Investments reported in the statements of financial position as of December 31, 2019 and 2018, and related investment income reported in the statements of activities for the years then ended consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ -	\$ -
Equity securities	-	-
Fixed income securities	-	-
Mutual funds - other	-	-
	<u>-</u>	<u>-</u>
Accrued interest	<u>15,456</u>	<u>8,841</u>
	<u>\$ 15,456</u>	<u>\$ 8,841</u>
	<u>2019</u>	<u>2018</u>
Interest	\$ 216,804	\$ 250,610
Unrealized gains (losses)	509,064	(717,403)
Realized gains	149,860	149,783
Investment fees	<u>(36,054)</u>	<u>(35,194)</u>
	<u>\$ 839,674</u>	<u>\$ (352,204)</u>

**NOTE 6. INVESTMENTS (CONTINUED)**

The fair values of investments as of December 31, 2019 and 2018 are based on the following valuation hierarchy inputs:

	2019			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 346,596	\$ 346,596	\$ -	\$ -
Equity securities				
Domestic	2,083,950	2,083,950	-	-
International	708,859	708,859	-	-
Fixed income securities	2,297,545	612,336	1,685,209	-
Mutual funds - other	142,788	142,788	-	-
	<u>\$ 5,579,738</u>	<u>\$ 3,894,529</u>	<u>\$ 1,685,209</u>	<u>\$ -</u>

  

	2018			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 28,720	\$ 28,720	\$ -	\$ -
Equity securities				
Domestic	2,162,407	2,162,407	-	-
International	943,148	943,148	-	-
Fixed income securities	1,526,091	842,343	683,748	-
Mutual funds - other	95,177	95,177	-	-
	<u>\$ 4,755,543</u>	<u>\$ 4,071,795</u>	<u>\$ 683,748</u>	<u>\$ -</u>

**NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions includes amounts subject to both temporary as well as perpetual donor restrictions. Total net assets with donor restrictions as of December 31, 2019 and 2018 were as follows.

	2019	2018
Temporary restrictions	\$ 1,382,606	\$ 1,318,267
Perpetual restrictions	<u>2,534,018</u>	<u>2,532,018</u>
	<u>\$ 3,916,624</u>	<u>\$ 3,850,285</u>

**NOTE 8. NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS**

Activity in net assets with temporary donor restrictions during the years ended December 31, 2019 and 2018 was as follows:

	2019			
	Balances Beginning of Year	Restricted Contributions or Endowment Earnings	Net Assets Released from Restriction	Balances End of Year
Marine	\$ 15,800	\$ -	\$ -	\$ 15,800
Tortoise	-	46,500	(46,500)	-
Ornithology	-	22,500	-	22,500
Education	40,685	153,754	(188,543)	5,896
Education-Tinker Foundation	400,000	-	(200,000)	200,000
Celebrity Expeditions	63,137	90,205	-	153,342
U.S. State Department	-	45,336	(45,336)	-
GTRI-GEF	-	187,497	(187,497)	-
Silver Seas	-	12,950	-	12,950
Saladin Funds	190,100	-	(100,000)	90,100
Vital Signs	-	10,000	(10,000)	-
Unexpended endowment earnings (loss)	<u>608,545</u>	<u>273,473</u>	<u>-</u>	<u>882,018</u>
	<u>\$ 1,318,267</u>	<u>\$ 842,215</u>	<u>\$ (777,876)</u>	<u>\$ 1,382,606</u>
	2018			
	Balances Beginning of Year	Restricted Contributions or Endowment Earnings	Net Assets Released from Restriction	Balances End of Year
Marine	\$ 20,000	\$ 15,800	\$ (20,000)	\$ 15,800
Tortoise	105,100	42,976	(148,076)	-
Ornithology	-	20,100	(20,100)	-
Education	33,047	147,400	(139,762)	40,685
Education-Tinker Foundation	600,000	-	(200,000)	400,000
Celebrity Expeditions	132,413	97,660	(166,936)	63,137
U.S. State Department	-	23,665	(23,665)	-
Saladin Funds	387,789	-	(197,689)	190,100
Vital Signs	-	10,000	(10,000)	-
Unexpended endowment earnings (loss)	<u>719,795</u>	<u>(111,250)</u>	<u>-</u>	<u>608,545</u>
	<u>\$ 1,998,144</u>	<u>\$ 246,351</u>	<u>\$ (926,228)</u>	<u>\$ 1,318,267</u>



## **NOTE 9. ENDOWMENT FUNDS AND NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS**

The Conservancy's endowment consists of five individual funds established for a variety of purposes, the income from which is expendable to support various scientific researches of the Galapagos Islands. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. All contributions to donor-restricted endowments are reported as increases net assets with perpetual donor restrictions. All earnings on the underlying investments are reported as increases in net assets with temporary donor restrictions until appropriated for expenditure by the Conservancy.

**Interpretation of Relevant Law** - The Uniform Prudent Management of Institutional Fund Act (UPMIFA) was adopted by the Commonwealth of Virginia in 2008. Management of the Conservancy interprets UPMIFA as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of donor-restricted endowment funds not classified in net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the Conservancy in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The durations and preservation of the fund.
- The purposes of the Conservancy endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Investment policies.

**Return Objective and Risk Parameters** - The Conservancy's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support its programs. The Conservancy is primarily invested in publicly traded mutual funds, equities, and corporate bonds.

**Spending Policies** - The earnings from these endowments are available in support of programs of the Conservancy. The Board of Directors approves an annual appropriation to fund grants in support of the Conservancy's mission in amounts aimed to preserve the endowment corpus.

**NOTE 9. ENDOWMENT FUNDS AND NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS  
(CONTINUED)**

Endowment fund net assets by fund type and net asset class as of December 31, 2019 and 2018 are as follows:

	2019			Total
	Without Donor Restrictions	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	
General Endowment	\$ 2,187,158	\$ -	\$ 1,583,535	\$ 3,770,693
USAID Endowment	-	556,969	500,000	1,056,969
Marine Endowment	-	181,075	240,318	421,393
Hickman Marine Endowment	-	58,001	180,165	238,166
Darwin Scholars Endowment	-	77,973	30,000	107,973
	<u>\$ 2,187,158</u>	<u>\$ 874,018</u>	<u>\$ 2,534,018</u>	<u>\$ 5,595,194</u>
	2018			Total
	Without Donor Restrictions	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	
General Endowment	\$ 1,623,821	\$ -	\$ 1,583,535	\$ 3,207,356
USAID Endowment	-	399,060	500,000	899,060
Marine Endowment	-	118,120	240,318	358,438
Hickman Marine Endowment	-	29,523	178,165	207,688
Darwin Scholars Endowment	-	61,842	30,000	91,842
	<u>\$ 1,623,821</u>	<u>\$ 608,545</u>	<u>\$ 2,532,018</u>	<u>\$ 4,764,384</u>

**NOTE 9. ENDOWMENT FUNDS AND NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS  
(CONTINUED)**

Changes in endowment fund net assets for the years ended December 31, 2019 and 2018 are as follows:

	2019			Total
	Without Donor Restrictions	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	
Beginning of year	\$ 1,623,821	\$ 608,545	\$ 2,532,018	\$ 4,764,384
Contributions	100,000	-	2,000	102,000
Appropriations	(100,000)	(8,000)	-	(108,000)
Investment earnings (loss)	<u>563,337</u>	<u>273,473</u>	<u>-</u>	<u>836,810</u>
End of year	<u>\$ 2,187,158</u>	<u>\$ 874,018</u>	<u>\$ 2,534,018</u>	<u>\$ 5,595,194</u>

  

	2018			Total
	Without Donor Restrictions	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	
Beginning of year	\$ 2,086,982	\$ 719,795	\$ 2,530,018	\$ 5,336,795
Contributions	246,900	-	2,000	248,900
Appropriations	(465,000)	-	-	(465,000)
Investment earnings	<u>(245,061)</u>	<u>(111,250)</u>	<u>-</u>	<u>(356,311)</u>
End of year	<u>\$ 1,623,821</u>	<u>\$ 608,545</u>	<u>\$ 2,532,018</u>	<u>\$ 4,764,384</u>

**NOTE 10. LINE OF CREDIT**

The Galapagos Conservancy has a \$200,000 line of credit that expires on May 15, 2021. The line of credit accrues interest at the Wall Street Journal Prime Rate plus 1.00% and is secured by all assets of the Conservancy. The bank also requires the Conservancy to comply with certain administrative covenants. There were no outstanding balances on the line at December 31, 2019 and 2018.

#### **NOTE 11. LEASE COMMITMENTS**

The Conservancy leases its office space under a noncancelable agreement that expires December 31, 2022. The lease extension provides for abatement of rent due for January 2018, with annual escalations in the base rent of 3%. The Conservancy is also responsible for its pro-rata share of any increases in operating expenses and real estate taxes on the building, beginning in 2019. The total rent due is recognized in expense on a straight-line basis, and total rent expense for the years ended December 31, 2019 and 2018 was \$70,992 and \$71,401, respectively.

Future minimum lease payments at December 31, 2019 are due as follows:

Years ending December 31,	2020	\$ 58,217
	2021	59,963
	2022	<u>61,762</u>
		<u>\$ 179,942</u>

#### **NOTE 12. RETIREMENT PLAN**

The Conservancy has a simple Individual Retirement Account plan covering all employees beginning on their date of hire. Employees can make salary deferrals up to limits specified in the plan. The Conservancy contributes an amount equal to 2% of each employee's eligible compensation. Employer contributions to the plan for the years ended December 31, 2019 and 2018 were \$4,282 and \$11,182, respectively.

#### **NOTE 13. SUBSEQUENT EVENTS REVIEW**

Subsequent to year-end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on the Conservancy's activities and cash flows cannot be determined at this time. All subsequent events have been evaluated through April 15, 2020, which is the date the financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.