



FINANCIAL STATEMENTS

December 31, 2022 and 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Galapagos Conservancy, Inc.  
Fairfax, Virginia

### **Opinion**

We have audited the financial statements of Galapagos Conservancy, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Galapagos Conservancy, Inc. as of December 31, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Galapagos Conservancy, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Adoption of New Accounting Guidance**

As discussed in Note 1 to the financial statements, Galapagos Conservancy, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs as of January 1, 2022. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Galapagos Conservancy, 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Galapagos Conservancy, 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 Galapagos Conservancy, 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.



Wegner CPAs, LLP  
Alexandria, Virginia  
September 6, 2023

**GALAPAGOS CONSERVANCY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash	\$ 3,226,377	\$ 3,290,566
Unconditional promises to give	305,153	387,243
Prepaid expenses	29,895	33,437
Operating lease right-of-use asset	33,814	-
Investments	5,518,095	6,274,187
Property and equipment, net	<u>63,696</u>	<u>59,069</u>
<b>Total assets</b>	<u><u>\$ 9,177,030</u></u>	<u><u>\$ 10,044,502</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 115,472	\$ 57,011
Accrued liabilities	21,429	69,998
Grants payable	1,233,523	961,502
Operating lease liability	33,814	-
Deferred lease incentives	<u>-</u>	<u>4,817</u>
Total liabilities	1,404,238	1,093,328
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	1,695,779	2,173,222
Board designated endowment	2,010,240	2,484,462
With donor restrictions	<u>4,066,773</u>	<u>4,293,490</u>
Total net assets	<u><u>7,772,792</u></u>	<u><u>8,951,174</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 9,177,030</u></u>	<u><u>\$ 10,044,502</u></u>

See accompanying notes.

**GALAPAGOS CONSERVANCY, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Grants and contributions	\$ 3,700,975	\$ 1,038,004	\$ 4,738,979	\$ 4,141,900	\$ 1,003,818	\$ 5,145,718
Investment return, net	(248,924)	(381,870)	(630,794)	344,153	258,429	602,582
Sales	234	-	234	16,125	-	16,125
Total support and revenue	3,452,285	656,134	4,108,419	4,502,178	1,262,247	5,764,425
<b>EXPENSES</b>						
Program Services						
Education for Sustainability	2,616,048	-	2,616,048	960,698	-	960,698
GTRI	293,995	-	293,995	953,837	-	953,837
Science for Conservation	1,346,982	-	1,346,982	1,254,458	-	1,254,458
Total program services	4,257,025	-	4,257,025	3,168,993	-	3,168,993
Supporting Activities						
Management and General	461,919	-	461,919	270,389	-	270,389
Fundraising	567,857	-	567,857	662,926	-	662,926
Total expenses	5,286,801	-	5,286,801	4,102,308	-	4,102,308
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Satisfaction of purpose restrictions	882,851	(882,851)	-	972,586	(972,586)	-
<b>Change in net assets</b>	(951,665)	(226,717)	(1,178,382)	1,372,456	289,661	1,662,117
Net assets at beginning of year	4,657,684	4,293,490	8,951,174	3,285,228	4,003,829	7,289,057
<b>Net assets at end of year</b>	<u>\$ 3,706,019</u>	<u>\$ 4,066,773</u>	<u>\$ 7,772,792</u>	<u>\$ 4,657,684</u>	<u>\$ 4,293,490</u>	<u>\$ 8,951,174</u>

See accompanying notes.

**GALAPAGOS CONSERVANCY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2022

	Program Services			Supporting Activities			Total Expenses	
	Education for Sustainability	GTRI	Science for Conservation	Total Program Services	Management and General	Fundraising		Total Supporting Activities
Grants	\$ 1,590,609	\$ 118,148	\$ 1,241,161	\$ 2,949,918	\$ -	\$ -	\$ -	2,949,918
Salaries, benefits and payroll taxes	576,169	28,267	72,457	676,893	187,629	222,040	409,669	1,086,562
Accounting fees	-	-	-	-	54,354	-	54,354	54,354
Consulting fees	72,057	29,762	3,000	104,819	-	97,845	97,845	202,664
Copywriting charges	13,495	20,209	-	33,704	-	15,620	15,620	49,324
Depreciation expense	19,845	-	1,667	21,512	1,293	2,179	3,472	24,984
Insurance expense	1,828	-	-	1,828	3,369	349	3,718	5,546
Legal fees	14,518	-	-	14,518	5,110	570	5,680	20,198
List rental	-	-	-	-	-	250	250	250
Mail house	25,273	-	-	25,273	-	33,888	33,888	59,161
Occupancy	11,760	-	-	11,760	70,214	-	70,214	81,974
Office expenses	46,953	23,949	4,758	75,660	94,443	6,890	101,333	176,993
Other professional fees	62,864	9,695	3	72,562	10,424	51,723	62,147	134,709
Permits, fees and licenses	1,044	-	-	1,044	5,106	18,468	23,574	24,618
Postage and shipping	10,957	572	-	11,529	451	39,669	40,120	51,649
Premium on member development	1,733	-	-	1,733	-	5,087	5,087	6,820
Printing and design	63,560	-	-	63,560	-	64,320	64,320	127,880
Travel and meetings	78,592	63,393	17,138	159,123	29,076	6,789	35,865	194,988
Web expense	24,791	-	6,798	31,589	450	2,170	2,620	34,209
<b>Total expenses</b>	<b>\$ 2,616,048</b>	<b>\$ 293,995</b>	<b>\$ 1,346,982</b>	<b>\$ 4,257,025</b>	<b>\$ 461,919</b>	<b>\$ 567,857</b>	<b>\$ 1,029,776</b>	<b>\$ 5,286,801</b>

**GALAPAGOS CONSERVANCY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2021

	Program Services			Supporting Activities			Total Expenses	
	Education for Sustainability	GTRI	Science for Conservation	Total Program Services	Management and General	Fundraising		Total Supporting Activities
Grants	\$ 450,003	\$ 2,659	\$ 822,716	\$ 1,275,378	\$ -	\$ -	\$ -	\$ 1,275,378
Salaries, benefits and payroll taxes	332,383	280,337	279,048	891,768	89,526	176,139	265,665	1,157,433
Accounting fees	-	-	-	-	90,233	-	90,233	90,233
Consulting fees	92,026	250,916	32,263	375,205	4,000	123,387	127,387	502,592
Copywriting charges	5,457	5,418	7,125	18,000	-	23,372	23,372	41,372
Depreciation expense	2,297	2,280	2,999	7,576	359	1,418	1,777	9,353
Insurance expense	393	392	515	1,300	4,172	258	4,430	5,730
Legal fees	17,296	17,175	26,712	61,183	2,281	2,730	5,011	66,194
List rental	-	-	-	-	24	10,928	10,952	10,952
Mail house	694	681	896	2,271	11	64,863	64,874	67,145
Member email program	-	-	-	-	-	4,100	4,100	4,100
Occupancy	18,599	18,476	24,284	61,359	7,514	8,995	16,509	77,868
Office expenses	11,065	113,456	10,953	135,474	55,042	2,479	57,521	192,995
Other professional fees	12,994	12,971	16,968	42,933	2,001	63,676	65,677	108,610
Permits, fees and licenses	601	1,818	785	3,204	3,249	8,424	11,673	14,877
Postage and shipping	4,538	4,629	5,846	15,013	791	88,818	89,609	104,622
Premium on member development	-	-	-	-	-	4,459	4,459	4,459
Printing and design	6,529	6,527	8,526	21,582	-	75,457	75,457	97,039
Travel and meetings	1,669	231,977	9,398	243,044	10,497	2,547	13,044	256,088
Web expense	4,154	4,125	5,424	13,703	689	876	1,565	15,268
<b>Total expenses</b>	<b>\$ 960,698</b>	<b>\$ 953,837</b>	<b>\$ 1,254,458</b>	<b>\$ 3,168,993</b>	<b>\$ 270,389</b>	<b>\$ 662,926</b>	<b>\$ 933,315</b>	<b>\$ 4,102,308</b>



**GALAPAGOS CONSERVANCY, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,178,382)	\$ 1,662,117
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	24,984	9,353
Amortization of operating lease right-of use asset	73,762	-
Net realized and unrealized (gains) losses on investments	731,492	(386,417)
Endowment contributions	(162,726)	-
(Increase) decrease in assets		
Unconditional promises to give	82,090	(142,459)
Prepaid expenses	3,542	4,435
Increase (decrease) in liabilities		
Accounts payable	58,461	23,036
Accrued liabilities	(48,569)	32,621
Grants payable	272,021	446,312
Refundable advances	-	(52,655)
Operating lease liability	(73,762)	-
Deferred lease incentives	-	(4,869)
	<u>(217,087)</u>	<u>1,591,474</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(29,611)	(68,421)
Purchases of investments and interest and dividends reinvested	(381,909)	(214,575)
Proceeds from sales of investments	401,692	300,000
	<u>(9,828)</u>	<u>17,004</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Endowment contributions	162,726	-
	<u>(64,189)</u>	<u>1,608,478</u>
<b>Change in cash</b>		
Cash at beginning of year	<u>3,290,566</u>	<u>1,682,088</u>
<b>Cash at end of year</b>	<u>\$ 3,226,377</u>	<u>\$ 3,290,566</u>

See accompanying notes.

**GALAPAGOS CONSERVANCY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

Galapagos Conservancy, Inc. (the Conservancy) is a not-for-profit organization incorporated under the laws of Delaware in 1985. The scientific purpose of the Conservancy included the advancement of scientific research and conservation, principally in the Galapagos Islands. The Conservancy's major sources of income are grants and contributions.

**Promises to Give**

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At December 31, 2022 and 2021, all promises to give are collectible within one year.

**Property and Equipment**

Property and equipment are recorded at cost if purchased and at fair value if donated; depreciation is computed on a 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 \$1,000 is capitalized.

**Investments**

The Conservancy reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

**Income Tax Status**

The Conservancy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Conservancy qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**Revenue Recognition**

The Conservancy's sales revenue is recognized at a point in time when the sale of merchandise occurs.

**GALAPAGOS CONSERVANCY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Contributions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Expense Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits and payroll taxes, occupancy and depreciation, which are allocated based on estimates of time, effort, and use.

**Leases**

The Conservancy does not recognize short-term leases in the statement of financial position. For these leases, the Conservancy recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The Conservancy also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, the Conservancy uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

**Adoption of New Accounting Guidance**

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and creates FASB ASC Topic 842, *Leases*. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

**GALAPAGOS CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Conservancy adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows the Conservancy to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Conservancy’s reporting for the year ended December 31, 2021, is in accordance with the previous guidance in Topic 840.

The Conservancy elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed the Conservancy to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases. The adoption of Topic 842 resulted in the recognition of operating lease right-of-use assets of \$107,306 and operating lease liabilities of \$107,306 as of January 1, 2022. The adoption of Topic 842 did not have a material effect on the Conservancy’s change in net assets or cash flows.

**Estimates**

The preparation of financial statements 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Date of Management’s Review**

Management has evaluated subsequent events through September 6, 2023, the date which the financial statements were available to be issued.

NOTE 2—INVESTMENTS

Investments are comprised of the following:

	2022	2021
Money market funds	\$ 647,484	\$ 104,133
Certificates of deposit	361	75,980
Equities	987,383	1,518,358
Exchange traded funds	186,840	257,000
Equity mutual funds	2,577,527	3,142,291
Bond mutual funds	1,118,500	1,176,425
Investments	\$ 5,518,095	\$ 6,274,187

Fair values of equities, exchange traded funds, and equity mutual funds and bond mutual funds are valued at the closing price reported on the active market on which the equity mutual funds and bond mutual funds are traded and are considered Level 1 fair value measurements. Fair value of certificates of deposit are determined using a market approach on yields currently available on comparable securities of issuers with similar credit ratings, which are Level 2 fair value measurements.

**GALAPAGOS CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

NOTE 3—NET ASSETS

Net assets with donor restrictions are comprised of the following:

	2022	2021
Subject to expenditure for specified purpose:		
Land Birds	\$ 21,144	\$ 34,750
Education	21,744	11,018
Celebrity Expeditions	90,228	88,800
Silver Seas	161,714	156,464
Saladin Funds	20,100	20,100
Tortoise	7,821	79,364
Education-Muggia	-	25,433
Women in Sustainable Entrepreneurship	33,707	34,510
Pink Land Iguana	-	2,854
Penguins	-	5,400
Conservatino Center	20,035	45,072
GTRI-GEF	182,425	-
Subject to the Conservancy's spending policy and appropriation		
General Endowment	1,480,133	1,645,990
USAID Endowment	1,116,768	1,241,908
Hickman-Marine Restricted Fund Endowment	796,873	774,962
Darwin Scholars Endowment	114,081	126,865
Net assets with donor restrictions	\$ 4,066,773	\$ 4,293,490

NOTE 4—CONCENTRATIONS OF CREDIT RISK

The Conservancy places its cash and cash equivalents on deposit with financial institutions in the United States. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022 and 2021, the Conservancy's uninsured cash balances totaled \$2,935,000 each year.

NOTE 5—RETIREMENT CONTRIBUTIONS

The Conservancy has a simple Individual Retirement Account plan covering all full-time employees (working a minimum of 30 hours per week) beginning on their date of hire. Employees can make salary deferrals up to limits specified in the plan. The Conservancy will match up to 3% of an employee's salary if the individual decides to contribute. Employer contributions to the plan for the years ended December 31, 2022 and 2021 were \$20,664 and \$20,608, respectively.

**GALAPAGOS CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**NOTE 6—PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following:

	2022	2021
Furniture and fixtures	\$ 35,559	\$ 22,165
Office equipment	28,974	20,257
Software	33,500	26,000
Accumulated depreciation and amortization	(34,337)	(9,353)
Property and equipment, net	\$ 63,696	\$ 59,069

**NOTE 7—LIQUIDITY AND AVAILABILITY**

The following table reflects the Conservancy's financial assets as of December 31, 2022 and 2021 reduced by amounts not available to meet cash needs for general expenditures within one year of the date of the statements of financial position:

	2022	2021
Financial assets at year-end:		
Cash	\$ 3,226,377	\$ 3,290,566
Unconditional promises to give	305,153	387,243
Investments	5,518,095	6,274,187
Total financial assets at year-end	9,049,625	9,951,996
Less financial assets unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	(558,918)	(503,765)
Subject to Conservancy's spending policy	(5,518,095)	(6,274,187)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,972,612	\$ 3,174,044

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 \$2,000,000 and \$2,500,000, respectively, for the years ended December 31, 2022 and 2021.

**GALAPAGOS CONSERVANCY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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NOTE 8—ENDOWMENTS

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 research 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 in net assets with donor restrictions. All earnings on the underlying investments are reported as increases in net assets with donor restrictions until appropriated for expenditure by the Conservancy.

The Conservancy is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions (a) the original value of gifts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Conservancy has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. 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.

*Investment Return Objectives, Risk Parameters, and Strategies.* 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 equity and bond mutual funds.

*Spending Policy.* 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.

*Underwater Endowment Funds.* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Conservancy to retain as a fund of perpetual duration. At December 31, 2022, due to poor market conditions, the Conservancy's endowment fund is underwater by \$103,402. At December 31, 2021, there are no donor-restricted endowment funds with deficiencies.

**GALAPAGOS CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

NOTE 8—ENDOWMENTS (continued)

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gifts	\$ -	\$ 2,634,018	\$ 2,634,018
Accumulated investment gains	-	873,837	873,837
Board-designated endowment funds	2,010,240	-	2,010,240
<b>Total endowment funds</b>	<b>\$ 2,010,240</b>	<b>\$ 3,507,855</b>	<b>\$ 5,518,095</b>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gifts	\$ -	\$ 2,534,018	\$ 2,534,018
Accumulated investment gains	-	1,255,707	1,255,707
Board-designated endowment funds	2,484,462	-	2,484,462
<b>Total endowment funds</b>	<b>\$ 2,484,462</b>	<b>\$ 3,789,725</b>	<b>\$ 6,274,187</b>

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 2,484,462	\$ 3,789,725	\$ 6,274,187
Contributions	-	100,000	100,000
Investment return, net	(248,924)	(381,870)	(630,794)
Amounts appropriated for expenditure	(225,298)	-	(225,298)
<b>Endowment net assets at end of year</b>	<b>\$ 2,010,240</b>	<b>\$ 3,507,855</b>	<b>\$ 5,518,095</b>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 2,441,899	\$ 3,531,296	\$ 5,973,195
Investment return, net	344,153	258,429	602,582
Amounts appropriated for expenditure	(301,590)	-	(301,590)
<b>Endowment net assets at end of year</b>	<b>\$ 2,484,462</b>	<b>\$ 3,789,725</b>	<b>\$ 6,274,187</b>



**GALAPAGOS CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9—LEASES**

The Conservancy leases office space in Virginia, Washington, D.C. and Ecuador under noncancelable agreements that expire at various dates through October 2025. The Conservancy is also responsible for its pro-rata share of any increases in operating expenses and real estate taxes on the building.

The components of total lease cost are as follows:

Operating lease cost	\$	73,762
Short-term lease cost		<u>8,212</u>
 Total lease cost	 \$	 <u><u>81,974</u></u>

Other information related to operating leases is as follows:

Cash payments classified as part of operating cash flows for amounts included in the measurement of lease liabilities	\$	73,762
Right-of-use assets obtained in exchange for lease obligations		107,306
Weighted average remaining lease term		2.83 years
Weighted average discount rate		0.04%

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

Year ending December 31:		
2023	\$	12,000
2024		12,000
2025		<u>10,000</u>
 Total minimum lease payments		 34,000
Imputed interest		<u>(186)</u>
 Total lease liabilities	 \$	 <u><u>33,814</u></u>

As of December 31, 2021, the Conservancy had leases for office space in Virginia, Washington, D.C. and Ecuador. Rent expense for these leases totaled \$77,868 for the year ended December 31, 2021.