



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS



Financial Statements and Other Information as of and for the Year
Ended December 31, 2018 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.:*

We have audited the accompanying financial statements of The Xerces Society, Inc., which comprise the statement of financial position as of December 31, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in note 4 to the financial statements, in 2018 The Xerces Society, Inc. adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Summarized Comparative Information

We have previously audited The Xerces Society, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Camille & Co. LLP

May 30, 2019

THE XERCES SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH COMPARATIVE AMOUNTS FOR 2017)

	2018	2017
Assets:		
Cash and cash equivalents	\$ 1,750,666	1,529,774
Government grants, contracts, and other receivables	490,708	447,871
Private grants and contributions receivable (note 5)	569,898	331,461
Investments (note 6)	3,773,387	3,295,427
Inventories	78,980	89,152
Prepaid expenses	65,267	49,321
Property and equipment (note 7)	14,339	10,330
Total assets	\$ 6,743,245	5,753,336
Liabilities:		
Accounts payable and accrued expenses	105,152	47,822
Accrued payroll and related expenses	336,814	282,153
Deferred revenue	939,587	799,174
Total liabilities	1,381,553	1,129,149
Net assets:		
Without donor restrictions:		
Available for programs and general operations	3,885,817	3,254,376
Board-designated reserve (note 8)	218,843	220,772
Net investment in capital assets	14,339	10,330
Total without donor restrictions	4,118,999	3,485,478
With donor restrictions (note 9)	1,242,693	1,138,709
Total net assets	5,361,692	4,624,187
Commitments and contingencies (notes 12, 13, and 14)		
Total liabilities and net assets	\$ 6,743,245	5,753,336

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018		Total	2017
	Without donor restrictions	With donor restrictions		
Revenues, gains, and other support:				
Private grants and contributions	\$ 1,660,487	1,616,485	3,276,972	3,226,314
Government grants and contracts	–	1,138,865	1,138,865	1,312,701
Program revenue	793,489	–	793,489	650,804
Sales of merchandise	33,472	–	33,472	62,968
Interest income	2,359	–	2,359	3,565
Investment return, net (<i>note 6</i>)	49,534	(4,134)	45,400	43,447
Total revenues and gains	2,539,341	2,751,216	5,290,557	5,299,799
Net assets released from restrictions and other reclassifications (<i>note 10</i>)	2,647,232	(2,647,232)	–	–
Total revenues, gains, and other support	5,186,573	103,984	5,290,557	5,299,799
Expenses (<i>note 11</i>):				
Program services	3,539,866	–	3,539,866	3,121,355
Management and general	383,213	–	383,213	331,859
Fundraising	629,973	–	629,973	478,969
Total expenses	4,553,052	–	4,553,052	3,932,183
Increase in net assets	633,521	103,984	737,505	1,367,616
Net assets at beginning of year	3,485,478	1,138,709	4,624,187	3,256,571
Net assets at end of year	\$ 4,118,999	1,242,693	5,361,692	4,624,187

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from grants, contributions, contracts, and other sources	\$ 5,101,937	5,413,412
Cash received for dividends and interest	63,558	28,529
Cash paid to grantees	(27,266)	(14,886)
Cash paid to employees, suppliers, and contractors	(4,414,877)	(3,950,875)
Net cash provided by operating activities	723,352	1,476,180
Cash flows from investing activities:		
Purchase of investments	(3,081,134)	(2,524,655)
Proceeds from sale or maturity of investments	2,594,969	1,053,880
Reinvestment of dividend and interest income	(7,594)	(24,964)
Capital expenditures	(8,701)	(8,553)
Net cash used in investing activities	(502,460)	(1,504,292)
Net increase (decrease) in cash and cash equivalents	220,892	(28,112)
Cash and cash equivalents at beginning of year	1,529,774	1,557,886
Cash and cash equivalents at end of year	\$ 1,750,666	1,529,774

See accompanying notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Program services				
	Pollinator conservation	Endangered species	Community engagement	Pesticide reduction	Other conservation
Salaries and related expenses	\$ 1,447,933	600,070	210,767	49,105	105,208
Contract services and subrecipient awards	60,959	13,038	-	-	23,619
Professional services	8,204	5,000	1,806	-	870
Telephone	11,699	2,869	715	1,261	-
Insurance	-	-	-	-	-
Rent and utilities	-	-	-	-	-
Bank fees	357	115	250	-	1,232
Equipment and maintenance	800	2,856	1,800	-	280
Postage	11,484	998	535	-	7,148
Supplies	106,274	4,897	3,034	-	2,294
Travel	137,166	63,443	14,292	3,399	24,942
Publication design and printing	69,630	17,780	4,207	-	25,269
Dues and fees	14,934	3,064	544	-	1,849
Mailing list rental	-	-	-	-	-
Grants and awards	-	439	-	-	26,827
Depreciation	-	-	-	-	-
Total expenses before allocation of shared costs	1,869,440	714,569	237,950	53,765	219,538
Allocation of shared costs	269,583	103,372	34,041	7,717	29,891
Total expenses	\$ 2,139,023	817,941	271,991	61,482	249,429

See accompanying notes to financial statements.

2018						
Total	Supporting services			Total	Total	2017
	Management and general	Fundraising	Shared costs			
2,413,083	251,274	326,883	384,716	962,873	3,375,956	3,077,550
97,616	–	–	103	103	97,719	46,084
15,880	57,526	63,754	–	121,280	137,160	77,325
16,544	–	–	11,321	11,321	27,865	26,211
–	10,802	–	–	10,802	10,802	10,496
–	–	–	97,615	97,615	97,615	85,947
1,954	170	18,995	–	19,165	21,119	17,853
5,736	7,595	5,720	56,377	69,692	75,428	65,561
20,165	–	58,168	3,013	61,181	81,346	54,156
116,499	139	1,379	6,883	8,401	124,900	88,810
243,242	3,702	8,806	3,289	15,797	259,039	168,802
116,886	132	51,074	2,951	54,157	171,043	175,334
20,391	3,763	8,307	1,408	13,478	33,869	17,903
–	–	7,233	–	7,233	7,233	1,400
27,266	–	–	–	–	27,266	14,886
–	–	–	4,692	4,692	4,692	3,865
3,095,262	335,103	550,319	572,368	1,457,790	4,553,052	3,932,183
444,604	48,110	79,654	(572,368)	(444,604)	–	–
3,539,866	383,213	629,973	–	1,013,186	4,553,052	3,932,183

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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 scientists, land managers, educators, and the public on conservation and education projects, with its core programs focusing on native pollinators, endangered species, pesticide reduction, and community engagement. The Society's work has led to the restoration and protection of over 2.5 million acres of habitat for invertebrates in the last ten years. Funding comes from membership dues and donations, merchandise sales, government grants and contracts, corporate support, foundation grants, and other program revenue.

2. Program Services

During the year ended December 31, 2018, 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 pollinating insects and other beneficial insects, and to establish habitat protection and management as keys to their conservation. It directly reaches agricultural professionals and farmers through trainings, workshops, and other outreach events across the United States. As a result of the Society's work, native pollinators are now a key priority for agricultural conservation programs across the United States, and its efforts have led to almost 1 million acres of habitat improvements for these vital insects.

Endangered Species – The Society's Endangered Species program advocates on behalf of threatened, endangered, and at-risk invertebrates and their habitats and works with agency staff to provide resources and training for their conservation. Its current work includes efforts to protect bumblebees, monarchs and other butterflies, freshwater mussels and other aquatic invertebrates, fireflies, snails and other invertebrates. The Society's work has led to the protection and restoration of 1.5 million acres of habitat for some of the most imperiled animals on the planet. The Society protects habitat on private and public lands for the most imperiled species and regularly provides resources that help land managers conserve at-risk insects and other wildlife.

Community Engagement – The Community Engagement program provides resources on invertebrate conservation 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 through workshops offered around the United States. By engaging volunteers, or Xerces Ambassadors, the Society educates and inspires individuals and communities to take action to conserve invertebrates. In 2018, the Society expanded this program to include a new initiative, Bee City USA, which aims to protect pollinators by raising awareness, enhancing habitat, and celebrating achievements of participating cities and campuses.

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 web site, 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 from 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 also 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 consist primarily of index mutual funds, common stock, and brokered certificates of deposit with initial maturities of greater than three months. Net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is shown in the statement of activities. Interest income is accrued as earned. 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.

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.

As of December 31, 2018, the Society had been awarded government grants and contracts totaling \$2,181,529, of which receipt is conditioned upon the incurrence of certain allowable costs or other matching requirements. At December 31, 2018, the Society had also been awarded private grants totaling \$797,680, 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, 2018.

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.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class. 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, 2018, 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, 2018, no contributed land, buildings, equipment, or other materials were recorded.

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 and having 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 – All grants and contributions are considered available for the unrestricted general operations of the Society unless specifically restricted by a donor. Service revenues are recognized at the time the services are provided and the revenues are earned.

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. 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 30, 2019, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2017 – The accompanying financial information as of and for the year ended December 31, 2017 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

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Society implemented ASU No. 2016-14 in 2018 and has adjusted the presentation of these financial statements accordingly.

In addition, certain 2017 amounts presented herein have been reclassified to conform to the 2018 presentation.

5. Private Grants and Contributions Receivable

Private grants and contributions receivable consist of unconditional promises expected to be collected in less than one year and total \$569,898 at December 31, 2018.

6. Investments

A summary of investments, carried at fair value, as of December 31, 2018 is as follows:

Certificates of deposit (brokered)	\$ 3,492,043
Mutual funds:	
Bond funds	183,631
Equity funds	96,499
Common stock	1,214
	<hr/>
	\$ 3,773,387

Net investment return for the year ended December 31, 2018 is summarized as follows:

Interest and dividend income	\$ 61,199
Net decrease in the fair value of investments	(15,799)
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	\$ 45,400

7. Property and Equipment

A summary of property and equipment at December 31, 2018 is as follows:

Equipment	\$ 22,586
Furniture and fixtures	35,020
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	57,606
Less accumulated depreciation	(43,267)
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	\$ 14,339

8. Board-Designated Reserve

As of December 31, 2018, the Board of Directors had designated \$218,843 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.

9. Net Assets with Donor Restrictions

The following summarizes the Society’s net assets with donor-imposed restrictions as of December 31, 2018:

<i>Expendable net assets restricted for the following purposes:</i>	
Pollinator conservation	\$ 692,282
Pesticide reduction	272,372
Other conservation	97,795
Joan M. DeWind award	61,287
Endangered species	42,752
Community engagement	29,029
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	1,195,517

<i>Expendable net assets unrestricted as to purpose, but restricted as to time:</i>	
Pledges to benefit the Society’s general operations in future periods	47,176
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Total net assets with donor restrictions	\$ 1,242,693

10. Net Assets Released from Restrictions and Other Reclassifications

During the year ended December 31, 2018, restrictions on contributions in the amount of \$3,041,781 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, 2018, the Society reclassified net assets without donor restriction totaling \$394,549 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	\$ 3,041,781
Less unrestricted net assets reclassified to net assets with donor restrictions in satisfaction of matching requirements	(394,549)
<hr/> Net assets released from restriction	<hr/> \$ 2,647,232

11. 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 consistently applied. 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.

12. Operating Leases

The Society leases office space under an operating lease that expires in June of 2021. At December 31, 2018, the minimum annual lease commitments under this agreement are as follows:

<i>Years ending December 31,</i>	
2019	\$ 46,491
2020	47,885
2021	24,297
	<hr/>
	\$ 118,673

Rent expense for all operating leases, including month-to-month agreements, totaled \$84,920 for the year ended December 31, 2018.

13. 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, 2018, the Society contributed \$182,816 to this plan, which was 8.0% of participants' qualifying compensation for the year ended December 31, 2018.

14. Contingencies

Amounts received or receivable under the Society's government 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.

15. 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, 2018:

<i>Total financial assets:</i>	
Cash and cash equivalents	\$ 1,750,666
Governmental grants, contracts, and other receivables	490,708
Private grants and contributions receivable	569,898
Investments	3,773,387
Inventories	78,980
	<hr/>
	6,663,639
 <i>Less financial assets not available within the year ending December 31, 2019:</i>	
Financial assets restricted by donors for student awards	(61,287)
 <i>Plus other funds subject to appropriation for expenditure:</i>	
Fiscal year 2019 estimated appropriation of financial assets restricted for student awards	9,000
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	\$ 6,611,352
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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, but is not intended to make up for general income shortfalls in any given year.

16. Fair Value Measurements

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

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

All financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined under generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect 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.

In accordance with ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value* (“NAV”), investments valued utilizing net asset value as a practical expedient are excluded from the hierarchy. At December 31, 2018, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 2	Valued at NAV	Total
<i>Investments (note 6):</i>				
Mutual funds	\$ –	–	280,130	280,130
Stocks	1,214	–	–	1,214
Certificates of deposit	–	3,492,043	–	3,492,043
	\$ 1,214	3,492,043	280,130	3,773,387

17. 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	\$ 737,505
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	4,692
Net decrease in the fair value of investments	15,799
<i>Net changes in:</i>	
Government grants, contracts, and other receivables	(42,837)
Private grants and contributions receivable	(238,437)
Inventories	10,172
Prepaid expenses	(15,946)
Accounts payable and accrued expenses	57,330
Accrued payroll and related expenses	53,185
Accrued retirement payable	1,476
Deferred revenue	140,413
Total adjustments	(14,153)
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Net cash provided by operating activities	\$ 723,352

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GOVERNING BOARD AND MANAGEMENT

Board Members – 2018

Linda Craig, *President*

Logan Lauvray, *Vice President and Treasurer*

Sacha H. Spector, *Secretary*

David Frazee-Johnson

Beth Robertson-Martin

Casey Sclar, Ph.D.

Marla Spivak, Ph.D.

Rachael Winfree, Ph.D.

Management

Scott Hoffman Black, *Executive Director*

Karl Souza, *Director of Finance & Operations*

Lara Bjork, *Director of Grants & Corporate Giving*

Megan Faria, *Financial Manager*

THE XERCES SOCIETY, INC.

INQUIRIES AND OTHER INFORMATION

THE XERCES SOCIETY, INC.
628 N.E. Broadway, Suite 200
Portland, Oregon 97232

(855) 232-6639
(503) 233-6794 Fax

E-Mail

info@xerces.org

Web

www.xerces.org

