

**THE XERCES SOCIETY, INC.**  
**FINANCIAL STATEMENTS**  
**Year Ended December 31, 2009**



**THE XERCES SOCIETY**  
**FOR INVERTEBRATE CONSERVATION**

**THE XERCES SOCIETY, INC.**  
**FINANCIAL STATEMENTS**  
**Year Ended December 31, 2009**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
The Xerces Society, Inc.  
Portland, Oregon

We have audited the accompanying statement of financial position of The Xerces Society, Inc. (a not-for-profit organization) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of The Xerces Society, Inc. as of December 31, 2008 and, in our report dated June 23, 2009, we expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Xerces Society, Inc. at December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Kern & Thompson, LLC*  
Portland, Oregon  
June 17, 2010

THE XERCES SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2009

(With Comparative Totals as of December 31, 2008)

ASSETS

|                             | <u>2009</u>              | <u>2008</u>              |
|-----------------------------|--------------------------|--------------------------|
| Cash and cash equivalents   | \$ 306,841               | \$ 241,806               |
| Investments                 | 122,898                  | 115,461                  |
| Contracts receivable        | 145,558                  | 108,336                  |
| Grant receivable            | 93,300                   | 26,040                   |
| Pledges receivable          | -                        | 28,485                   |
| Inventory                   | 13,658                   | 2,034                    |
| Prepaid expenses            | 4,000                    | 11,200                   |
| Property and equipment, net | <u>12,377</u>            | <u>14,432</u>            |
| <b>Total assets</b>         | <b><u>\$ 698,632</u></b> | <b><u>\$ 547,794</u></b> |

LIABILITIES AND NET ASSETS

|   |                          |                          |
|---|--------------------------|--------------------------|
| Accounts payable                        | \$ 28,069                | \$ 27,931                |
| Accrued payroll and retirement payable  | 89,507                   | 71,680                   |
| Deferred revenue                        | <u>3,700</u>             | <u>11,135</u>            |
| <b>Total liabilities</b>                | <b><u>121,276</u></b>    | <b><u>110,746</u></b>    |
| <b>Net assets</b>                       |                          |                          |
| Unrestricted                            | 284,765                  | 222,720                  |
| Temporarily restricted                  | <u>292,591</u>           | <u>214,328</u>           |
| <b>Total net assets</b>                 | <b><u>577,356</u></b>    | <b><u>437,048</u></b>    |
| <b>Total liabilities and net assets</b> | <b><u>\$ 698,632</u></b> | <b><u>\$ 547,794</u></b> |

See notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

|   | <u>Unrestricted</u>      | <u>Temporarily<br/>Restricted</u> | <u>Total</u>             |                          |
|---|--------------------------|-----------------------------------|--------------------------|--------------------------|
|   |                          |                                   | <u>2009</u>              | <u>2008</u>              |
| <b>Revenues and other support</b>       |                          |                                   |                          |                          |
| Grants and contributions                | \$ 198,511               | \$ 444,419                        | \$ 642,930               | \$ 519,730               |
| Government contracts                    | 281,799                  | -                                 | 281,799                  | 251,064                  |
| Other income                            | 72,408                   | -                                 | 72,408                   | 32,641                   |
| Interest and dividends                  | 5,130                    | 3,938                             | 9,068                    | 8,751                    |
| Unrealized gain / (loss) on investments | 290                      | 2,051                             | 2,341                    | (9,528)                  |
|   | <u>558,138</u>           | <u>450,408</u>                    | <u>1,008,546</u>         | <u>802,658</u>           |
| Net assets released from restriction    | 372,145                  | (372,145)                         | -                        | -                        |
| <b>Total revenues and other support</b> | <b><u>930,283</u></b>    | <b><u>78,263</u></b>              | <b><u>1,008,546</u></b>  | <b><u>802,658</u></b>    |
| <b>Expenses</b>                         |                          |                                   |                          |                          |
| Program services                        |                          |                                   |                          |                          |
| Pollinators                             | 405,859                  | -                                 | 405,859                  | 435,286                  |
| Aquatic                                 | 111,413                  | -                                 | 111,413                  | 78,060                   |
| Endangered Species                      | 188,887                  | -                                 | 188,887                  | 89,883                   |
| Conservation and education              | 74,088                   | -                                 | 74,088                   | 75,866                   |
| Total program services                  | <u>780,247</u>           | <u>-</u>                          | <u>780,247</u>           | <u>679,095</u>           |
| Supporting services                     |                          |                                   |                          |                          |
| Management and general                  | 20,710                   | -                                 | 20,710                   | 15,176                   |
| Fund-raising                            | 67,281                   | -                                 | 67,281                   | 66,752                   |
| <b>Total expenses</b>                   | <b><u>868,238</u></b>    | <b><u>-</u></b>                   | <b><u>868,238</u></b>    | <b><u>761,023</u></b>    |
| <b>Change in net assets</b>             | <b>62,045</b>            | <b>78,263</b>                     | <b>140,308</b>           | <b>41,635</b>            |
| Net assets, beginning of year           | <u>222,720</u>           | <u>214,328</u>                    | <u>437,048</u>           | <u>395,413</u>           |
| <b>Net assets, end of year</b>          | <b><u>\$ 284,765</u></b> | <b><u>\$ 292,591</u></b>          | <b><u>\$ 577,356</u></b> | <b><u>\$ 437,048</u></b> |

See notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

|                                     | PROGRAM SERVICES  |                   |                       |                               |                   | SUPPORTING SERVICES       |                  | Total             |                   |
|-------------------------------------|-------------------|-------------------|-----------------------|-------------------------------|-------------------|---------------------------|------------------|-------------------|-------------------|
|                                     | Polli-<br>nators  | Aquatic           | Endangered<br>Species | Conservation<br>and Education | Total<br>Program  | Management<br>and General | Fund-<br>raising | 2009              | 2008              |
|                                     |                   |                   |                       |                               |                   |                           |                  |                   |                   |
| Salaries                            | \$ 237,273        | \$ 48,117         | \$ 115,333            | \$ 15,935                     | \$ 416,658        | \$ 14,165                 | \$ 30,956        | \$ 461,779        | \$ 379,530        |
| Payroll taxes                       | 22,873            | 4,460             | 10,855                | 1,490                         | 39,678            | 1,336                     | 3,222            | 44,236            | 34,297            |
| Benefits                            | 35,570            | 6,220             | 16,480                | 2,440                         | 60,710            | 1,675                     | 2,590            | 64,975            | 50,240            |
| Professional fees                   | 27,670            | 37,155            | 13,223                | 7,156                         | 85,204            | 266                       | 2,583            | 88,053            | 97,120            |
| Travel                              | 29,221            | 6,501             | 11,593                | 1,322                         | 48,637            | 594                       | 100              | 49,331            | 50,278            |
| Telephone                           | 6,386             | 681               | 1,941                 | 229                           | 9,237             | 230                       | 500              | 9,967             | 8,078             |
| Postage                             | 2,582             | 516               | 1,065                 | 5,996                         | 10,159            | 162                       | 11,628           | 21,949            | 20,031            |
| Supplies                            | 7,177             | 3,908             | 1,343                 | 199                           | 12,627            | 171                       | 702              | 13,500            | 10,088            |
| Books and subscriptions             | 329               | -                 | 75                    | -                             | 404               | -                         | -                | 404               | 1,180             |
| Rent                                | 9,546             | 1,480             | 3,712                 | 489                           | 15,227            | 428                       | 990              | 16,645            | 15,400            |
| Publication design and<br>printing  | 19,187            | 69                | 9,170                 | 25,812                        | 54,238            | 25                        | 3,861            | 58,124            | 54,852            |
| DeWind Education Award              | -                 | -                 | -                     | 7,500                         | 7,500             | -                         | -                | 7,500             | 7,500             |
| Book stock and<br>merchandise       | -                 | -                 | -                     | 4,096                         | 4,096             | -                         | 5,770            | 9,866             | 10,438            |
| Dues and fees                       | 643               | 5                 | 132                   | 27                            | 807               | 196                       | 299              | 1,302             | 4,503             |
| Insurance                           | 859               | 253               | 321                   | 54                            | 1,487             | 54                        | 123              | 1,664             | 2,631             |
| Equipment rental and<br>maintenance | 6,296             | 2,009             | 3,304                 | 1,343                         | 12,952            | 1,304                     | 1,831            | 16,087            | 12,855            |
| Bank charges                        | 247               | 39                | 340                   | -                             | 626               | 1                         | 2,126            | 2,753             | 1,798             |
| Miscellaneous                       | -                 | -                 | -                     | -                             | -                 | 103                       | -                | 103               | 204               |
|                                     | <u>\$ 405,859</u> | <u>\$ 111,413</u> | <u>\$ 188,887</u>     | <u>\$ 74,088</u>              | <u>\$ 780,247</u> | <u>\$ 20,710</u>          | <u>\$ 67,281</u> | <u>\$ 868,238</u> | <u>\$ 761,023</u> |

See notes to financial statements.

THE XERCES SOCIETY, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

|   | <u>2009</u>              | <u>2008</u>              |
|---|--------------------------|--------------------------|
| <b>Cash flows from operating activities:</b>  |                          |                          |
| Change in net assets  | \$ 140,308               | \$ 41,635                |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                          |                          |
| Unrealized gains (losses) on investments  | (2,341)                  | 9,528                    |
| Depreciation  | 7,551                    | 4,404                    |
| Changes in assets and liabilities:  |                          |                          |
| Contracts receivable  | (37,222)                 | (84,489)                 |
| Grants receivable   | (67,260)                 | 73,960                   |
| Pledges receivable  | 28,485                   | (28,485)                 |
| Inventory   | (11,624)                 | 5,073                    |
| Prepaid expenses  | 7,200                    | (10,000)                 |
| Accounts payable  | 138                      | (3,178)                  |
| Accrued payroll and retirement payable  | 17,827                   | 24,586                   |
| Deferred revenue  | (7,435)                  | 11,135                   |
| <b>Net cash provided by (used in) operating activities</b>  | <u><b>75,627</b></u>     | <u><b>44,169</b></u>     |
| <b>Cash flows from investing activities:</b>  |                          |                          |
| Proceeds (purchase) of investments  | (5,096)                  | (34,452)                 |
| Purchase of property and equipment  | (5,496)                  | (12,957)                 |
| <b>Net cash provided by (used in) investing activities</b>  | <u><b>(10,592)</b></u>   | <u><b>(47,409)</b></u>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>65,035</b>            | <b>(3,240)</b>           |
| Cash and cash equivalents, beginning of year  | <u>241,806</u>           | <u>245,046</u>           |
| <b>Cash and cash equivalents, end of year</b>   | <u><b>\$ 306,841</b></u> | <u><b>\$ 241,806</b></u> |

See notes to financial statements.

THE XERCES SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

**NOTE A – DESCRIPTION OF SOCIETY**

The Xerces Society, Inc. (the Society) is a not-for-profit organization founded in 1971 dedicated to protecting the diversity of life through the conservation of invertebrates. For over three decades the Society has been at the forefront of invertebrate conservation, harnessing the scientific expertise of our counselors, board members and dedicated staff, and the enthusiasm of public educators and citizens, to implement conservation and education projects. Funding comes from membership dues and donations, merchandise sales, foundation grants, and government contracts.

The Society incurs program service expenses in the following major categories:

➤ **Pollinator Conservation**

Through our Pollinator Conservation Program, staff works across the country to educate farmers, land managers, and the public about the importance of pollinators and establish habitat protection and management as keys to their conservation. In the last year, we have directly reached over 1,500 agricultural professionals and farmers through trainings, workshops, and other outreach events. The Society also developed a web-based Pollinator Conservation Resource Center that provides one-stop shopping for anyone who is attempting to implement pollinator conservation projects. Our work has now incorporated pollinators into agricultural conservation programs and provided technical assistance and training across the United States. This has led to thousands of acres of habitat improvements for pollinators.

➤ **Aquatic**

Our Aquatic Conservation Program conducts applied research and provides advice and resources to scientists, land managers, and watershed stewards for monitoring the health of streams, rivers, and wetlands. Staff works to develop an invertebrate-based biological monitoring tool to assess wetlands. We also work with watershed councils to provide assessment of watershed health and to analyze the success of restoration projects. The Society recently collaborated on a paper which was published in the journal **Insect Conservation & Diversity**. This paper examined dragonflies and damselflies as models for how the conservation needs of insects are being addressed.

➤ **Endangered Species**

Our 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. Over the last year, we have worked to protect bumble bees, butterflies, freshwater mussels, tiger beetles and other invertebrates. We have successfully protected habitat on private and public lands for the most imperiled species, and regularly provide resources for land managers that help them protect endangered insects and other wildlife.

THE XERCES SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2009

NOTE A – DESCRIPTION OF SOCIETY (CONTINUED)

➤ **Conservation and Education**

We undertake a variety of activities to raise general awareness and appreciation of the valuable role of invertebrates. One of our key activities in this program area includes twice a year publication of our magazine Wings: Essays on Invertebrate Conservation which features the work of renowned wildlife photographers, scientists, conservationists, and writers. Another aspect of this program is the Joan M. DeWind award. Each year two graduate or undergraduate students receive an award of \$3,750 each for Lepidoptera research/conservation projects.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Cash and Cash Equivalents**

For financial statement purposes, the Society considers all highly liquid investments with a maturity date of three months or less to be cash equivalents.

**Investments and Fair Value Measurements**

Investments are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

- Level 1 -** Quoted prices in active markets for identical assets
- Level 2 -** Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.
- Level 3 -** Unobservable inputs that reflect management's assumptions and best estimates based on available data.

Investments in bond mutual funds and equity mutual funds are carried at fair market value based on quoted prices in active markets (Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investments in annuity contracts are carried at the fair value determined by an insurance company (Level 2 measurements).

**Contracts, Grants and Pledges Receivable**

Receivables are recorded monthly as the related services are provided and billed. Management periodically assesses the need for an allowance for doubtful accounts based on historical experience and existing conditions affecting probable collection. Receivables are considered impaired if unpaid balances are not received in accordance with the contractual terms. It is the Society's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Management has determined that an allowance for doubtful accounts was not necessary as of December 31, 2009.

**THE XERCES SOCIETY, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2009**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Inventory**

The Society maintains an inventory of publications made available to the public for direct purchase and through bookstores. The publications are recorded at the lower of cost or market.

**Concentrations of Credit Risk**

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and receivables.

The Society places its cash with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of FDIC coverage are not insured.

The Society's grants and contracts receivable consist primarily of reimbursement requests to government agencies and are unsecured. Such receivables are generally due within 30 days. The Society has not experienced any losses on these accounts. There were no grants and contracts receivable older than 90 days as of December 31, 2009.

**Property and Equipment**

Property and equipment is recorded at cost when purchased or at fair market value when donated. Depreciation is computed on the estimated useful lives of the assets using the straight-line method as follows:

|                  |           |
|------------------|-----------|
| Office equipment | 3-5 years |
| Furniture        | 5 years   |

The Society capitalizes depreciable assets with a value of \$1,000 or more and having an anticipated life of two years or more.

Maintenance and repairs are expensed when incurred.

THE XERCES SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2009

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income Taxes**

The Society has been approved as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Society does not believe it has unrelated trade or business income in excess of \$1,000.

The Society's federal exempt organization business income tax returns for 2007, 2008, and 2009 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**Allocation of Functional Expenses**

The costs of providing the various programs and other activities have been summarized in the Statement of Activities. Certain costs, including salaries, occupancy, equipment rental and depreciation, have been allocated among the programs and supporting services benefited.

**Prior Year Summarized Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

NOTE C – INVESTMENTS

Investments are stated at fair value and consist of the following:

|                          | Level 1          | Level 2          | Fair Value<br>Total |
|--------------------------|------------------|------------------|---------------------|
| Long-term bond fund      | \$ 67,786        | \$ -             | \$ 67,786           |
| Common stock mutual fund | 23,887           | -                | 23,887              |
| Fixed annuity contract   | -                | 31,225           | 31,225              |
|                          | <u>\$ 91,673</u> | <u>\$ 31,225</u> | <u>\$ 122,898</u>   |

All investments have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

THE XERCES SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2009

**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following:

|  |                         |
|--|-------------------------|
| Artwork  | \$ 620                  |
| Equipment                                      | 37,330                  |
| Office furniture and fixtures                  | <u>1,735</u>            |
|  | 39,685                  |
| Less accumulated depreciation and amortization | <u>(27,308)</u>         |
|  | \$ <u><u>12,377</u></u> |

**NOTE E – SCHEDULE OF TEMPORARY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of December 31, 2009 consist of the following grants restricted for purpose:

|  |                          |
|--|--------------------------|
| Bulitt Foundation                                    | \$ 4,374                 |
| CS Fund  | 57,134                   |
| DeWind Award Fund                                    | 73,401                   |
| Disney Wildlife Fund                                 | 14,550                   |
| Greater Milwaukie Foundation                         | 100,568                  |
| Maki Foundation                                      | 5,000                    |
| Pacific Northwest Native Freshwater Mussel Workgroup | 393                      |
| Panta Rhea Foundation                                | 20,000                   |
| The New Land Foundation                              | 5,659                    |
| Unity Avenue Foundation                              | 7,000                    |
| Wildwood Foundation                                  | <u>4,512</u>             |
|  | \$ <u><u>292,591</u></u> |

**NOTE F – RETIREMENT PLAN**

The Society maintains a SEP-IRA pension plan for its employees. The Society makes discretionary contributions not to exceed 8% of employee wages. Pension expense was \$29,394 for the year ended December 31, 2009.

**NOTE G – COMMITMENTS**

The Society pays \$1,200 per month to lease its Portland office, and \$200 per month to lease its California office. The leases may be canceled by the lessee or lessor with sixty days' notice.

**THE XERCES SOCIETY, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2009**

**NOTE H – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 17, 2010, which is the date the financial statements were available to be issued.