

CONSERVATION COUNCIL OF NATIONS

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2021

CONSERVATION COUNCIL OF NATIONS

TABLE OF CONTENTS

	Page
Report of Independent Auditors	1-2
Financials Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13

REPORT OF INDEPENDENT AUDITORS

Management and Board of Directors
Conservation Council of Nations
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Conservation Council of Nations (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservation Council of Nations as of December 31, 2021, 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 of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Conservation Council of Nations and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Adjustments

As discussed in Note 12 to the financial statements, certain conditional grant agreements were reported as revenue and support with donor restrictions in error when received during the year ended December 31, 2020, the net assets released from restrictions were overstated, and the refundable advances were not reported. The net assets as of January 1, 2021 has been restated in the amount of \$593,647 to correct the errors.

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 Conservation Council of Nations' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Conservation Council of Nations' 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 Conservation Council of Nations' 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.

UHY LLP

Columbia, Maryland
March 27, 2023

CONSERVATION COUNCIL OF NATIONS
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Cash and cash equivalents	\$	647,213
Contributions and grants receivable		283,620
Prepaid expenses and deposits		7,072
		<hr/>
Total assets	\$	<u>937,905</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	143,305
Due to International Conservation Caucus Foundation		115,090
Refundable advances on grants		77,541
Payroll Protection Plan loan		137,521
		<hr/>
Total liabilities		<u>473,457</u>

NET ASSETS

Without donor restrictions		50,456
With donor restrictions		413,992
		<hr/>
Total net assets		<u>464,448</u>
		<hr/>
Total liabilities and net assets	\$	<u>937,905</u>

CONSERVATION COUNCIL OF NATIONS
STATEMENT OF ACTIVITIES
For the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions and grants	\$ 225,000	\$ 450,000	\$ 675,000
Project cooperation agreements	1,089,417	-	1,089,417
Federal grants	274,057	-	274,057
Grants from International Conservation Caucus Foundation	800,000	-	800,000
Paycheck Protection Program loan forgiveness	125,900	-	125,900
Other income	826	-	826
Net assets released from restrictions	576,508	(576,508)	-
	<u>3,091,708</u>	<u>(126,508)</u>	<u>2,965,200</u>
Expenses			
Program services	2,170,040	-	2,170,040
General and administrative	256,159	-	256,159
Fundraising	38,942	-	38,942
	<u>2,465,141</u>	<u>-</u>	<u>2,465,141</u>
Change in Net Assets	<u>626,567</u>	<u>(126,508)</u>	<u>500,059</u>
Net Assets (deficit), beginning of year:			
As previously reported	(28,817)	586,853	558,036
Prior period adjustments	(547,294)	(46,353)	(593,647)
Beginning of year, as restated	(576,111)	540,500	(35,611)
Net Assets, end of year	<u>\$ 50,456</u>	<u>\$ 413,992</u>	<u>\$ 464,448</u>

CONSERVATION COUNCIL OF NATIONS
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs				
Salaries	\$ 1,133,680	\$ 114,642	\$ 25,476	\$ 1,273,798
Employee benefits	75,990	7,684	1,708	85,382
Payroll taxes	85,092	8,605	1,912	95,609
Total personnel costs	<u>1,294,762</u>	<u>130,931</u>	<u>29,096</u>	<u>1,454,789</u>
Accounting and legal professional fees	-	18,742	-	18,742
Bank service charges	-	8,834	-	8,834
Communications - telephone, internet and publications	27,243	2,755	612	30,610
Conferences, meetings, and events	129,908	11,749	-	141,657
Consulting and translation services	261,004	-	-	261,004
Insurance	5,962	603	134	6,699
Occupancy and rental	6,164	-	-	6,164
Office supplies and expenses	31,166	3,152	700	35,018
Professional services and contract labor	223,040	52,823	8,400	284,263
Travel and transportation	<u>190,791</u>	<u>26,570</u>	<u>-</u>	<u>217,361</u>
 Total expenses	 <u>\$ 2,170,040</u>	 <u>\$ 256,159</u>	 <u>\$ 38,942</u>	 <u>\$ 2,465,141</u>

See accompanying notes to financial statements.

CONSERVATION COUNCIL OF NATIONS
STATEMENT OF CASH FLOWS
For the year ended December 31, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 500,059
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Paycheck Protection Program loan forgiveness	(125,900)
(Increase) decrease in operating assets:	
Contributions and grants receivable	(214,652)
Prepaid expenses and deposits	(3,544)
(Decrease) increase in operating liabilities:	
Accounts payable and accrued expenses	97,117
Due to International Conservation Caucus Foundation	115,090
Refundable advances	<u>(516,106)</u>
Net cash used for operating activities	(147,936)
Cash Flows from Financing Activities	
Proceeds from Payroll Protection Plan Loan	<u>137,521</u>
Net Decrease in Cash and Cash Equivalents	(10,415)
Cash and Cash Equivalents, Beginning of Year	<u>657,628</u>
Cash and Cash Equivalents, Ending of Year	<u><u>\$ 647,213</u></u>

CONSERVATION COUNCIL OF NATIONS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 1 - ORGANIZATION

Conservation Council of Nations (CCN) is a nonprofit organization, incorporated on July 7, 2010 in the State of Virginia. CCN's mission is to build and maintain the world's strongest network of policymakers, corporations, and non-governmental organizations to promote the efficient and beneficial use of natural resources and effective transnational conservation solutions, including through its Natural Resource Wealth Management program initiatives.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of CCN have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting standards Codification (ASC). As required by the Not-for-Profit Topic of the FASB ASC, CCN is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations which are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use.
- Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of CCN and/or the passage of time. CCN adopted the simultaneous release option for donor-restricted grants and contributions that are recognized and used within the same reporting period; therefore, these amounts are reported as without donor restrictions. Net assets with donor restrictions may also include net assets subject to donor-imposed stipulations that assets will be maintained permanently. CCN did not have any donor-imposed restrictions which are perpetual in nature as of December 31, 2021.

Support is reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expiration so restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) and changes in donor intent are reported as reclassifications between the applicable classes of net assets.

CONSERVATION COUNCIL OF NATIONS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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.

Cash and Cash Equivalents

CCN considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable consisted of billed or unbilled amounts as of December 31, 2021 due for expenditures incurred in excess of payments received. CCN evaluates its outstanding receivables for collectability and records an allowance or a direct write-off when appropriate. Management believes all receivables are fully collectable at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Contributions and Revenue Recognition

Support from individual contributions, grants, and contracts is recorded when unconditional contributions, which include unconditional promises to give (pledges), are received. Restricted contributions are reported as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when restrictions are met. When restricted contributions have restrictions that are satisfied in the year received, the contributions are reported as increases in net assets without donor restrictions.

Contributions due in future periods are considered as net asset with donor restrictions until the period in which they are due, at which time the restriction is released. Contributions of property and equipment are recognized at fair value at the date of the contribution.

Grants and contributions that are considered to be conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are recognized as support and revenue once the condition on which they depend are met.

Revenue for the federal awards from the United States government and project cooperation agreements from the United Nations Environment Programme is recorded as revenue when the allowable expenditures are incurred in compliance with the grants and agreements. Revenue recognized on grants and contributions, which have not been received, is reflected as grants and contributions receivable in the accompanying statement of financial position. Conversely, amounts received in advance of the conditions being met are recorded as refundable advances in the statement of financial position.

CONSERVATION COUNCIL OF NATIONS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated annual leave have not been accrued since CCN did not keep track of leave accruals; therefore, it cannot be reasonably estimated. The Foundation's policy is to recognize these costs when actually paid.

Functional Allocation of Expenses

The costs of providing programs and services are summarized on a functional basis in the accompanying financial statements. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts activities which benefit both its program objectives as well as supporting services. These costs, which are not attributable to a specific program or supporting activity, are allocated by management among program or supporting services benefited based on either financial or non-financial data, such as estimates of time and effort incurred by personnel. Expenses allocated include salaries and related expenses, occupancy, office expenses, telephone, and insurance.

Income Taxes

CCN is recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code on income other than unrelated business income. No provision for income taxes is required as of December 31, 2021, since CCN had no unrelated business income during both years. CCN has been recognized by the IRS as a publicly supported organization and is not a private foundation.

Management annually reviews its tax positions and has determined that there are no uncertain tax positions that are material to the financial statements.

NOTE 3 - CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following as of December 31, 2021:

Due within one year:	
Federal grants	\$ 66,235
Project cooperation agreements	<u>217,385</u>
Total contributions and grants receivable	<u>\$ 283,620</u>

CONSERVATION COUNCIL OF NATIONS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 4 - PAYROLL PROTECTION PLAN LOANS

In April 2021 and May 2020, CCN received loans for \$137,521 and \$125,900 from a local bank under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provides for loans to qualifying businesses. The note bears interest at 1% and matures in two years; however, monthly payments are deferred for a period of ten months.

PPP borrowers can qualify to have the loans forgiven if the proceeds are used to pay payroll and certain other eligible costs; however, the amount of loan forgiveness will be reduced under certain conditions. CCN anticipates that a significant portion, if not all, of this loan will eventually be forgiven; however, until the forgiveness is actually received, the loan is reported as a liability in the balance sheets. CCN will record forgiveness income upon being legally released from the loan obligation.

On April 9, 2021, the first loan of \$125,900 was completely forgiven by the U.S. Small Business Administration and has been reported as Paycheck Protection Program loan forgiveness gain in the accompanying statement of activities. The remaining balance of \$137,521 is reported as a loan payable in the accompanying statement of financial position. In April 2022, CCN was notified that the loan in the amount of \$137,521 was fully forgiven.

According to the rules of the SBA, CCN is required to retain PPP Loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of CCN's judgments pertaining to satisfying PPP Loan eligibility or forgiveness conditions, CCN may be required to adjust previously reported amounts and disclosures in the financial statements.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

CCN maintains restricted net assets, which will be used when program expenses are incurred in connection with these activities. As of December 31, 2021, CCN maintains net asset with donor restrictions for the following programs:

Net assets with donor restrictions:	
Climate Solutions Caucus	\$ 400,000
Creation of a Multiparty Group of Conservation By the Congress of the Federative Republic of Brazil	<u>13,992</u>
Total net assets with donor restrictions	<u>\$ 413,992</u>

CONSERVATION COUNCIL OF NATIONS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 6 - EMPLOYEE BENEFIT PLAN

CCN maintains a defined contribution plan (the Plan) pursuant Section 401(k) of the Internal Revenue Code. The Plan covers all employees who meet minimum age and service requirements. The Plan allows for eligible employees to contribute a portion of their salary each year to the Plan. CCN has elected to make matching contributions to the Plan which are up to 4% of wages that each employee elects to contribute. Contributions totaled \$28,785 for the year ended December 31, 2021.

NOTE 7 - RELATED PARTY

The International Conservation Caucus Foundation (the Foundation) provides office space and administrative assistance to CCN. The Foundation is reimbursed for consulting services performed by the President of the Foundation and reimbursed for expenditures paid on behalf of CCN. As of December 31, 2021, CCN recorded a payable of \$115,090 due to ICCF.

During the year ended December 31, 2021, CCN received grants totaling \$800,000 from ICCF.

NOTE 8 - CONCENTRATION RISKS

Credit Risk

CCN maintains its cash balances at financial institution and at times, these balances may exceed federally insured limits. Non-interest and interest-bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. CCN has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk.

Support

During the year ended December 31, 2021, CCN received 37% of its total support and revenue from the United Nations Environment Programme under four separate agreements. CCN relies on the support of grantors to ensure the continuing programs and operations of CCN. Any significant reduction in funding from this grantor may impact CCN's ability to carry out its programs and other activities.

NOTE 9 - GRANTS AND AGREEMENTS SUBJECT TO AUDIT

Revenue from federal awards from the United States government and project cooperation agreements from the United Nations Environment Programme is recognized only to the extent of actual expenses incurred in compliance with the grants. Reimbursed costs are subject to audit and final determination of allowability by the Federal Government or the United Nations Environment Programme. There is the possibility that any amount received in excess of allowable costs would be required to be refunded. CCN believes that no material liability would result from such an audit.

CONSERVATION COUNCIL OF NATIONS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 10 - LIQUIDITY AND FUNDS AVAILABLE

CCN regularly monitors liquidity to meet its annual operating needs. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2021:

Financial assets	
Cash	\$ 647,213
Contributions and grants receivable	<u>283,620</u>
Total financial assets available within one year	930,833
Less: Net assets with donor restrictions	<u>(413,992)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 516,841</u>

NOTE 11 - GRANT FUNDING COMMITMENTS

As of December 31, 2021, CCN has the following federal grants and project cooperation agreements that have budgeted amounts available to be spent in future years:

Federal awards:	
USAID - American Conservation Expert Volunteers Program	\$ 775,281
Build Capacity to Counter Illegal Mining in Mongolia	200,146
Countering wildlife trafficking in Angola	111,009
Project cooperation agreements:	
International waters marine governance	1,338,655
Advancing Conservation in Eastern Caribbean	1,282,976
Paraguay Food Systems, Land Use and Restoration (FOLUR) Impact Program	<u>723,876</u>
Total	<u>\$ 4,431,943</u>

CONSERVATION COUNCIL OF NATIONS
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

During 2021, CCN discovered that advances received from the project cooperation agreements were recorded as contributions and grants with donor restrictions and released from restrictions during the year ended December 31, 2020. In addition, federal grant support for which expenditures had not yet been incurred was also recorded as revenue in the prior year. The errors were incurred in recording the cash received as revenue and support when received rather than recorded when expenditures were incurred. The net assets released from restrictions was also recorded in error. Furthermore, the federal grants revenue and support was incorrectly classified as revenue and support with donor restrictions. The net assets as of January 1, 2021 have been decreased by \$593,647 which included a decrease of \$547,294 in the net assets without donor restrictions and a decrease of \$46,353 in the net assets with donor restrictions. The refundable advances as of January 1, 2021 were increased by \$593,647. The advanced funds received in 2020 from the project cooperation agreements were spent during the year ended December 31, 2021.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through March 27, 2023, which is the date the financial statements were available to be issued. As disclosed in Noted 4, the second PPP Loan was forgiven in April 2022.