

# **Conservation International Foundation and Affiliates**

Consolidated Financial Report  
June 30, 2023

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Conservation International Foundation

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the consolidated financial statements of Conservation International Foundation and Affiliates (CI), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CI as of June 30, 2023 and 2022, 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) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 CI 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.

#### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, CI has changed its method of accounting for leases effective July 1, 2022, due to the adoption of Financial Accounting Standards Board Accounting Standards Codification Topic 842, Leases. 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 GAAS, 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 CI's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 an absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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, internal 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 and *Government 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 CI'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 CI'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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2024, on our consideration of CI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CI's internal control over financial reporting and compliance.

*RSM US LLP*

McLean, Virginia  
January 17, 2024

**Conservation International Foundation and Affiliates**

**Consolidated Balance Sheets**  
**June 30, 2023 and 2022**  
(In Thousands)

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 174,759	\$ 214,368
Investments	302,365	273,551
Grants and promises to give, net	76,050	54,503
Grant advances	15,182	7,263
Prepaid expenses and other assets	6,417	5,743
Project advances to partners	2,284	2,874
Notes receivable	8,770	6,854
Right-of-use lease assets—operating	28,145	-
Property and equipment, net	3,775	4,131
	<u>3,775</u>	<u>4,131</u>
<b>Total assets</b>	<b>\$ 617,747</b>	<b>\$ 569,287</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,162	\$ 9,349
Accrued salaries, vacation and employee benefits	12,940	11,465
Notes payable	1,479	1,500
Grants payable	3,649	2,276
Lease liabilities—operating	30,937	-
Deferred revenue and refundable advances	127,801	111,401
	<u>127,801</u>	<u>111,401</u>
<b>Total liabilities</b>	<b>184,968</b>	<b>135,991</b>
Commitments and contingencies (Notes 5 and 17)		
Net assets:		
Without donor restrictions	30,782	29,200
With donor restrictions	401,997	404,096
	<u>401,997</u>	<u>404,096</u>
<b>Total net assets</b>	<b>432,779</b>	<b>433,296</b>
	<u>432,779</u>	<u>433,296</u>
<b>Total liabilities and net assets</b>	<b>\$ 617,747</b>	<b>\$ 569,287</b>
	<u>\$ 617,747</u>	<u>\$ 569,287</u>

See notes to consolidated financial statements.

## Conservation International Foundation and Affiliates

### Consolidated Statements of Activities Years Ended June 30, 2023 and 2022 (In Thousands)

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Grants and contributions:						
Foundations	\$ 3,622	\$ 83,333	\$ 86,955	\$ 3,791	\$ 115,772	\$ 119,563
Public funding	-	57,656	57,656	29	56,308	56,337
Corporations	2,461	35,476	37,937	1,556	62,090	63,646
Individuals	5,467	17,021	22,488	6,467	15,727	22,194
Other	2	4,781	4,783	13	4,626	4,639
Contributed nonfinancial assets	1,458	23	1,481	1,267	13	1,280
Cancellations and de-obligations	-	(55)	(55)	-	(68)	(68)
Contract revenue	14,673	-	14,673	14,824	-	14,824
Other revenue	2,325	472	2,797	1,682	2,668	4,350
Investment income (loss), net	5,003	13,002	18,005	(3,638)	(17,360)	(20,998)
Net assets released from donor restrictions	213,930	(213,930)	-	187,501	(187,501)	-
<b>Total support and revenue</b>	<b>248,941</b>	<b>(2,221)</b>	<b>246,720</b>	<b>213,492</b>	<b>52,275</b>	<b>265,767</b>
Expenses:						
Program services:						
Field programs						
Americas	59,385	-	59,385	45,267	-	45,267
Asia-Pacific	30,460	-	30,460	25,389	-	25,389
Africa	21,565	-	21,565	19,057	-	19,057
Center for Oceans	20,860	-	20,860	12,488	-	12,488
Global programs	38,288	-	38,288	29,200	-	29,200
Grantmaking divisions	36,305	-	36,305	46,961	-	46,961
Other programs	6,269	-	6,269	5,137	-	5,137
<b>Total program services</b>	<b>213,132</b>	<b>-</b>	<b>213,132</b>	<b>183,499</b>	<b>-</b>	<b>183,499</b>
Supporting services:						
Management and operations	13,978	-	13,978	11,862	-	11,862
Fundraising	20,249	-	20,249	17,004	-	17,004
<b>Total supporting services</b>	<b>34,227</b>	<b>-</b>	<b>34,227</b>	<b>28,866</b>	<b>-</b>	<b>28,866</b>
<b>Total expenses</b>	<b>247,359</b>	<b>-</b>	<b>247,359</b>	<b>212,365</b>	<b>-</b>	<b>212,365</b>
<b>Changes in net assets before other income and losses</b>	<b>1,582</b>	<b>(2,221)</b>	<b>(639)</b>	<b>1,127</b>	<b>52,275</b>	<b>53,402</b>
Other income and losses:						
Gain (loss) on translation of affiliate and field office net assets	-	122	122	-	(697)	(697)
<b>Changes in net assets</b>	<b>1,582</b>	<b>(2,099)</b>	<b>(517)</b>	<b>1,127</b>	<b>51,578</b>	<b>52,705</b>
Net assets:						
Beginning	29,200	404,096	433,296	28,073	352,518	380,591
Ending	\$ 30,782	\$ 401,997	\$ 432,779	\$ 29,200	\$ 404,096	\$ 433,296

See notes to consolidated financial statements.

**Conservation International Foundation and Affiliates**

**Consolidated Statement of Functional Expenses**

**Year Ended June 30, 2023**

**(In Thousands)**

	Program Services							Supporting Services		Total
	Field Programs				Global Programs	Grantmaking Divisions	Other Programs	Management and		
	Americas	Asia-Pacific	Africa	Oceans				Operations	Fundraising	
Salaries and benefits	\$ 21,149	\$ 16,881	\$ 9,474	\$ 7,223	\$ 19,485	\$ 11,401	\$ 3,240	\$ 10,510	\$ 12,136	\$ 111,499
External grants	19,543	1,872	5,081	9,706	10,829	18,675	315	-	-	66,021
Professional services	9,686	3,778	2,676	1,807	3,324	4,193	2,035	1,630	3,656	32,785
Travel, meetings and events	5,037	4,641	2,023	1,457	2,671	936	204	877	2,127	19,973
Equipment and supplies	2,320	1,610	1,374	105	336	184	71	276	355	6,631
Occupancy	1,399	1,192	704	352	1,000	463	322	264	485	6,181
Depreciation	95	30	23	58	139	71	34	71	58	579
Other expenses	156	456	210	152	504	382	48	350	1,432	3,690
	<u>\$ 59,385</u>	<u>\$ 30,460</u>	<u>\$ 21,565</u>	<u>\$ 20,860</u>	<u>\$ 38,288</u>	<u>\$ 36,305</u>	<u>\$ 6,269</u>	<u>\$ 13,978</u>	<u>\$ 20,249</u>	<u>\$ 247,359</u>

See notes to consolidated financial statements.

## Conservation International Foundation and Affiliates

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

(In Thousands)

	Program Services							Supporting Services		Total
	Field Programs				Global Programs	Grantmaking Divisions	Other Programs	Management and		
	Americas	Asia-Pacific	Africa	Oceans				Operations	Fundraising	
Salaries and benefits	\$ 16,981	\$ 14,150	\$ 9,146	\$ 5,978	\$ 17,529	\$ 9,081	\$ 2,488	\$ 9,463	\$ 10,792	\$ 95,608
External grants	12,968	2,189	2,729	3,067	5,909	33,944	570	-	-	61,376
Professional services	7,810	3,360	4,362	1,949	2,735	2,491	1,606	1,308	2,736	28,357
Travel, meetings and events	3,428	2,840	1,246	592	966	343	16	333	1,504	11,268
Occupancy	1,352	982	662	293	1,049	559	355	140	504	5,896
Equipment and supplies	2,162	1,452	746	100	330	162	58	217	183	5,410
Depreciation	103	36	29	73	208	94	44	99	77	763
Other expenses	463	380	137	436	474	287	-	302	1,208	3,687
	<u>\$ 45,267</u>	<u>\$ 25,389</u>	<u>\$ 19,057</u>	<u>\$ 12,488</u>	<u>\$ 29,200</u>	<u>\$ 46,961</u>	<u>\$ 5,137</u>	<u>\$ 11,862</u>	<u>\$ 17,004</u>	<u>\$ 212,365</u>

See notes to consolidated financial statements.

## Conservation International Foundation and Affiliates

### Consolidated Statements of Cash Flows Years Ended June 30, 2023 and 2022 (In Thousands)

	2023	2022
Cash flows from operating activities:		
Changes in net assets	\$ (517)	\$ 52,705
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	579	763
Net realized and unrealized (gain) loss on investments	(9,324)	23,725
Net realized and unrealized gain on other assets	(223)	(124)
Change in allowance for doubtful grants and promises to give	627	199
Change in discount to present value for grants and promises to give	(222)	695
Cancellations and de-obligations	55	68
Amortization of right-of-use lease assets—operating	2,609	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants and promises to give	(22,007)	(16,279)
Grant advances	(7,919)	(934)
Prepaid expenses and other assets	(674)	(989)
Project advances to partners	590	1,363
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,187)	2,045
Accrued salaries, vacation and employee benefits	1,475	979
Grants payable	1,373	1,146
Lease liabilities—operating	183	-
Deferred revenue and refundable advances	16,400	23,027
<b>Net cash (used in) provided by operating activities</b>	<b>(18,182)</b>	<b>88,389</b>
Cash flows from investing activities:		
Proceeds from sales of investments	90,021	99,796
Purchases of investments	(109,288)	(133,948)
Purchases of property and equipment	(223)	(27)
Collections on notes receivable	1,702	405
Disbursements on notes receivable	(3,618)	(3,081)
<b>Net cash used in investing activities</b>	<b>(21,406)</b>	<b>(36,855)</b>
Cash flows from financing activities:		
Proceeds from notes payable	-	250
Principal payments on notes payable	(21)	(109)
<b>Net cash (used in) provided by financing activities</b>	<b>(21)</b>	<b>141</b>
<b>Net change in cash and cash equivalents</b>	<b>(39,609)</b>	<b>51,675</b>
Cash and cash equivalents:		
Beginning	214,368	162,693
Ending	\$ 174,759	\$ 214,368
Supplemental disclosures of cash flow information:		
Cash payments for interest	\$ 106	\$ 1
Noncash right-of-use asset additions as of July 1, 2022	\$ 28,754	
Noncash lease liabilities additions as of July 1, 2022	\$ 28,439	

See notes to consolidated financial statements.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities

**Nature of activities:** Conservation International Foundation and Affiliates (CI) is a nonprofit organization headquartered in Arlington, Virginia, with offices in over 30 countries. The Conservation International Foundation was established in 1987 under the laws of the state of California and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC).

CI works to protect nature for the benefit of people. We need nature for many things: a stable climate, clean air, fresh water, abundant food, cultural resources and much more. Yet unsustainable economic development can have negative impacts on nature. CI works at every level—from remote villages to the offices of presidents and prime ministers—to help move society toward a sustainable development path.

CI focuses its efforts on four areas:

**Confronting climate change by protecting nature:** CI works to reverse the destruction of tropical forests, which could provide at least one-third of the global action needed to avoid the worst climate scenarios.

**Creating holistic models of sustainability:** CI creates self-sustaining, scalable conservation models within larger geographic landscapes and seascapes, ensuring that humans and nature can thrive together.

**Protecting our oceans at scale:** CI works to protect the ocean on an unprecedented global scale while balancing ocean production. Its goal is to help to double the area of protected ocean by 2025.

**Innovating science and finance to accelerate conservation:** CI works to create and apply science-based evidence and solutions to conservation policies, and works to unlock greater investment in nature.

**Affiliates:** The accompanying consolidated financial statements include the operations of CI-Aotearoa in New Zealand, CI-Australia Ltd., CI-Brazil, CI-Europe in Belgium, CI-Guyana, CI-Hong Kong, CI-Japan, CI-Mexico, CI-Philippines, CI-Singapore, CI-Suriname, CI-UK, Conservation South Africa, and Yayasan Konservasi Cakrawala Indonesia. All of the aforementioned organizations are separately incorporated in their respective countries. Due to the significant amount of oversight and support (financial and programmatic) provided by CI, their financial activities have been consolidated with CI's financial activities.

Additionally, Conservation International Foundation is the sole member of Conservation International Ventures LLC (CI Ventures). CI Ventures is an investment facility designed to accelerate investment in small and medium enterprises (SMEs) that have the potential to deliver measurable, scalable conservation impact alongside financial returns. In partnership with leading investors, project developers and conservation-oriented entrepreneurs, CI Ventures delivers targeted capacity building, and bridge financing and other resources to de-risk and scale-up investible projects in sustainable land and seascapes. The overarching goal of CI Ventures is to increase the pipeline of high-quality, bankable projects that maximize environmental and social outcomes and unlock additional finance for conservation impact. Accordingly, all financial activities of CI Ventures have been consolidated with CI.

Conservation International Foundation is also the sole member of the African Conservancies Fund LLC. This Fund is a loan facility created to support conservancies in Africa, such as the Maasai Mara Landscape in Kenya. The COVID-19 pandemic highlighted the need to financially support those working to preserve these vital ecosystems, which are under constant threat, especially when the ecotourism industry struggles. All financial activities of the African Conservancies Fund LLC have been consolidated with CI.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 2. Significant Accounting Policies

A summary of CI's significant accounting policies follows:

**Principles of consolidation:** All transactions between Conservation International Foundation and its affiliates have been eliminated in the consolidation.

**Adopted accounting pronouncement:** In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, Leases, (Topic 842), to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. CI adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, CI has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with CI's historical accounting treatment under ASC Topic 840, Leases.

CI elected the "package of practical expedients" under the transition guidance within Topic 842, in which CI does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. CI has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

CI determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) CI obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. CI also considers whether its service arrangements include the right to control the use of an asset.

CI made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, CI made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

CI has elected to separate lease components from related nonlease components instead of combining them into a single lease component. The nonlease components typically represent additional services transferred to CI, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred. As such, the nonlease components are accounted for as one or more units of account in accordance with other application accounting principles generally accepted in the United States of America (U.S. GAAP).

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to CI's operating leases of approximately \$28,754,000 and \$28,439,000, respectively, at July 1, 2022. The adoption of the new lease standard did not materially impact consolidated net earnings or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

**Basis of presentation:** The financial statement presentation follows the recommendations of the FASB Not-for-Profit Entities topic of the ASC. CI 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 without donor restrictions consist of contributions, contract revenue, investment income, and other inflows of assets whose use is not subject to donor imposed stipulations. The Board of Directors may designate a portion of these net assets for a specific purpose; however, these funds are classified as net assets without donor restrictions. Investment income generated by the endowment fund supports training and general CI operations, up to the limits set by the endowment spending policy.

**Net assets with donor restrictions:** Net assets with donor restrictions include contribution, grant revenue, investment income, and other inflows of assets whose use is subject to donor-imposed stipulations that either expire by the passage of time, will be met by actions of CI pursuant to those stipulations (e.g., usage of specific programs), or requires that the principal must be maintained permanently by CI. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported on the consolidated statements of activities as net assets released from donor restrictions. This includes conditional grants and promises to give that are recognized as earned in the year in which CI meets the conditions stipulated by the donor.

**Use of estimates:** The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

**Foreign currency transactions:** The consolidated financial statements and transactions of CI's foreign operations are generally maintained in the relevant local currency. Monthly expenses that are incurred by field offices and affiliates in foreign countries are paid at local currency and then translated into U.S. dollars at the rate of exchange in effect during the month of the transaction.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

**Foreign currency translation:** The functional currency of CI is the U.S. dollar. Gains and losses resulting from translations of foreign currencies into U.S. dollars are recognized as other income and losses in the consolidated statements of activities. Where local currencies are used, assets and liabilities are translated into U.S. dollars at the consolidated balance sheets date at the exchange rate in effect on that date.

**Allocation of functional expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Due to the broad responsibilities and cross-functional nature of the executive leadership, their expenses are allocated based on estimates of time and effort. Depreciation, information technology and other office operating costs are allocated based on the number of employees.

**Foreign operations:** The accompanying consolidated financial statements include the worldwide operations of CI (affiliate and branch offices). At June 30, 2023 and 2022, assets held in foreign countries totaled \$43,344,000 and \$32,219,000, respectively. The consolidated statements of activities include support and revenue of \$19,594,000 and \$18,169,000 from foreign country programs for the years ended June 30, 2023 and 2022, respectively.

**Cash and cash equivalents:** Cash and short-term investments with maturities at dates of purchase of three months or less are classified as cash and cash equivalents, except that any such cash or investments purchased with endowment funds or with management-designated investment funds are classified as investments.

**Investments:** Investments are carried at estimated fair value in the consolidated balance sheets. Fair value of investments is estimated based on quoted market prices where available. Investments may include some short-term investments, which consist primarily of money market funds and other short-term investments temporarily held by investment managers.

Investments in investment partnerships are valued at fair value. This fair value is determined using net asset value per percentage of ownership of the underlying partnership's net assets as of the measurement date, as determined by CI. In determining fair value, CI utilizes valuations provided by the fund manager of the underlying investment partnerships. The underlying investment partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment partnerships, which may include private placements and other securities for which prices are not readily available, are determined by CI for the respective investment partnerships and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The fair value of CI's investments in other investment partnerships generally represents the amount CI would expect to receive if it were to liquidate its investment in the investment partnerships, excluding any redemption charges that may apply. CI may adjust the respective manager's valuation when circumstances support such an adjustment.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

Investment return, net of expenses, on investments are classified as follows:

- As changes in net assets with donor restrictions, if the terms of the gift or state law impose restrictions on the current use of the net investment return.
- As changes in net assets without donor restrictions in all other cases.

**Concentrations of credit and market risk:** CI's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash and cash equivalents, investments and grants and pledges receivable. CI invests its excess cash and cash equivalents and maintains its investments with high-quality financial institutions. CI had \$17,261,000 and \$17,855,000 of cash and cash equivalents on hand and at financial institutions in foreign countries at June 30, 2023 and 2022, respectively. The majority of the funds invested in foreign countries are uninsured. At times, CI maintains cash balances at financial institutions in the United States in excess of Federal Deposit Insurance Corporation (FDIC) limits. CI has not experienced any losses in such accounts, and management believes the risk in these situations to be minimal. The composition and maturities of investments, as well as investment performance, are regularly monitored by management.

CI invests in common stocks, mutual funds, money market funds, fixed income securities, exchange traded funds, partnerships and private equities. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is possible that changes in risks in the near term could materially affect investment balances and amounts reported in the consolidated financial statements.

**Grants, contributions and promises to give:** Grants, contributions and promises to give are recognized as support in the year that they are unconditionally received from the donor. They are reported as increases in the appropriate category of net assets. Grants, contributions and promises to give that will not be collected within one year have been discounted at a rate commensurate with the risks involved at the time the gift was pledged, based upon anticipated payment dates. CI has established an allowance for uncollectible pledges in the amount of approximately \$2,130,000 and \$1,503,000 at June 30, 2023 and 2022, respectively. This allowance is mainly based on potential de-obligations of existing restricted pledges. Historically, de-obligations mainly arose in cases where CI has completed the project at less than the full amount of the associated grant, and less frequently, when the donor chooses to discontinue funding for economic or other reasons.

Contributions include in-kind gifts that mainly consisted of donated professional fees and services, equipment and airfare. The in-kind contributions are recorded at their fair value as of the date the goods or services are provided. In-kind contributions were approximately \$1,481,000 and \$1,280,000 for the years ended June 30, 2023 and 2022, respectively.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

CI receives both conditional and unconditional grants and promises to give. Grants and promises to give are considered to be conditional if the donor agreement stipulates both a donor imposed barrier that must be overcome before being entitled to the assets transferred or promised, as well as a right of return to the donor of any assets transferred or a right of release of the donor's obligation to honor the promise. Unconditional grants and promises to give are recognized when the agreement is signed; whereas conditional grants and promises to give are recognized as earned in the year in which CI meets the conditions stipulated by the donor. As of June 30, 2023 and 2022, CI was awarded the following amounts of conditional grants and promises to give but not yet recognized or earned (in thousands):

	2023	2022
Public funding	\$ 295,814	\$ 307,009
Foundations	87,964	88,951
Corporations	15,497	20,084
Individuals	5,199	3,130
Others	10,051	10,169
	<u>\$ 414,525</u>	<u>\$ 429,343</u>

CI has made conditional promises (conditional grants) not yet spent by implementing partners of \$93,900,000 and \$69,472,000 as of June 30, 2023 and 2022, respectively. Future payments are contingent upon the implementing partners carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant or contract.

The amount of conditional grant and promises to give left to earn are not reported in the accompanying consolidated balance sheets or consolidated statements of activities.

**Contracts:** Contract revenue is recognized when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration CI expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, CI combines it with other performance obligations until a distinct bundle of goods or services exists. Most performance obligations are satisfied over time and the related revenue is recognized as services are rendered.

The timing of revenue recognition may not align with the right to invoice the customer. CI records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in the advance of the right to invoice, a contract asset (accounts receivable) is recorded. The opening balances as of July 1, 2021, were \$6,233,000 for contract liabilities and \$1,199,000 for contract receivables.

**Notes receivable:** Notes are recorded as receivables at face value when the agreement is signed by both parties. Related interest income is recognized as it is earned based on stated interest rates applied to the face value of the applicable notes. An allowance for uncollectible notes is based on an evaluation of the collectibility of the principal and interest. There was no allowance for uncollectible notes receivable as of June 30, 2023 or 2022.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

**Property and equipment:** Property and equipment are stated at cost and depreciated on the straight-line basis over their related estimated useful lives, generally three to five years. Assets with a unit cost of \$5,000 or more are capitalized. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Leasehold improvements are recorded at cost and are amortized over the lesser of the asset's useful life or the life of the lease. Land and buildings are stated at cost; buildings are depreciated on the straight-line basis over an estimated useful life of 30 years. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any gain or loss on retirement or disposal is recorded as revenue or expense.

**Impairment of long-lived assets:** CI requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There was no impairment on such assets during the years ended June 30, 2023 and 2022.

**Notes payable:** Notes payable are recognized as liabilities in the year funds are received from the lender.

**Grants payable:** For agreements considered to be unconditional contributions, grants are recognized as liabilities in the year CI makes the unconditional commitment. For agreements considered to be conditional contributions, the payable is recognized when the condition is met. Which is typically as expenses are incurred by grantees over the reporting period.

**Deferred revenue and refundable advances:** CI records both grant payments received in advance of satisfying the donor-imposed conditions in addition to contract liabilities as deferred revenue and refundable advances.

**Income taxes:** CI is exempt from income taxes under Section 501(c)(3) of the IRC. In addition, CI has been determined by the Internal Revenue Service (IRS) not to be a private foundation. CI is subject to unrelated business income taxes under Section 512 of the IRC; however, in the opinion of management, no provision for income taxes is required to be made.

CI follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, CI may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated CI's tax positions and concluded that CI had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

The aforementioned field offices are organized as tax-exempt entities in their respective countries, with the exception of CI-Guyana. This field office is organized under the Companies Act of Guyana regulations. Its by-laws prohibit the accumulation or distribution of profits.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

**Reclassification:** Certain expenses items within the consolidated statement of activities for the year ended June 30, 2022 have been reclassified to conform to the financial statement presentation for the year ended June 30, 2023.

**Pending accounting pronouncement:** In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost (including loans and trade receivables) to be presented at the net amount expected to be collected through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. In July 2019, FASB extended the effective date for ASU 2016-13 beginning with CI's fiscal year ending June 30, 2024, with early adoption permitted. CI is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

**Subsequent events:** CI has evaluated subsequent events through January 17, 2024, the date on which the consolidated financial statements were available to be issued.

#### Note 3. Liquidity and Availability of Resources

Contributions without donor restrictions, contributions with donor restrictions for use in current activities and programs, investment income without donor restrictions, and earnings appropriated from endowments with donor restrictions and board-designated endowments are considered to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year.

CI manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining a sufficient level of asset liquidity
- Monitoring and maintaining reserves to provide reasonable assurance that long-term grant commitments will continue to be met

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

#### Note 3. Liquidity and Availability of Resources (Continued)

CI regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2023 and 2022, the following financial assets are available to meet annual operating needs for the upcoming fiscal year (in thousands):

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 174,759	\$ 214,368
Investments	302,365	273,551
Grants and promises to give, net	76,050	54,503
Notes receivable	8,770	6,854
Total financial assets available	<u>561,944</u>	<u>549,276</u>
Less amounts not available to be used within one year:		
Investments related to board-designated endowment	23,490	22,904
Grants and promises to give due after one year	11,654	17,016
Notes receivable due after one year	7,001	4,863
Deferred revenue to be recognized after one year	110,041	72,365
Time and purpose restricted assets released after one year	233,965	270,667
Perpetual restricted assets	13,324	13,321
Total amounts not available to be used within one year	<u>399,475</u>	<u>401,136</u>
Financial assets available to meet general expenditures within one year	<u>\$ 162,469</u>	<u>\$ 148,140</u>

CI has various sources of liquidity at its disposal, including cash and cash equivalents, amounts due from donors within one year, and investments in marketable securities. Additionally, CI has a board-designated endowment of \$23,490,000 and \$22,904,000 as of June 30, 2023 and 2022, respectively. Although there is no intention to spend from its board-designated endowment funds other than amounts appropriated each year for general expenditures, the amounts from its board-designated endowment could be made available if necessary. Note that the board-designated endowment fund, donor-restricted endowments, and several other investments cannot be redeemed and made available within one year (see Note 5 for disclosures about investments).

#### Note 4. Contributions of Nonfinancial Assets

Contributed nonfinancial assets utilized in programs and activities for the years ended June 30, 2023 and 2022, are as follows (in thousands):

Category	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs	2023	2022
Professional services	Legal services	No associated donor restrictions	Fair market value provided by firm based on lawyer rate and hours worked	\$ 967	\$ 850
Travel	Airfare	No associated donor restrictions	Original ticket pricing offered by airline	353	48
Equipment	Software	No associated donor restrictions	Fair market value based on open market comparative modeling	140	-
Equipment	Vehicle	No associated donor restrictions	Estimated fair market value based on third-party vehicle valuation	17	-
Occupancy	Sublease office space	Restricted to use outside of the United States	Estimated fair market value on the basis of comparable subleased space with similar square footage in local real estate market	4	8
Professional Services	Communications and fundraising	No associated donor restrictions	Estimated fair market value of media provided by service provider	-	368
Other	Staff morale costs	No associated donor restrictions	Estimated fair market value based on wholesale values for similar products in the United States	-	6
				<u>\$ 1,481</u>	<u>\$ 1,280</u>

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 4. Contributions of Nonfinancial Assets (Continued)

The above contributed nonfinancial assets were utilized in operational and program activities consistent with donor restrictions, where applicable.

#### Note 5. Investments and Fair Value Measurements

Investment income (loss) for the years ended June 30, 2023 and 2022, consists of the following (in thousands):

	2023	2022
Realized and unrealized gain (loss), net	\$ 9,324	\$ (23,725)
Interest and dividends	9,527	3,681
Investment management fees	(846)	(954)
	<u>\$ 18,005</u>	<u>\$ (20,998)</u>

The Fair Value Measurement Topic of the FASB ASC establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as data that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

- Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities such as common stocks, mutual funds, money market funds and exchange traded funds.
- Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include fixed income securities, less liquid and restricted equity securities and certain over-the-counter derivatives.
- Level 3:** Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. CI has no investments classified as Level 3 at June 30, 2023 and 2022.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. CI's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

While CI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the report date.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

#### Note 5. Investments and Fair Value Measurements (Continued)

During the years ended June 30, 2023 and 2022, there were no changes in CI's valuation techniques that had, or are expected to have, a material impact on its consolidated balance sheets or consolidated statements of activities.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2023 (in thousands):

Description	2023			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents:				
Money market funds—at cost	\$ -	\$ -	\$ -	\$ 23,587
Certificates of deposit—at cost	-	-	-	69,892
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,479</u>
Investments:				
Common stocks:				
Consumer goods	\$ 8,895	\$ -	\$ -	\$ 8,895
Financial services	3,882	-	-	3,882
Technology	1,655	-	-	1,655
Industrial goods	1,580	-	-	1,580
Basic materials	929	-	-	929
Health care	413	-	-	413
Services	97	-	-	97
Total common stocks	<u>17,451</u>	<u>-</u>	<u>-</u>	<u>17,451</u>
Mutual funds:				
Multi-sector equity funds	39,399	-	-	39,399
Multi-sector bond funds	242	-	-	242
Total mutual funds	<u>39,641</u>	<u>-</u>	<u>-</u>	<u>39,641</u>
Fixed income:				
Corporate bonds	-	51,587	-	51,587
U.S. government bonds	-	39,570	-	39,570
Municipal bonds	-	13,683	-	13,683
Total fixed income	<u>-</u>	<u>104,840</u>	<u>-</u>	<u>104,840</u>
Total publicly traded securities	<u>57,092</u>	<u>104,840</u>	<u>-</u>	<u>161,932</u>
Other assets:				
Money market funds—at cost	-	-	-	15,070
Commodities—at cost	-	-	-	1,604
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,674</u>
Other investments measured at net asset value (a)	-	-	-	123,759
	<u>\$ 57,092</u>	<u>\$ 104,840</u>	<u>\$ -</u>	<u>\$ 302,365</u>

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

#### Note 5. Investments and Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2022 (in thousands):

Description	2022			Total
	Level 1	Level 2	Level 3	
<b>Cash and cash equivalents:</b>				
Money market funds—at cost	\$ -	\$ -	\$ -	\$ 45,500
Certificates of deposit—at cost	-	-	-	75,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments:</b>				
<b>Common stocks:</b>				
Consumer goods	\$ 5,348	\$ -	\$ -	\$ 5,348
Financial services	3,118	-	-	3,118
Technology	1,098	-	-	1,098
Industrial goods	1,095	-	-	1,095
Health care	485	-	-	485
Basic materials	333	-	-	333
Services	58	-	-	58
Total common stocks	<u>11,535</u>	<u>-</u>	<u>-</u>	<u>11,535</u>
<b>Mutual funds:</b>				
Multi-sector equity funds	23,117	-	-	23,117
Multi-sector bond funds	175	-	-	175
Total mutual funds	<u>23,292</u>	<u>-</u>	<u>-</u>	<u>23,292</u>
<b>Fixed income:</b>				
Corporate bonds	-	47,666	-	47,666
U.S. government bonds	-	34,204	-	34,204
Municipal bonds	-	12,482	-	12,482
Total fixed income	<u>-</u>	<u>94,352</u>	<u>-</u>	<u>94,352</u>
Total publicly traded securities	<u>34,827</u>	<u>94,352</u>	<u>-</u>	<u>129,179</u>
<b>Other assets:</b>				
Money market funds—at cost	-	-	-	44,503
Commodities—at cost	-	-	-	1,516
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,019</u>
Other investments measured at net asset value (a)	-	-	-	98,353
	<u>\$ 34,827</u>	<u>\$ 94,352</u>	<u>\$ -</u>	<u>\$ 273,551</u>

- (a) In accordance with ASC Topic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

#### Note 5. Investments and Fair Value Measurements (Continued)

Alternative investments are less liquid than CI's other investments. The following table sets forth additional disclosures of CI's investments whose fair value is estimated using net asset value per share (or its equivalent) as of June 30, 2023 and 2022.

The following table provides additional information about the investments by strategy (in thousands):

Investment Strategy	Fair Value at June 30,		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2023	2022			
Equity (a)	\$ 99,255	\$ 89,060	\$ 24,586	Semi-monthly annually	5-90 days
Fixed income (b)	24,504	9,293	-	N/A	N/A
	<u>\$ 123,759</u>	<u>\$ 98,353</u>	<u>\$ 24,586</u>		

(a) This category includes investments in equities across all sectors and geographic regions, including several long- and short-hedge funds. The investment strategies of these funds focus on an event or a catalyst that will move an equity price, an equity spread, a credit spread or an implied volatility spread, offering a blend of both growth and value investing styles. Most of the securities underlying the funds are marketable equities. As of June 30, 2023, about 44% of the funds have a redemption frequency between weekly to quarterly. The remaining funds can be redeemed annually or at the time of their termination.

(b) This category includes a variety of fixed income investments. It includes investment in a multi-sector fixed-income relative-value fund, as well as investment in secured U.S. middle market secured loans and private debt. The investments held as of June 30, 2023, cannot be liquidated in advance of their natural termination.

#### Note 6. Grants and Promises to Give Receivable

CI considers grants and promises to give receivable to be collectible within one year, unless otherwise stated by the donor. Unconditional grants and promises to give as of June 30, 2023 and 2022, are due as follows (in thousands):

	2023	2022
Within one year	\$ 67,016	\$ 39,702
Two to five years	11,654	17,016
Gross grants and promises to give	78,670	56,718
Discount to present value	(490)	(712)
Allowance for doubtful pledges	(2,130)	(1,503)
Net grants and promises to give receivable	<u>\$ 76,050</u>	<u>\$ 54,503</u>

CI's grants and promises to give receivable balance include receivables from the federal government, foreign governments and private donors. CI's ten largest contributors during the year ended June 30, 2023, comprised approximately 44% or \$107,653,000 of total support and revenue. CI's ten largest contributors during the year ended June 30, 2022, comprised approximately 57% or \$150,673,000 of total support and revenue. CI's ten largest grants and promises to give receivable balances, before net present value and allowance for uncollectible pledges, comprised approximately 76% or \$59,487,000 at June 30, 2023, and 63% or \$35,541,000 at June 30, 2022.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 7. Project Advances to Partners

As an accredited implementing agency of the Global Environment Fund (the GEF), CI has entered into a limited partnership agreement in an impact investment fund. The investment objectives of the fund are (1) to generate measurable social and environmental outcomes and provide reasonable financial returns for investors by making debt and equity investments in fishing and seafood-related enterprises and (2) to demonstrate the effectiveness of private capital investment as a catalyst to help coastal fisheries to achieve economic, social, and environmental sustainability.

As of the year ended June 30, 2021, CI committed and paid \$6,000,000 to the fund, of which \$1,763,000 had been deployed as a capital contribution, leaving a balance of \$4,237,000 as a project advance to the partner. During the year ended June 30, 2022, an additional \$1,563,000 was deployed, resulting in \$2,674,000 remaining as a project advance to the partner. During the year ended June 30, 2023, an additional \$1,540,000 was deployed, resulting in \$1,134,000 remaining as a project advance to the partner.

In addition, CI Ventures also provided a project advance to an investment partner of \$950,000 and \$200,000 as of June 30, 2023 and 2022, respectively.

#### Note 8. Notes Receivable

CI made loans to small- and medium-sized enterprises, which support conservation and conservation-oriented employment in the regions in which CI works. The outstanding notes receivable balance at June 30, 2023, bears interest at rates ranging from 2% to 12.5% and are due between July 2023 and August 2032.

At June 30, 2023 and 2022, notes receivable totaled \$8,770,000 and \$6,854,000, respectively. There was no allowance for uncollectible notes at June 30, 2023 and 2022.

The following schedule shows required future minimum repayments (in thousands) at June 30, 2023:

Years ending June 30:		
2024	\$	1,769
2025		1,614
2026		957
2027		2,697
2028		745
Thereafter		988
	\$	<u>8,770</u>

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 9. Property and Equipment

Property and equipment at June 30, 2023 and 2022, consist of the following (in thousands):

	2023	2022
Furniture and equipment	\$ 6,296	\$ 6,111
Leasehold improvements	4,151	4,151
Land	131	131
Buildings	564	564
	<u>11,142</u>	<u>10,957</u>
Accumulated depreciation and amortization	(7,367)	(6,826)
Net property and equipment	<u>\$ 3,775</u>	<u>\$ 4,131</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022, was \$579,000 and \$763,000, respectively.

#### Note 10. Notes Payable

Notes payable at June 30, 2023 and 2022, consist of \$1,479,000 and \$1,500,000, respectively, due to private investors.

Through CI's African Conservancies Fund LLC, CI entered into loan agreements with several private investors in order to fund this entity, which identifies and provides financing to African conservancies in need. The remaining loan principals are due in December 2027 and bear interest rates of 2%.

Interest expense for the years ended June 30, 2023 and 2022, was \$66,000 and \$40,000, respectively.

#### Note 11. Grants Payable

CI enters into grant agreements with various domestic and foreign organizations. For agreements considered to be unconditional contributions, CI expenses the grant obligation and records the corresponding liability when the grant agreements are signed. For agreements considered to be conditional contributions, CI recognizes the liability based on expenses incurred by grantees over the reporting period. As of June 30, 2023 and 2022, CI's total grants payable were \$3,649,000 and \$2,276,000, respectively. CI disburses grant funds to grant recipients based upon the recipients' cash needs and does not schedule these payments in advance. CI estimates that the majority of this balance will be paid to recipients within the next fiscal year, so no discount on these payments is calculated.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 12. Leases

CI leases offices under operating lease agreements which expire through 2036. Operating leases with lease terms greater than one year are reported as operating lease right-of-use assets and operating lease liabilities in the consolidated balance sheets. Some leases include one or more options to renew, generally at CI's sole discretion, with renewal terms that can extend the lease term. In addition, certain leases contain termination options, where the rights to terminate are held by either CI, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that CI will exercise that option. CI's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost and sublease income is recognized on a straight-line basis over the lease term. The components of lease expense, included in occupancy in the consolidated statement of functional expenses, are as follows for the year ended June 30, 2023 (in thousands):

Operating lease cost	\$ 3,141
Short-term cost	853
Total rent expense	<u>\$ 3,994</u>

At June 30, 2023, the weighted-average remaining lease term for operating leases is 12.32 years, and the weighted-average discount rate for operating leases is 3.15%.

**Supplemental cash flow information:** The total cash paid in the amounts included in the measurement of lease liabilities was \$2,784,000, and the amount of right-of-use assets obtained in exchange for new lease obligations was \$2,000,000 as of the year ended June 30, 2023.

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the consolidated balance sheet are as follows as of June 30, 2023 (in thousands):

	Operating Leases
Years ending June 30:	
2024	\$ 3,275
2025	3,121
2026	3,014
2027	2,877
2028	2,611
Thereafter	22,212
Total lease payments	<u>37,110</u>
Less imputed interest	<u>(6,173)</u>
Present value of lease liabilities	<u>\$ 30,937</u>

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

#### Note 12. Leases (Continued)

Minimum future lease payments under ASC 840 at June 30, 2022, are as follows (in thousands):

Years ending June 30:		
2023	\$	3,408
2024		2,929
2025		2,654
2026		2,569
2027		2,497
Thereafter		22,969
	\$	<u>37,026</u>

#### Note 13. Net Assets

The components of CI's net assets were as follows as of June 30, 2023 and 2022 (in thousands):

	2023	2022
Without donor restrictions:		
Undesignated	\$ 7,292	\$ 6,296
Board-designated	23,490	22,904
Total net assets without donor restrictions	<u>\$ 30,782</u>	<u>\$ 29,200</u>
With donor restrictions:		
Time and purpose restriction	\$ 388,673	\$ 390,775
Perpetual in nature	13,324	13,321
Total net assets with donor restrictions	<u>\$ 401,997</u>	<u>\$ 404,096</u>

Net assets with donor restrictions are funds with time or purpose stipulations imposed by the donor. During the year ended June 30, 2023, there were \$211,709,000 in new funds with donor restrictions and \$213,930,000 released from restrictions. These funds also incurred a net gain of \$122,000 due to foreign currency translations. These activities resulted in a \$401,997,000 net asset with donor restrictions balance as of June 30, 2023, consisting of the following amounts by program (in thousands):

	June 30, 2022	Operating Additions	Operating Releases	Non-Operating Activity	Reclassifications	June 30, 2023
Management and operations *	\$ 145,899	\$ 46,484	\$ (38,232)	\$ 122	\$ (33,918)	\$ 120,355
Global programs	80,446	39,095	(30,192)	-	8,417	97,766
Americas	62,288	44,736	(51,625)	-	3,274	58,673
Grantmaking divisions	45,251	28,393	(36,889)	-	3,927	40,682
Other programs	22,450	113	(1,068)	-	7,322	28,817
Asia-Pacific	23,627	20,407	(21,075)	-	5,228	28,187
Center for Oceans	13,127	20,097	(20,578)	-	2,742	15,388
Africa	11,008	12,384	(14,271)	-	3,008	12,129
	<u>\$ 404,096</u>	<u>\$ 211,709</u>	<u>\$ (213,930)</u>	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ 401,997</u>

\* This amount is restricted due to time or is unallocated flexible funding for future years.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

#### Note 13. Net Assets (Continued)

During the year ended June 30, 2022, there were \$239,776,000 in new funds with donor restrictions and \$187,501,000 released from restrictions. These funds also incurred a net loss of \$697,000 due to foreign currency translations. These activities resulted in a \$404,096,000 net asset with donor restrictions balance as of June 30, 2022, consisting of the following amounts by program (in thousands):

	June 30, 2021	Operating Additions	Operating Releases	Non-Operating Activity	Reclassifications	June 30, 2022
Management and operations *	\$ 157,140	\$ 63,635	\$ (43,094)	\$ (697)	\$ (31,085)	\$ 145,899
Global programs	-	36,739	(19,629)	-	63,336	80,446
Americas	-	56,167	(36,825)	-	42,946	62,288
Grantmaking divisions	44,052	47,155	(49,869)	-	3,913	45,251
Asia-Pacific	-	16,710	(16,042)	-	22,959	23,627
Other programs	30,605	179	(1,971)	-	(6,363)	22,450
Center for Oceans	-	10,990	(10,761)	-	12,898	13,127
Africa	-	8,201	(9,310)	-	12,117	11,008
Field programs	71,359	-	-	-	(71,359)	-
Center for Natural Climate Solutions	26,443	-	-	-	(26,443)	-
Moore Center for Science Communications	10,461	-	-	-	(10,461)	-
Center for Sustainable Lands and Waters	7,990	-	-	-	(7,990)	-
	4,468	-	-	-	(4,468)	-
	<u>\$ 352,518</u>	<u>\$ 239,776</u>	<u>\$ (187,501)</u>	<u>\$ (697)</u>	<u>\$ -</u>	<u>\$ 404,096</u>

\* This amount is restricted due to time or is unallocated flexible funding for future years.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

#### Note 14. Endowment Funds

Management has interpreted the state of California's enacted version of Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, CI classifies as donor restricted endowments: (a) the original value of permanently restricted cash contributions and (b) the discounted value of the future perpetually restricted cash contributions. The remaining portion of the donor-restricted cash contributions are classified as net assets with donor restrictions (time and purpose restricted) until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CI considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- The purpose of CI and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

CI's endowment funds consist of the following at June 30, 2023 and 2022 (in thousands):

	2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual In Nature	
Donor-restricted endowment funds	\$ -	\$ 11,763	\$ 13,324	\$ 25,087
Board-designated endowment funds	23,490	-	-	23,490
	<u>\$ 23,490</u>	<u>\$ 11,763</u>	<u>\$ 13,324</u>	<u>\$ 48,577</u>

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual In Nature	
Donor-restricted endowment funds	\$ -	\$ 10,451	\$ 13,321	\$ 23,772
Board-designated endowment funds	22,904	-	-	22,904
	<u>\$ 22,904</u>	<u>\$ 10,451</u>	<u>\$ 13,321</u>	<u>\$ 46,676</u>

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

#### Note 14. Endowment Funds (Continued)

Endowment fund activity for the years ended June 30, 2023 and 2022, consists of the following (in thousands):

	2023			
	Without Donor	With Donor Restrictions		Total
	Restrictions	Time and Purpose	Perpetual In Nature	
Endowment net assets, beginning of year	\$ 22,904	\$ 10,451	\$ 13,321	\$ 46,676
Investment return:				
Interest and dividends	229	243	-	472
Realized and unrealized gain on investments, net	1,611	2,495	-	4,106
Amounts appropriated for expenditure	(1,254)	(1,426)	-	(2,680)
Contributions	-	-	3	3
Endowment net assets, end of year	<u>\$ 23,490</u>	<u>\$ 11,763</u>	<u>\$ 13,324</u>	<u>\$ 48,577</u>
	2022			
	Without Donor	With Donor Restrictions		Total
	Restrictions	Time and Purpose	Perpetual In Nature	
Endowment net assets, beginning of year	\$ 22,346	\$ 16,249	\$ 13,321	\$ 51,916
Investment return:				
Interest and dividends	124	134	-	258
Realized and unrealized loss on investments, net	(3,840)	(4,774)	-	(8,614)
Amounts appropriated for expenditure	(726)	(1,158)	-	(1,884)
Contributions	5,000	-	-	5,000
Endowment net assets, end of year	<u>\$ 22,904</u>	<u>\$ 10,451</u>	<u>\$ 13,321</u>	<u>\$ 46,676</u>

Endowment funds are invested in the following manner as of June 30, 2023 and 2022 (in thousands):

	2023	2022
Other investments measured at net asset value	\$ 22,551	\$ 20,396
Common stocks	19,638	16,590
Fixed income	3,198	6,550
Commodities	1,604	1,516
Mutual funds	1,586	1,624
	<u>\$ 48,577</u>	<u>\$ 46,676</u>

**Investment and spending policies:** CI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. CI's spending and investment policies work together to achieve this objective through diversification of asset classes. The current long-term return objective is to generate a return that supports a 5% spending rate, while generating sufficient return to maintain the purchasing power of the corpus of the funds.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 14. Endowment Funds (Continued)

To satisfy its long-term rate of return objectives, CI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of appropriations annually distributed from CI's various endowed funds for grant making and administration. The current spending policy is to distribute the lesser of the accumulated earnings or 5% of the total endowment assets' average balance of the preceding calendar year. If economic indicators suggest a downturn in investments, CI may choose to reduce the spending percentage to ensure the corpus is preserved.

Annual returns in excess of spending are re-invested in the endowment assets. In the event that an endowment fund experiences investment losses in a particular year, these losses will be attributed to that fund.

Unspent earnings on the endowment fund, net of expenses incurred, totaled \$11,763,000 and \$10,451,000 at June 30, 2023 and 2022, respectively, and are included in net assets with donor restrictions (time and purpose).

**Funds with deficiencies:** From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires CI to retain as a fund of perpetual duration. As of June 30, 2023 and 2022, there were no funds with deficiencies.

#### Note 15. Retirement Plans

Eligible U.S. paid employees participate in a defined contribution retirement plan. CI matches employee contributions up to 6% of basic salary. Contributions made by CI during the years ended June 30, 2023 and 2022, amounted to \$2,573,000 and \$ 2,258,000, respectively.

CI has established an International Retirement Savings Plan (IRSP) for in-country staff working in CI's field offices. CI adopted the IRSP with an effective participation date of January 1, 2001. In accordance with the IRSP, CI makes annual contributions of 3% of each eligible staff person's annual salary. Contributions for the years ended June 30, 2023 and 2022, were \$343,000 and \$292,000, respectively.

CI's Board of Directors has established a Section 457(b) supplemental employee retirement plan (the Plan). Under the terms of the Plan, eligible employees elect to deposit a percentage of their compensation into the Plan, subject to IRS limits. Employee deposits and accumulations are accounted for as an asset and offsetting liability on CI's consolidated balance sheets until they are distributed to the participants. The amount of deposits and related accumulations were \$229,000 and \$163,000 at June 30, 2023 and 2022, respectively.

#### Note 16. Related-Party Transactions

During the years ended June 30, 2023 and 2022, CI continued to support a related party under a services agreement to provide technical and programmatic services. This organization's mission, which CI shares, places a specific focus on ensuring Indigenous people have the economic power and cultural independence to steward, support, and protect their livelihoods and territories. At June 30, 2023 and 2022, there was a remaining related-party net receivable balance of \$1,125,000.

## Conservation International Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 17. Commitments and Contingencies

**U.S. federal grants:** CI receives grants from various agencies of the U.S. government. Such grants are subject to audit and periodic reviews by grantor agencies. The ultimate determination of amounts received under the U.S. government grants is based upon the allowance of costs reported to and accepted by the U.S. government as a result of the audits. Until such audits have been accepted by the U.S. government, there exists a potential contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

CI's undrawn letter of credit with the U.S. government at June 30, 2023 and 2022, was \$5,973,000 and \$5,485,000, respectively. CI draws funds quarterly, based on the prior quarter's spending.

**Litigation:** CI is involved in various claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on the consolidated financial position, changes in net assets or cash flows.

**Self-insured health plan:** CI has a self-insured health insurance plan for its employees and their qualifying dependents. CI holds stop-loss insurance coverage, which limits CI's liability to an aggregate maximum claim liability per policy year of \$1,000,000. For individual claims, CI's liability is capped at \$175,000 and \$175,000 as of June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, CI had medical claims accruals of \$474,000 and \$475,000, respectively, which are included in accrued salaries, vacation and employee benefits in the accompanying consolidated balance sheets.

#### Note 18. Analysis of Global Program Expenses

CI's cross-cutting Global Programs team develops solutions and tools to help meet the organization's ambitious goals. This includes supporting global and national policies to benefit people and nature; pioneering groundbreaking science to set conservation priorities and measure impact; implementing best practices for natural climate solutions; and promoting largescale sustainable production practices and incentives. The following is a breakdown by division of Global Program related expenses for the years ended June 30, 2023 and 2022 (in thousands):

	2023	2022
Center for Natural Climate Solutions	\$ 13,978	\$ 7,940
Moore Center for Science	9,806	8,864
Center for Sustainable Lands and Waters	6,265	5,208
Global Policy and Government Affairs	4,101	3,658
Center for Communities and Conservation	3,247	2,569
Other	891	961
	<u>\$ 38,288</u>	<u>\$ 29,200</u>