

**CONSERVATION X LABS, INC.**

**FINANCIAL REPORT**

**December 31, 2022**

**CONSERVATION X LABS, INC.**

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## Independent Auditor's Report

Board of Directors of  
Conservation X Labs, Inc.  
Washington, D.C.

### Opinion

We have audited the accompanying financial statements of Conservation X Labs, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservation X Labs, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 X Labs, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter – New Accounting Pronouncements

As discussed in Note 2, Conservation X Labs, Inc. and related entities adopted Financial Accounting Standards Board (FASB) ASC 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 these 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 X Labs, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Conservation X, Labs Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Conservation X Labs, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Other Matters

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2023, on our consideration of Conservation X Labs, Inc.'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 Conservation X Labs, Inc.'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 Conservation X Labs, Inc.'s internal control over financial reporting and compliance.



*North Bethesda, Maryland  
October 2, 2023*

**CONSERVATION X LABS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2022 and 2021**

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,012,541	\$ 2,828,359
Grants receivable	-	45,412
Due from CXL PBC	-	25,000
Inventory	69,342	-
Prepaid expenses	24,071	12,621
Total current assets	4,105,954	2,911,392
<b>Property and Equipment</b>		
Furniture and equipment	69,924	65,800
Less accumulated depreciation	(40,282)	(26,290)
	29,642	39,510
<b>Other Assets</b>		
Deposits	16,987	16,987
Right-of-use assets - operating leases	172,521	-
	189,508	16,987
Total assets	\$ 4,325,104	\$ 2,967,889
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 53,908	\$ 66,408
Current maturities of operating lease liability	112,178	-
Total current liabilities	166,086	66,408
<b>Long-Term Liabilities</b>		
Operating lease liability, less current maturities	53,785	-
<b>Net Assets</b>		
Without donor restrictions	4,105,233	2,901,481
Total liabilities and net assets	\$ 4,325,104	\$ 2,967,889

*The accompanying notes are an integral part of these financial statements.*

**CONSERVATION X LABS, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Revenue and Support</b>		
Contributions		
Foundation contributions	\$ 5,517,200	\$ 3,826,800
Government grants	1,520,248	471,771
Direct public grants	62,667	263,025
Individual contributions	127,168	60,235
In-kind contributions	5,000	9,500
Other income		
Miscellaneous income	6,667	-
Interest income	1,052	574
Paycheck Protection Program loan forgiveness	-	243,934
	<u>7,240,002</u>	<u>4,875,839</u>
<b>Expenses</b>		
<b>Program services</b>		
Nucleic Acid Barcode Identification Tool	1,168,614	1,567,149
Grand Challenges	2,896,131	1,182,847
The Sentinel	602,128	488,845
Community	11,090	227,615
Afghan Defenders	296,457	30,060
Foundry	11,261	125,210
Unpristine Seas	5,012	-
Find Green	684	-
Extinction Solutions Index	92,972	46,265
<b>Total program services</b>	<u>5,084,350</u>	<u>3,667,991</u>
<b>Supporting services</b>		
Management and general	767,384	662,377
Fundraising	182,728	118,346
Partnerships	1,789	-
<b>Total supporting services</b>	<u>951,901</u>	<u>780,723</u>
<b>Total expenses</b>	<u>6,036,250</u>	<u>4,448,714</u>
<b>Change in net assets</b>	1,203,752	427,125
<b>Net assets, beginning of year</b>	<u>2,901,481</u>	<u>2,474,356</u>
<b>Net assets, end of year</b>	<u>\$ 4,105,233</u>	<u>\$ 2,901,481</u>

*The accompanying notes are an integral part of these financial statements.*

**CONSERVATION X LABS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2022**

	Program Services									Supporting Services				Total Supporting Services	Total Expenses
	Nucleic Acid Barcode Identification Tool	Grand Challenges	The Sentinel	Community	Afghan Defenders	Foundry	Extinction Solutions Index	Unpristine Seas	Find Green	Total Program Services	Management and General	Fundraising	Partnerships		
Personnel	\$ 897,931	\$ 940,005	\$ 347,927	\$ -	\$ 2,279	\$ 11,261	\$ 79,919	\$ -	\$ -	\$ 2,279,321	\$ 386,163	\$ 153,347	\$ -	\$ 539,510	\$ 2,818,831
Prize money/Grant	-	650,000	-	-	196,760	-	-	5,012	-	851,772	-	-	-	-	851,772
Grants and sponsorship expense	-	634,330	-	-	-	-	-	-	-	634,330	-	-	-	-	634,330
Professional services	36,599	55,664	144,302	-	3,366	-	-	-	-	239,932	135,347	-	-	135,347	375,279
Travel	11,566	192,345	32,992	-	63,509	-	9,969	-	-	310,381	40,694	5,853	1,689	48,236	358,617
Conferences, conventions, and meetings	603	225,804	-	-	1,152	-	-	-	-	227,559	11,226	1,750	-	12,976	240,535
Program development	-	136,869	-	11,000	-	-	-	-	-	147,869	41,685	4,160	-	45,845	193,714
Rent	77,633	-	-	-	25,992	-	-	-	-	103,624	87,698	-	-	87,698	191,322
Lab costs	117,997	-	66,635	-	-	-	-	-	-	184,632	3,000	-	-	3,000	187,632
Office expense	6,000	17,729	1,169	90	2,387	-	168	-	684	28,228	33,703	4,297	100	38,100	66,328
Administrative	240	36,140	-	-	-	-	-	-	-	36,380	7,075	1,500	-	8,575	44,955
Student stipend	12,000	-	6,000	-	-	-	-	-	-	18,000	7,386	11,600	-	18,986	36,986
Depreciation	7,940	1,131	2,514	-	-	-	-	-	-	11,585	2,407	-	-	2,407	13,992
Business meals	105	6,114	157	-	-	-	2,916	-	-	9,292	847	221	-	1,068	10,360
Utilities	-	-	135	-	-	-	-	-	-	135	10,152	-	-	10,152	10,287
Donated goods and services	-	-	297	-	1,012	-	-	-	-	1,310	-	-	-	-	1,310
<b>Total expenses</b>	<b>\$ 1,168,614</b>	<b>\$ 2,896,131</b>	<b>\$ 602,128</b>	<b>\$ 11,090</b>	<b>\$ 296,457</b>	<b>\$ 11,261</b>	<b>\$ 92,972</b>	<b>\$ 5,012</b>	<b>\$ 684</b>	<b>\$ 5,084,350</b>	<b>\$ 767,384</b>	<b>\$ 182,728</b>	<b>\$ 1,789</b>	<b>\$ 951,901</b>	<b>\$ 6,036,250</b>

*The accompanying notes are an integral part of these financial statements.*



**CONSERVATION X LABS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2021**

	Program Services							Supporting Services			Total Supporting Services	Total Expenses
	Nucleic Acid Barcode Identification Tool	Grand Challenges	The Sentinel	Community	Afghan Defenders	Foundry	Extinction Solutions Index	Total Program Services	Management and General	Fundraising		
Personnel	\$ 794,419	\$ 699,609	\$ 352,118	\$ 69,042	\$ -	\$ 125,210	\$ 42,231	\$ 2,082,629	\$ 322,335	\$ 116,593	\$ 438,928	\$ 2,521,557
Lab costs	499,332	-	85,860	-	-	-	-	585,192	-	-	-	585,192
Program development	1,200	263,929	-	32,625	30,060	-	-	327,814	64,004	-	64,004	391,818
Professional services	206,419	6,030	30,800	29,239	-	-	-	272,488	77,002	-	77,002	349,490
Rent	51,726	-	-	-	-	-	-	51,726	115,601	-	115,601	167,327
Grants	-	96,125	-	17,235	-	-	-	113,360	-	-	-	113,360
Fellowship expenses	-	-	14,072	77,502	-	-	-	91,574	-	-	-	91,574
Donated goods and services	-	83,200	-	-	-	-	-	83,200	100	-	100	83,300
Office supplies	6,458	14,207	-	867	-	-	-	21,532	43,917	-	43,917	65,449
Travel	347	16,748	3,307	-	-	-	4,034	24,436	14,704	1,753	16,457	40,893
Administrative	-	2,293	295	1,105	-	-	-	3,693	8,608	-	8,608	12,301
Depreciation	7,248	706	2,393	-	-	-	-	10,347	1,630	-	1,630	11,977
Utilities	-	-	-	-	-	-	-	-	9,315	-	9,315	9,315
Conferences, conventions, and meetings	-	-	-	-	-	-	-	-	5,161	-	5,161	5,161
Total expenses	<u>\$ 1,567,149</u>	<u>\$ 1,182,847</u>	<u>\$ 488,845</u>	<u>\$ 227,615</u>	<u>\$ 30,060</u>	<u>\$ 125,210</u>	<u>\$ 46,265</u>	<u>\$ 3,667,991</u>	<u>\$ 662,377</u>	<u>\$ 118,346</u>	<u>\$ 780,723</u>	<u>\$ 4,448,714</u>

*The accompanying notes are an integral part of these financial statements.*

**CONSERVATION X LABS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2022 and 2021**

	2022	2021
<b>Cash flow from operating activities:</b>		
Change in net assets	\$ 1,203,752	\$ 427,125
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	13,992	11,977
Operating lease right-of-use asset amortization	111,214	-
Payments to settle operating lease liability	(117,772)	-
Paycheck Protection Program loan forgiveness income	-	(243,934)
(Increase) decrease in assets:		
Grants receivable	45,412	(45,412)
Due from CXL PBC	25,000	-
Prepaid expenses	(11,450)	(9,813)
Inventory	(69,342)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(12,500)	(620,098)
Net cash provided by (used in) operating activities	1,188,306	(480,155)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(4,124)	(15,545)
In kind grant donations	-	83,200
Net cash provided by (used in) investing activities	(4,124)	67,655
<b>Net increase (decrease) in cash and cash equivalents</b>	1,184,182	(412,500)
<b>Cash and cash equivalents - beginning of the year</b>	2,828,359	3,240,859
<b>Cash and cash equivalents - end of the year</b>	\$ 4,012,541	\$ 2,828,359

*The accompanying notes are an integral part of these financial statements.*

**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**Note 1. Organization and Nature of Activities**

Conservation X Labs, Inc. (the Organization) is a non-profit charitable organization founded in 2015 to prevent the sixth mass extinction by applying technology, entrepreneurship, and open innovation to source, develop, and scale critical solutions to the underlying drivers of extinction. The Organization funds its programs primarily through grants and contracts from foundations, individuals, and government agencies.

**Note 2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Basis of Presentation***

The Organization 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 represent the expendable net assets that are available to support the Organization. Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time and those that are subject to donor-imposed stipulations that the Organization maintain them permanently.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Organization considers all cash in checking, savings, and money market accounts to be cash and cash equivalents.

***Grants Receivable***

Grants receivable are presented at gross amounts due to the Organization. Grants receivable are receivable in less than one year. Management believes that all receivables are collectible and no provision for doubtful accounts was necessary at December 31, 2021.

***Property and Equipment***

Property and equipment are stated at cost. It is the Organization's policy to capitalize purchases of furniture and equipment and computer software that cost \$ 500 or more. Furniture and equipment are depreciated over their estimated useful lives of 3 to 15 years using the straight-line method.

**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**Note 2. Summary of Significant Accounting Policies (continued)**

***Revenue Recognition***

Revenue is generated from the following:

Contributions - The Organization received unconditional contributions from foundations and individuals. These contributions have no conditions or performance obligations, and therefore, revenue is recognized upon notice of the donation, usually upon receipt. There were no outstanding receivables associated with these contributions at year end for 2022 and 2021.

Conditional Contributions - The Organization received conditional contributions from foundations, individuals, and government agencies. These contributions were conditional since certain milestones and reports were required by the contributors. Revenue is recognized as work progresses and these milestones are met. During the years ended December 31, 2022 and 2021, the Organization was awarded \$ 8,740,000 and \$ 2,047,000, respectively. These grants are conditional since the agreements include a right of return for funds not reasonably incurred pursuant to the agreement and a barrier to incur only qualifying expenses that are based on specific requirements. Revenue is recognized as work progressed and conditions are met. During the year December 31, 2022 and 2021, work progressed, conditions were met, and \$ 7,133,605 and \$ 4,546,069 was recognized as revenue, respectively. As of December 31, 2022, there were no funds received from the donor in advance of the conditions being met. As of December 31, 2022, \$ 3,830,347 remains available and will be recognized as revenue in a future period once conditions are met.

Other and Interest Income - These are small in nature and recognized when earned.

All streams of revenue are driven by the Organization's mission to prevent the sixth mass extinction. Although a newer organization, Conservation X Labs, Inc. has shown a history of fulfilling this mission, attracting new donors, and is unaware of anything that may negatively impact its future funding.

**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**Note 2. Summary of Significant Accounting Policies (continued)**

***Recent Accounting Pronouncements Adopted***

In February 2016, FASB issued FASB ASC 842, Leases, which revised existing practice related to accounting for leases under FASB ASC 840, Leases for both lessees and lessors. The new guidance in FASB ASC 842 requires lessees to recognize a right-of-use (ROU) asset and a lease liability for qualified leases. FASB ASC 842 requires leases to be classified as either operating leases or finance leases. For lessees, operating leases will result in a straight-line operating lease expense while finance leases will result in finance lease expense that includes the amortization of the right of use asset and interest on the lease liability. The lease liability will be equal to the present value of lease payments and the ROU asset will be based on the lease liability, subject to adjustment such as for initial direct costs. Additionally, the Organization elected the package of practical expedients permitted under the transition guidance. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. Effective January 1, 2022, the Organization adopted FASB ASC 842 using the modified retrospective transition method. No adjustment was made to beginning balances.

In September 2020, the FASB issued FASB ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The amendments have been applied retrospectively to all periods presented, with no effects on net assets. Conservation X Labs has updated disclosures as necessary, see Note 6.

***Functional Allocation of Expenses***

The costs of providing various program and administrative services have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Expenses that are related to a specific program are charged to the appropriate program. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses are allocated on the basis of time and effort.

**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 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 certain reported amounts and disclosure. Actual results could differ from those estimates.

*Subsequent Events*

In preparing its financial statements, the Organization has evaluated subsequent events through October 2, 2023, which is the date the financial statements were available to be issued.

**Note 3. Concentrations**

*Concentration of Credit Risk*

The Organization maintains its cash accounts at institutions with balances that may exceed \$ 250,000, which is the amount insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash balances.

*Concentration of Revenue*

Two contributors accounted for approximately 35% of total revenue for the year ended December 31, 2022. Four contributors accounted for approximately 63% of total revenue for the year ended December 31, 2021. If these contributors were to stop funding, the Organization's activities could be materially impacted.

**Note 4. Retirement Plans**

The Organization maintains a profit sharing plan covering all employees who have reached their eighteenth birthday. For the year ended December 31, 2021, the Organization matched employee contributions up to 2% of each employee's eligible compensation. For the year ended December 31, 2022, the Organization matched 200% of employee's contributions up to 2% of each employee's eligible compensation. The plan also allows for voluntary employee contributions, under Internal Revenue Code section 401(k). Employees may elect to defer a percentage of their compensation up to the Internal Revenue Service deferral limits. There is no employer matching contribution for these deferrals. Total retirement expense for the years ended December 31, 2022 and 2021, was \$ 86,693 and \$ 38,207, respectively.

**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**Note 5. Leases**

Other than short-term leases, the Company leases an office space which expires on September 30, 2024. The Company has elected to apply the short-term lease exception to all leases with a term of one year or less. The short-term lease costs do not reflect ongoing short-term lease commitments. The Organization has a month-to-month lease for an office space located in Seattle, Washington, commencing on April 1, 2018.

As the leases do not provide an implicit rate, in determining the present value of lease payments the daily treasury par yield curve rates, stated by the U.S. Department of Treasury, were used as the incremental borrowing rate based on the information available at the commencement date of the lease.

Additional information about the Company's leases is as follows:

Lease Costs (included in operating expenses)

Operating lease cost	\$ 117,160
Short-term lease cost	74,284
Total lease costs	<u>\$ 191,444</u>

Other Information

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows from operating leases	\$ 123,718
ROU assets obtained in exchange for new operating lease liabilities	\$ 283,735
Weighted average remaining lease term (years)	1.50
Weighted average discount rate	2.66%

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

Year Ending December 31:	
2023	\$ 115,100
2024	<u>54,084</u>
Total lease payments	169,184
Less: present value discount	<u>3,220</u>
Present value of lease liabilities	<u>\$ 165,963</u>

**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**Note 6. Donated Goods and Services**

The Organization received donated goods. The approximate value of donated goods included in the financial statements for the years ending December 31 are as follows:

	2022	2021
Donated goods	\$ 5,000	\$ 9,500

The donated goods were used to provide various goods and services in relation to Conservation X Labs. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions and were utilized in the year reported. All contributed goods are valued and are reported at the fair value.

**Note 7. Liquidity and Availability**

The following reflects the Organization's financial assets available to meet general expenditures over the next year as of December 31, 2022 and 2021.

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 4,012,541	\$ 2,828,359
Grant receivable	-	45,412
Due from CXL PBC	-	25,000
Financial assets available to meet general expenditures over the next twelve months	\$ 4,012,541	\$ 2,898,771

The Organization manages its liquid position by maintaining adequate net assets without donor restrictions. In addition, contributions are received throughout the year to cover that year's expenses. The Organization maintains its liquid assets in checking, savings, and money market accounts.



**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

**Note 8. Paycheck Protection Program**

The Organization received a loan from a bank in the amount of \$ 243,934. This loan was received under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a promissory note dated April 21, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty. The loan is subject to an examination by the Small Business Administration (SBA) or its authorized representatives for ten years after the date the note is forgiven or repaid in full. The Organization met all applicable SBA requirements for forgiveness, including having used loan proceeds for eligible expenses. Accordingly, the Organization submitted its application for PPP loan forgiveness and was awarded forgiveness on September 8, 2021. Loan forgiveness is reflected as other income on the statement of activities for the year ended December 31, 2021.

**Note 9. Commitments and Contingencies**

The Organization receives a significant portion of its support under federal grants which are subject to audit under the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These grants and contracts may be audited by the federal government, and the ultimate determination of the allowable costs is determined by such audits.

**Note 10. Income Taxes**

The Organization is exempt from the payment of income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code. Under these provisions, no tax is imposed on any income related to the Organization's tax-exempt purpose. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2022 and 2021. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization's federal return of organizations exempt from income tax is subject to examination by the Internal Revenue Service, generally for a period of three years after the return is filed.

**CONSERVATION X LABS, INC.**

**COMPLIANCE SECTION**

**December 31, 2022**

**Independent Auditor's Report**  
**on Internal Control Over Financial Reporting and on Compliance and**  
**Other Matters Based on an Audit of Financial Statements Performed in Accordance with**  
*Government Auditing Standards*

Board of Directors of  
Conservation X Labs, Inc.  
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Conservation X Labs, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Conservation X Labs, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Conservation X Labs, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Conservation X Labs, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dembo Jones, P.C." with a period at the end.

*North Bethesda, Maryland*  
*October 2, 2023*

**Independent Auditor's Report  
on Compliance for Each Major Program and on Internal Control  
Over Compliance Required by the Uniform Guidance**

Board of Directors of  
Conservation X Labs, Inc.  
Washington, D.C.

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Conservation X Labs, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Conservation X Labs, Inc.'s major federal programs for the year ended December 31, 2022. Conservation X Labs, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Conservation X Labs, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Conservation X Labs, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Conservation X Labs, Inc.'s compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Conservation X Labs, Inc.'s federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Conservation X Labs, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Conservation X Labs, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Conservation X Labs, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Conservation X Labs, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Conservation X Labs, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



North Bethesda, Maryland  
October 2, 2023

**CONSERVATION X LABS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2022**

<b>Federal Grantor/Program Title</b>	<b>Federal ALN</b>	<b>Grant No.</b>	<b>Passed Through to Subrecipients</b>	<b>Federal Expenditures</b>
				<u>2022</u>
<b>USAID</b>				
<b>Cooperative Development Program (CDP)</b>				
Accelerating Innovation for Artisanal And Small Scale Mining Operations	98.002	APS-OAA-16-000001	\$ 521,163	\$ 1,457,353

*See accompanying notes to schedule of expenditures of federal awards.*



**CONSERVATION X LABS, INC.**  
**NOTES TO SCHEDULE OF**  
**EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2022**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Conservation X Labs, Inc. under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Conservation X Labs, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Conservation X Labs, Inc.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3. Indirect Cost Rate**

Conservation X Labs, Inc. has elected to use the ten percent de-minimis indirect cost rate allowed under Uniform Guidance.

**Note 4. Contingency**

The grant revenue amounts received and expenses (eligible for reimbursement) are subject to audit adjustment. If any expenses are disallowed by the grantor as a result of such audit, a claim for reimbursement to the grantor would become a liability of Conservation X Labs, Inc. In the opinion of management, all grant expenses (eligible for reimbursement) are in compliance with the terms of the grant agreement and applicable federal and state laws and regulations.

**CONSERVATION X LABS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2022**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Agency	Title	Assistance Listing Number
US Agency for International Development	Cooperative Development Program	98.002

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? No

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None.

**CONSERVATION X LABS, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended December 31, 2022**

There were no findings pertaining to federal awards reported for the year ended December 31, 2021.