

**CONSERVATION X LABS, INC.**

**FINANCIAL REPORT**

**December 31, 2020**

**CONSERVATION X LABS, INC.**

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Conservation X Labs, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservation X Labs, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



*North Bethesda, Maryland  
January 26, 2022*

**CONSERVATION X LABS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2020**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 3,240,859
Due from CXL PBC	25,000
Prepaid expenses	<u>2,808</u>

Total current assets 3,268,667

**Property and Equipment**

Furniture and equipment	133,455
Less accumulated depreciation	<u>(14,313)</u>
	<u>119,142</u>

**Deposit**

16,987

Total assets \$ 3,404,796

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 686,506
Paycheck Protection Program loan	<u>243,934</u>

Total current liabilities 930,440

**Net Assets**

Without donor restrictions 2,474,356

Total liabilities and net assets \$ 3,404,796

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

**CONSERVATION X LABS, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenue</b>			
Foundation contributions	\$ 2,653,050	\$ -	\$ 2,653,050
Individual contributions	2,211,076	-	2,211,076
Government grants	474,281	-	474,281
Other income	4,668	-	4,668
Interest income	2,700	-	2,700
Loss on disposal	(25,000)	-	(25,000)
Net assets released from restrictions	<u>205,577</u>	<u>(205,577)</u>	<u>-</u>
Total revenue	<u>5,526,352</u>	<u>(205,577)</u>	<u>5,320,775</u>
<b>Expenses</b>			
<b>Program services</b>			
Nucleic Acid Barcode Identification Tool	2,266,238	-	2,266,238
Grand challenges	1,635,433	-	1,635,433
The Garage	564,264	-	564,264
Digital maker space	<u>373,018</u>	<u>-</u>	<u>373,018</u>
<b>Total program services</b>	<u>4,838,953</u>	<u>-</u>	<u>4,838,953</u>
<b>Supporting services</b>			
Management and general	507,925		507,925
Fundraising	<u>49,541</u>	<u>-</u>	<u>49,541</u>
<b>Total supporting services</b>	<u>557,466</u>	<u>-</u>	<u>557,466</u>
<b>Total expenses</b>	<u>5,396,419</u>	<u>-</u>	<u>5,396,419</u>
<b>Change in net assets</b>	129,933	(205,577)	(75,644)
<b>Net assets, beginning of year</b>	<u>2,344,423</u>	<u>205,577</u>	<u>2,550,000</u>
<b>Net assets, end of year</b>	<u>\$ 2,474,356</u>	<u>\$ -</u>	<u>\$ 2,474,356</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, 2020**

	<u>Program Services</u>							
	Nucleic Acid Barcode Identification Tool	Grand Challenges	The Garage	Digital Maker Space	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 640,780	\$ 407,407	\$ 424,968	\$ 196,994	\$ 1,670,149	\$ 317,147	\$ 45,986	\$ 2,033,282
Lab costs	1,475,469	-	18,431	-	1,493,900	-	-	1,493,900
Grants	-	1,030,057	11,313	100,289	1,141,659	-	-	1,141,659
Program development	650	186,566	14,775	64,105	266,096	7,008	-	273,104
Rent	35,168	-	-	-	35,168	97,715	-	132,883
Professional services	101,338	-	-	5,489	106,827	24,181	-	131,008
Student stipends	-	-	85,939	-	85,939	-	-	85,939
Office supplies	1,008	3,634	943	3,999	9,584	28,829	65	38,478
Travel	646	3,576	5,502	2,142	11,866	11,100	3,490	26,456
Conferences, conventions, and meetings	-	4,193	-	-	4,193	20,782	-	24,975
Depreciation	6,303	-	2,393	-	8,696	1,163	-	9,859
Maintenance and repairs	4,876	-	-	-	4,876	-	-	4,876
Total expenses	<u>\$ 2,266,238</u>	<u>\$ 1,635,433</u>	<u>\$ 564,264</u>	<u>\$ 373,018</u>	<u>\$ 4,838,953</u>	<u>\$ 507,925</u>	<u>\$ 49,541</u>	<u>\$ 5,396,419</u>

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

**CONSERVATION X LABS, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2020**

<b>Cash flow from operating activities:</b>	
Change in net assets	\$ (75,644)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	9,859
Increase (decrease) in assets:	
Due from CXL PBC	(25,000)
Prepaid expenses	(2,808)
Increase in liabilities:	
Accounts payable and accrued expenses	650,587
Net cash provided by operating activities	<u>556,994</u>
 <b>Cash flows from investing activities:</b>	
Purchase of property and equipment	<u>(3,580)</u>
 <b>Cash flow from financing activities:</b>	
Proceeds from Paycheck Protection Program loan	<u>243,934</u>
<b>Net increase in cash and cash equivalents</b>	797,348
<b>Cash and cash equivalents - beginning of the year</b>	<u>2,443,511</u>
<b>Cash and cash equivalents - end of the year</b>	<u><u>\$ 3,240,859</u></u>

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

**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**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.

*Due to CXL PBC*

The Organization made a tax payment on behalf of its for-profit counterpart, CXL PBC in the amount of \$ 25,000. This was due to the timing of available funds for each organization. CXL PBC is waiting for its tax refund before paying back the amount due to the Organization. Management believes this amount to be fully collectible and does therefore does not need an allowance or a discount.



**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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

***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.

***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.

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. The conditional contributions are summarized below.

On November 20, 2020, the Gordon and Betty Moore Foundation awarded the Organization a conditional contribution of \$ 2,414,600 to support the accelerating of technology solutions in conservation. During the year ended December 31, 2020, work progressed, conditions were met, and \$ 1,224,800 was recognized as revenue. As of December 31, 2020, \$ 1,189,800 remains available and will be recognized as revenue in a future period once conditions are met.

On November 2, 2018, the Gordon and Betty Moore Foundation awarded the Organization a conditional contribution of \$ 225,000 to support the handheld DNA barcode sequencer enhanced through technology advances and iterative user testing. During the year ended December 31, 2020, work progressed, conditions were met, and the entire \$ 225,000 was recognized as revenue.

On November 29, 2020, the Schmidt Family Foundation awarded the Organization a conditional contribution of \$ 150,000 to support the extending conservation applications of the DNA Barcode Scanner. During the year ended December 31, 2020, work progressed, conditions were met, and the entire \$ 150,000 was recognized as revenue.

**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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

***Revenue Recognition (continued)***

Conditional Contributions (continued)

On August 15, 2019, the United States Department of Agriculture awarded the Organization a conditional contribution of \$ 480,000 to support the design and test an open innovation approach to catalyze breakthrough solutions to disruptive pest species threatening American Agriculture. During the year ended December 31, 2020, work progressed, conditions were met, and \$ 385,000 was recognized as revenue. As of December 31, 2020, \$ 95,000 remains available and will be recognized as revenue in a future period once conditions are met.

On April 19, 2018, the Moxie Foundation awarded the Organization a conditional contribution of \$ 60,000 to inspire and train the next generation of innovators, entrepreneurs, and conservationists through a university curriculum. During the year ended December 31, 2020, work progressed, conditions were met, and \$ 45,000 was recognized as revenue. As of December 31, 2020, \$ 15,000 remains available and will be recognized as revenue in a future period once conditions are met.

On July 16, 2020, the U.S. Agency for International Development (USAID) awarded the Organization a conditional contribution of \$ 1,313,821 to support accelerating innovation for Artisanal and Small-Scale Gold Mining Operations. During the year ended December 31, 2020, work progressed, conditions were met, and \$ 89,281 was recognized as revenue. As of December 31, 2020, \$ 1,224,540 remains available and will be recognized as revenue in a future period once conditions are met. In addition, the Organization is eligible for an additional conditional contribution of \$ 938,444 given the conditions are met for the first installment.

On June 6, 2020, the National Philanthropic Trust awarded the Organization a conditional contribution of \$ 500,000 to support the Marine Sentinel Project to CXL. As of December 31, 2020. During the year ended December 31, 2020, work progressed, conditions were met, and \$ 200,000 was recognized as revenue. As of December 31, 2020, \$ 300,000 remains available and will be recognized as revenue in a future period once conditions are met.

On June 6, 2020, the Stitching the Flotilla Charitable Foundation awarded the Organization a conditional contribution of \$ 1,517,750 to support halting the impact of Micro plastics on human and planetary health. During the year ended December 31, 2020, work progressed, conditions were met, and \$ 730,250 was recognized as revenue. As of December 31, 2020, \$ 787,500 remains available and will be recognized as revenue in a future period once conditions are met.

**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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

***Revenue Recognition (continued)***

Conditional Contributions (continued)

On August 6, 2020, the Center for Complex Interventions Inc. awarded the Organization a conditional contribution of \$ 636,500 to support work on handheld point-of-care COVID-19 Detectors. During the year ended December 31, 2020, work progressed, conditions were met, and the entire \$ 636,500 was recognized as revenue.

On October 16, 2020, the Center for Complex interventions Inc. awarded the Organization a conditional contribution of \$ 1,349,646 to support work on handheld point-of-care COVID-19 Detectors. During the year ended December 31, 2020, work progressed, conditions were met, and the entire \$ 1,349,646 was recognized as revenue.

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

Loss on Disposal - Loss is recognized upon disposal of the asset.

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.

***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, 2020**

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

*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, 2020. 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.

*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 January 26, 2022, 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*

Four contributors accounted for approximately 74% of total revenue for the year ended December 31, 2020. If these contributors were to stop funding, the Organization's activities could be materially impacted.

**CONSERVATION X LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 4. Retirement Plans**

The Organization maintains a profit sharing plan covering all employees who have reached their eighteenth birthday. The Organization promised 2% of each employee's eligible compensation to the plan for the year ended December 31, 2020 which was paid out in 2021. 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 year ended December 31, 2020 was \$ 1,273.

**Note 5. Leases**

The Organization has a lease for office space located in Washington DC commencing on June 1, 2019 and expiring on June 30, 2022. The Organization has a month-to-month lease for an office space located in Seattle, Washington, commencing on April 1, 2018.

Future minimum lease payments under these leases are as follows:

Year Ending December 31:	
2021	\$ 106,349
2022	<u>45,035</u>
Total minimum lease payments	<u>\$ 151,384</u>

The total rental expense for office space for the year ended December 31, 2020, was \$ 132,883.

**Note 6. Liquidity and Availability**

The following reflects the Organization's financial assets available to meet general expenditures over the next year as of December 31, 2020.

Financial assets:	
Cash	\$ 3,240,859
Due from CXL PBC	<u>25,000</u>
Total financial assets	<u>3,265,859</u>
Less:	
Net assets with donor restrictions	<u>357,132</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,908,727</u>

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, 2020**

**Note 7. 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 six 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 will be reflected as other income on the statement of activities for the year ended December 31, 2021.