GALAPAGOS CONSERVANCY, INC.

FINANCIAL STATEMENTS

As of and for the Year Ended March 31, 2015

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

GALAPAGOS CONSERVANCY, INC.

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors of
Galapagos Conservancy, Inc.
Fairfax, Virginia

We have audited the accompanying financial statements of Galapagos Conservancy, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2015, 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.

Auditor's 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 auditor's 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 auditor considers 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Galapagos Conservancy, Inc. as of March 31, 2015, 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.

Emphasis of Matter

As discussed in Note 3, the April 1, 2014 net assets have been restated to correct an overstatement of grants payable in the March 31, 2014 financial statements. We audited the adjustment necessary to restate the April 1, 2014 net assets and, in our opinion, such adjustment is appropriate and has been properly applied. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Tysons Corner, Virginia
July 9, 2015

GALAPAGOS CONSERVANCY, INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

ASSETS		
Current Assets:		
Cash and cash equivalents	$	687,281
Accounts receivable		55,672
Prepaid expenses		140,645
Inventory		6,055
Total Current Assets		889,653
Property and equipment:		
Furniture		25,980
Equipment and software		47,250
		73,230
Less accumulated depreciations		(44,053)
		29,177
Investments		5,191,963
Deposits		4,207
Total Assets	$	6,115,000
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$	37,573
Due to others		40,000
Deferred revenue		106,450
Total Current Liabilities		184,023
Net Assets		
Unrestricted net assets:		
Unrestricted		1,844,206
Board designated for future grants payable		900,000
		2,744,206
Temporarily restricted		712,308
Permanently restricted		2,474,463
		5,930,977
Total Liabilities and Net Assets	$	6,115,000

GALAPAGOS CONSERVANCY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Contributions	$ 2,160,584	$ 333,766	$ 2,650	$ 2,497,000
Investment income	111,050	108,112	-	219,162
Sales	25,996	-	-	25,996
Net assets released from restrictions	568,112	(568,112)	-	-
Total revenue and support	2,865,742	(126,234)	2,650	2,742,158
Expenses:				
Program services:				
Strategic partnerships	724,298	-	-	724,298
Allocated program costs	751,410	-	-	751,410
Ecosystem restoration	299,270	-	-	299,270
Sustainable society	229,430	-	-	229,430
Cost of goods sold	16,950	-	-	16,950
	2,021,358	-	-	2,021,358
Support services:				
Management and general	207,479	-	-	207,479
Fundraising	484,660	-	-	484,660
Total expenses	2,713,497	-	-	2,713,497
Change in net assets	152,245	(126,234)	2,650	28,661
Net assets:				
Beginning	2,350,524	838,542	2,471,813	5,660,879
Restatement of net assets	241,437	-	-	241,437
Beginning, as restated	2,591,961	838,542	2,471,813	5,902,316
Ending	$ 2,744,206	$ 712,308	$ 2,474,463	$ 5,930,977

GALAPAGOS CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2015

	Program Services			Support Services		
	Environmental Programs	**Outreach Programs**	**Total Program Services**	**Management and General**	**Fundraising**	**Total**
Grants	$ 1,242,652	$ 10,346	$ 1,252,998	$ -	$ -	$ 1,252,998
Salaries, benefits and taxes	268,040	-	268,040	126,484	100,677	495,201
Consultants	112,733	12,000	124,733	-	84,000	208,733
Printing	20,794	57,091	77,885	-	100,013	177,898
Postage and shipping	8,475	42,887	51,362	358	62,584	114,304
Mail house	-	20,071	20,071	-	42,521	62,592
Professional fees	32,123		32,123	24,101	12,065	68,289
Rent	28,515	-	28,515	13,456	10,710	52,681
Investment and management fees	17,215	-	17,215	8,123	6,466	31,804
Travel	18,857	23,041	41,898	1,338	-	43,236
Telemarketing	-	-	-	-	23,576	23,576
Cost of goods sold	16,950	-	16,950	-	-	16,950
Premiums	-	-	-	-	5,636	5,636
Bank and caging fees	17,075	-	17,075	8,057	6,413	31,545
Depreciation	8,623	-	8,623	4,069	3,239	15,931
Permits	5,182	-	5,182	2,445	1,946	9,573
Dues and subscriptions	3,611	-	3,611	1,704	1,356	6,671
Computer and website	25,013	8,677	33,690	11,803	9,395	54,888
Office supplies	4,350	-	4,350	2,053	1,634	8,037
Miscellaneous	1,711	9,648	11,359	809	10,297	22,465
Telephone	3,332	-	3,332	1,572	1,251	6,155
Payroll fees	811	-	811	382	304	1,497
Insurance	1,265	-	1,265	597	475	2,337
Training	270	-	270	128	102	500
	$ 1,837,597	$ 183,761	$ 2,021,358	$ 207,479	$ 484,660	$ 2,713,497

GALAPAGOS CONSERVANCY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

Cash flows from operating activities:	
Change in net assets	$ 28,661
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	15,931
Realized and unrealized gains on investments	(132,630)
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(55,672)
Prepaid expenses	(16,852)
Inventory	7,016
Increase (decrease) in:	
Accounts payable and accrued expenses	(27,926)
Deferred revenue	(2,875)
Due to others	40,000
Net cash used in operating activities	(144,347)
Cash flows from investing activities:	
Proceeds from sale of investments	350,050
Purchases of investments	(60,491)
Net cash provided by investing activities	289,559
Cash flows from financing activities:	
Borrowings from line of credit	300,000
Repayments on line of credit	(300,000)
Net cash used in financing activities	-
Net increase in cash and cash equivalents	145,212
Cash and cash equivalents	
Beginning	542,069
Ending	$ 687,281
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 2,355

Note 1—Organization and nature of operations

Galapagos Conservancy, Inc. (the "Conservancy") is a not-for-profit organization originally incorporated as Darwin Scientific Foundation, Inc. under the laws of Delaware, in 1985. Shortly thereafter, the name was changed to the Charles Darwin Foundation. In 2005, the name was changed to Galapagos Conservancy, Inc. The objectives of the Conservancy are to promote science, conservation and environmental education in the Galapagos Islands and other island ecosystems.

Note 2—Significant accounting policies

Basis of Accounting – The financial statements are prepared on the accrual basis of accounting, in accordance with U.S generally accepted accounting principles, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation - The Conservancy follows the Not-for-Profit Topic of the FASB Accounting Standards Codification ("the Codification"). Under this topic, the Conservancy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> *Unrestricted Net Assets* – Unrestricted net assets are not subject to donor imposed stipulations. These net assets are available for the overall operations of the Board and certain amounts have been designated for use by the Board of Directors.
>
> *Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Conservancy and/or the passage of time.
>
> *Permanently Restricted Net Assets* – The Board reports contributions which require that the amounts be maintained in perpetuity as permanently restricted.

Cash and Cash Equivalents - For the purpose of reporting cash flows, the Conservancy considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Conservancy places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. The Conservancy from time to time may have amounts on deposit in excess of insured limits. As of March 31, 2015, the Conservancy had $185,486, which exceeded these amounts.

Inventory - Inventory is available for sale to members and the general public and is recorded at the lower of cost using first-in, first-out basis, or market.

Investments - Investments with readily determinable values are recorded at fair value. Unrealized gains and losses are reported in the statement of activities as part of investment income.

The Conservancy invests in shares of equity mutual funds. Such investments are exposed to various risks, such as 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 at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Fair Market Valuation – The Conservancy adopted the provisions of the Fair Value Measurements and Disclosure Topic (Fair Value Topic) of the FASB ASC as its valuation methodology.

Note 2—Significant accounting policies (continued)

The Fair Value Topic provides the framework for measuring fair value of assets and liabilities. The Fair Value Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. It also establishes a hierarchy to help maximize the use of observable inputs when measuring fair values. These measurements are then classified by how observable or unobservable the inputs used to reach fair market value are. The three levels of the fair value hierarchy are:

> Level 1 – Inputs to the valuation methodology are quoted prices available in actively traded markets for identical investments as of the reporting date.
>
> Level 2 – Inputs to the valuation methodology are quoted prices outside of the active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.
>
> Level 3 – Inputs to valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the Conservancy's valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

> *Mutual funds* – These investments are valued at the closing price reported on the New York Stock Exchange Composite Listing or other active market on which these securities are traded. These securities are classified within Level 1 of the valuation hierarchy.
>
> *Corporate bonds, government obligations and mortgage backed securities* - These are classified as Level 2 instruments because there are quoted market prices for similar, but not identical, assets in active markets. These are valued using a market approach using interest rate and maturity period.

Property and Equipment - Property and equipment purchases are recorded at cost and, if donated at fair value, depreciation is computed on the straight-line basis over their estimated useful lives ranging from 3 to 7 years. All property and equipment purchases with an estimated useful life over one year and cost greater than $500 are capitalized. Depreciation expense for the year then ended was $15,931.

Deferred Revenue - Deferred revenue consists of deferred cruise payments that will be recognized when the cruise occurs.

Restricted and Unrestricted Revenue - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions.

All donor-restricted revenue, including endowment investment income, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 2—Significant accounting policies (continued)

Unconditional promises to give are measured at fair value and reported as increases in net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs which could be directly identified with a specific program were charged to that program, but items for general use or not directly identifiable were allocated to each program based on direct labor hours.

Income Taxes - The Conservancy is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and accordingly, no provision for income taxes has been recorded in the financial statements.

Management has evaluated the effect of the guidance provided by accounting standards generally accepted in the United States of America on Accounting for Uncertainty in Income Taxes. Management believes that the Conservancy continues to satisfy the requirements of a tax-exempt organization at March 31, 2015. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Conservancy had no uncertain tax positions at March 31, 2015.

Use of Estimates - The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3—Restatement of net assets, beginning of year

Net assets as of April 1, 2014 have been restated to properly reflect the correction of an error in grants payable. The effect on the change in net assets for March 31, 2014 could not practicably be determined. The effects of this adjustment on the previously issued financial statements are as follows:

	Grants Payable	Net Assets
Balance, as previously reported	$ 241,437	$ 5,660,879
Correction of overstatement of grants payable	(241,437)	241,437
Balance, as restated	$ -	$ 5,902,316

Note 4—Fair market valuation

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Large Growth	$ 761,749	$ -	$ -	$ 761,749
Short-Term Bond	309,404	-	-	309,404
Foreign Large Blend	499,922	-	-	499,922
Diversified Emerging Mkts	583,629	-	-	583,629
Small Growth	345,412	-	-	345,412
Real Estate	321,299	-	-	321,299
Large Blend	307,619	-	-	307,619
Commodities Broad Basket	182,909	-	-	182,909
Global Real Estate	177,290	-	-	177,290
Foreign Large Value	145,671	-	-	145,671
Mid-Cap Value	237,717	-	-	237,717
High Yield Bond	145,198	-	-	145,198
Emerging Markets Bond	177,378	-	-	177,378
Mid-Cap Growth	208,091	-	-	208,091
World Bond	130,785	-	-	130,785
Europe Stock	17,025	-	-	17,025
Bonds:				
Corporate Obligations (a)	-	213,034	-	213,034
Government Obligations	-	210,302	-	210,302
Mortgage Backed Securities	-	46,002	-	46,002
	$ 4,551,098	$ 469,338	$ -	$ 5,020,436

(a) Based on its analysis of the nature and risk of these investments, the Conservancy has determined that presenting them as a single class is appropriate. Equity securities, exchange traded funds and index tracking stocks are classified as Level 1 instruments as they are actively traded on public exchanges.

The table below reconciles total investments:

Mutual funds at fair value	$ 4,551,097
Bonds at fair value	469,339
	5,020,436
Money market at cost	171,527
	$ 5,191,963

Note 4—Fair market valuation (continued)

Investment income consists of the following for the year ended March 31, 2015:

Interest	$ 86,532
Unrealized loss on investment	(24,876)
Realized Gain	157,506
	$ 219,162

Note 5—Line of credit

The Galapagos Conservancy has a $200,000 line of credit that expires on September 19, 2015. The line of credit accrues interest at the bank's prime lending rate of 4.25% and is secured by all assets of the Conservancy. The bank also requires the Conservancy to comply with certain administrative covenants. There was no outstanding balance on the line at March 31, 2015.

Note 6—Temporarily restricted net assets

Temporarily restricted net assets as of March 31, 2015, are available for the following purposes or periods.

Program	March 31, 2014	Restricted Contributions	Restriction Accomplished	March 31, 2015
Galapagos Travel	$ 2,100	$ -	$ 2,100	$ -
Peter Kramer	-	5,000	5,000	-
Ornithology	2,469	1,000	3,469	-
Tortoise	-	86,865	90,262	(3,397)
Operations	-	1,045	1,045	-
Marine	2,200	450	2,650	-
Education	82,489	70,934	143,955	9,468
Celebrity Expeditions	136,539	64,722	98,000	103,261
Lonesome George	10,519	-	10,519	-
Web Cams	1,726	-	-	1,726
Library Endowment	200,500	100,750	-	301,250
Ed Bass	400,000	-	100,000	300,000
Galapagos Photo Project	-	3,000	3,000	-
	$ 838,542	$ 333,766	$ 460,000	$ 712,308

Note 7—Permanently restricted net assets

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support various scientific researches of the Galapagos Islands:

	March 31, 2014	Restricted Contributions	Restriction Accomplished	March 31, 2015
General Endowment	$ 2,083,535	$ -	$ -	$ 2,083,535
Marine Endowment	358,278	2,650	-	360,928
Darwin Scholars Endowment	30,000	-	-	30,000
	$ 2,471,813	$ 2,650	$ -	$ 2,474,463

Endowment Activity for the year ended March 31, 2015, consists of the following:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	$ -	$ 2,471,813
Contributions	-	2,650
Investment income:		
Net realized and unrealized gains	67,217	-
Interest and dividends	40,895	-
Appropriated for expenditure	(108,112)	-
Endowment net assets, end of year	$ -	$ 2,474,463

In August 2008, the Codification on *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Fund* was issued. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006 and enacted in the Commonwealth of Virginia on July 1, 2008. The Management of the Conservancy has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Conservancy in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Conservancy endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Investment policies

Note 7—Permanently restricted net assets (continued)

Return objective and risk parameters - The Conservancy's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support their programs. The Conservancy is primarily invested in publicly traded mutual funds, equities, and corporate bonds.

Spending policies - The earnings from these endowments are available in support of programs of the Conservancy. The Board of Directors appropriates the entire balance of the annual earnings to be available for grants in support of the Conservancy's mission.

Note 8—Lease commitments

The Conservancy leases its office space under a noncancelable agreement that expires June 2018. The lease does not require the payment of any rentals during the first month of the lease, and beginning the second year thereafter the rental payments increase 3% per year through the end of the lease term. Rent expense for the year ended March 31, 2015, was $52,681.

Future minimum lease payments at March 31, 2015, are as follows:

Years Ending March 31,	
2016	$ 57,609
2017	58,033
2018	58,033
2019	14,508
	$ 188,183

Note 9—Retirement plan

The Conservancy has a simple IRA plan covering all employees on their date of hire. Employees can make salary deferrals up to limits specified in the plan. The Conservancy contributes 2% of each employee's salary. Employer contributions to the plan for the year ended March 31, 2015, were $10,808.

Note 10—Significant customers

Approximately 72% of the Conservancy's accounts receivable balance as of March 31, 2014 was due from one donor.

Note 11—Subsequent events

The Conservancy evaluated subsequent events through July 9, 2015, which is the date the financial statements were available to be issued.