

FAUNA & FLORA INTERNATIONAL USA, INC.

FINANCIAL STATEMENTS

December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fauna & Flora International USA, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Fauna & Flora International USA, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 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 Fauna & Flora International USA, Inc. as of December 31, 2017, 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.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
June 18, 2018

New York Office:
230 Park Avenue, 3rd Floor
New York, NY 10169
P: (212) 551-1724
F: (262) 522-7550

Washington DC Office:
419 N Lee Street
Alexandria, VA 22314
P: (703) 519-0990

Wisconsin Office:
2921 Landmark Place
Suite 300
Madison, WI 53713
P: (608) 274-4020
F: (608) 308-1616

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

CURRENT ASSETS

| | |
|--------------------------------|--------------|
| Cash | \$ 627,533 |
| Unconditional promises to give | 255,000 |
| Prepaid expenses | <u>5,000</u> |

Total assets

\$ 887,533

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|------------------|----------------|
| Accounts payable | \$ 378 |
| Payable to FFI | <u>270,667</u> |

Total liabilities 271,045

NET ASSETS

| | |
|------------------------|--------------|
| Unrestricted | 607,488 |
| Temporarily restricted | <u>9,000</u> |

Total net assets 616,488

Total liabilities and net assets

\$ 887,533

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Contributions and grants | \$ 647,849 | \$ 494,000 | \$ 1,141,849 |
| EXPENSES | | | |
| Grants and assistance | 485,000 | - | 485,000 |
| Professional fees | 13,067 | - | 13,067 |
| Occupancy | 25,000 | - | 25,000 |
| Insurance | 1,786 | - | 1,786 |
| Office expenses | 508 | - | 508 |
| Total expenses | 525,361 | - | 525,361 |
| Net assets released from restrictions | 485,000 | (485,000) | - |
| Change in net assets | 607,488 | 9,000 | 616,488 |
| Net assets - beginning of year | - | - | - |
| Net assets - end of year | <u>\$ 607,488</u> | <u>\$ 9,000</u> | <u>\$ 616,488</u> |

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|---------------------------------|
| Change in net assets | \$ 616,488 |
| Adjustments to reconcile change in net assets to change in cash | |
| Increase in assets | |
| Unconditional promises to give | (255,000) |
| Prepaid expenses | (5,000) |
| Increase in liabilities | |
| Accounts payable | 378 |
| Payable to FFI | 270,667 |
| | <hr/> |
| Change in cash | 627,533 |
| Cash - beginning of year | <hr/> - |
| Cash - end of year | <u><u>\$ 627,533</u></u> |

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Fauna & Flora International USA, Inc. (the Organization) is a non-profit organization created in 2016 that works to conserve threatened species and ecosystems worldwide, choosing solutions that are sustainable, based on sound science, and that take account of human needs.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions. At December 31, 2017, temporarily restricted net assets are available for conservation projects.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Organization in perpetuity.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through June 18, 2018, the date which the financial statements were available to be issued.

NOTE 2—TRANSACTIONS WITH RELATED PARTIES

The Organization is related to Fauna & Flora International (FFI) through common board members. In 2017, the Organization paid FFI the following amounts for the following purposes:

| | |
|-----------------|-------------------|
| Grants | \$ 485,000 |
| Management fees | 3,611 |
| Occupancy | 22,500 |
| Legal fees | <u>9,456</u> |
| Total | <u>\$ 520,567</u> |

Grants authorized and payable totaling \$235,000 at December 31, 2017 are to be paid in 2018.

NOTE 3—FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2017 were as follows:

| | |
|-------------------------------|-------------------|
| Program services | |
| Grants to support conservancy | \$ 485,000 |
| Management and general | <u>40,361</u> |
| Total expenses | <u>\$ 525,361</u> |

NOTE 4—CONCENTRATIONS

Contributions

During 2017, approximately 85% of the Organization's support was received from four donors.

Credit Risk

The Organization maintains its cash balances at one financial institution located in Washington, D.C. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Organization's uninsured cash balances total approximately \$377,000.