

FAUNA & FLORA INTERNATIONAL USA, INC.

FINANCIAL STATEMENTS

December 31, 2019 and 2018

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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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2019 and 2018, 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.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Fauna & Flora International USA, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, flowing style.

Wegner CPAs, LLP
Alexandria, Virginia
May 5, 2020

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 422,543	\$ 118,293
Unconditional promises to give	112,609	231,350
Prepaid expenses	<u>5,513</u>	<u>5,390</u>
Total assets	<u><u>\$ 540,665</u></u>	<u><u>\$ 355,033</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 31,082	\$ 15,992
Payable to FFI	<u>250,451</u>	<u>208,809</u>
Total liabilities	281,533	224,801
NET ASSETS		
Without donor restrictions	80,972	97,632
With donor restrictions	<u>178,160</u>	<u>32,600</u>
Total net assets	<u>259,132</u>	<u>130,232</u>
Total liabilities and net assets	<u><u>\$ 540,665</u></u>	<u><u>\$ 355,033</u></u>

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 3,027,115	\$ 523,158	\$ 3,550,273
Interest income	1	-	1
Total support and revenue	3,027,116	523,158	3,550,274
EXPENSES			
Grants to support conservancy	3,227,543	-	3,227,543
Management and general	125,570	-	125,570
Fundraising	68,260	-	68,260
Total expenses	3,421,373	-	3,421,373
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	377,598	(377,598)	-
Change in net assets	(16,660)	145,560	128,900
Net assets at beginning of year	97,632	32,600	130,232
Net assets at end of year	<u>\$ 80,972</u>	<u>\$ 178,160</u>	<u>\$ 259,132</u>

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 294,215	\$ 102,100	\$ 396,315
EXPENSES			
Grants to support conservancy	654,638	-	654,638
Management and general	125,757	-	125,757
Fundraising	102,176	-	102,176
Total expenses	882,571	-	882,571
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	78,500	(78,500)	-
Change in net assets	(509,856)	23,600	(486,256)
Net assets at beginning of year	607,488	9,000	616,488
Net assets at end of year	<u>\$ 97,632</u>	<u>\$ 32,600</u>	<u>\$ 130,232</u>

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2019 and 2018

<u>2019</u>	<u>Grants to Support Conservancy</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and assistance	\$ 3,227,543	\$ -	\$ -	\$ 3,227,543
Professional fees	-	85,797	64,389	150,186
Occupancy	-	32,921	-	32,921
Travel	-	2,398	3,871	6,269
Insurance	-	1,674	-	1,674
Office expenses	-	2,780	-	2,780
Total expenses	\$ 3,227,543	\$ 125,570	\$ 68,260	\$ 3,421,373
<u>2018</u>	<u>Grants to Support Conservancy</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and assistance	\$ 654,638	\$ -	\$ -	\$ 654,638
Professional fees	-	86,752	83,160	169,912
Occupancy	-	31,250	-	31,250
Travel	-	2,931	19,016	21,947
Insurance	-	1,184	-	1,184
Office expenses	-	3,640	-	3,640
Total expenses	\$ 654,638	\$ 125,757	\$ 102,176	\$ 882,571

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 128,900	\$ (486,256)
Adjustments to reconcile change in net assets to change in cash		
(Increase) decrease in assets		
Unconditional promises to give	118,741	23,650
Prepaid expenses	(123)	(390)
Increase (decrease) in liabilities		
Accounts payable	15,090	15,614
Payable to FFI	41,642	(61,858)
Change in cash	<u>304,250</u>	<u>(509,240)</u>
Cash at beginning of year	<u>118,293</u>	<u>627,533</u>
Cash at end of year	<u><u>\$ 422,543</u></u>	<u><u>\$ 118,293</u></u>

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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.

Adoption of New Accounting Guidance

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Organization adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

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. At December 31, 2019 and 2018, all unconditional promises to give are collectible within one year.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

Expenses are classified according to the program services and supporting activities for which they were incurred and are reported on a functional basis in the accompanying statements of functional expenses. Direct costs associated with specific programs are recorded as program services expenses. Direct costs associated with management and general and fundraising are recorded as supporting activities.

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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 May 5, 2020, the date which the financial statements were available to be issued.

NOTE 2—NET ASSETS

At December 31, 2019 and 2018, net assets with donor restrictions are restricted for conservation projects.

NOTE 3—CONCENTRATIONS

Contributions

For the years ended December 31, 2019 and 2018, approximately 92% and 75% of the Organization's support was received from five and four donors, respectively.

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, 2019, the Organization's uninsured cash balances total approximately \$172,000. At December 31, 2018, the Organization's cash balances were fully insured with federal depository insurance.

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4—TRANSACTIONS WITH RELATED PARTIES

The Organization is related to Fauna & Flora International (FFI) through common board members. For the years ended December 31, 2019 and 2018, the Organization paid FFI the following amounts for the following purposes:

	2019	2018
Grants to support conservancy	\$ 3,227,543	\$ 645,638
Management fees	1,145	479
Occupancy	32,921	31,250
Total	\$ 3,261,609	\$ 677,367

At December 31, 2019 and 2018, amounts payable to FFI consist of the following:

	2019	2018
Grants	\$ 101,444	\$ 80,638
FFI staff time	19,370	11,274
Operating advance	100,000	100,000
Legal fees	9,556	9,556
Office rent	22	22
Consulting fees	7,322	479
Travel	10,007	5,650
Subscriptions	2,730	1,190
Payable to FFI	\$ 250,451	\$ 208,809

NOTE 5—LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of the date of the statements of financial position, reduced by amounts not available for expenditures within one year of the date of the statements of financial position because of donor-imposed restrictions.

	2019	2018
Financial assets at year-end	\$ 535,152	\$ 349,643
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions	(178,160)	(32,600)
Financial assets available to meet cash needs for general expenditures within one year	\$ 356,992	\$ 317,043

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations comes due.

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6—SUBSEQUENT EVENT

The Organization's operations may be affected by the recent and ongoing COVID-19 outbreak that was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption and effect on the Organization is uncertain; however, it may result in a material adverse impact on the Organization's financial position, activities, and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's donors and revenues, unavailability of grants to be awarded, and a decline in value assets held by the Organization.