

FAUNA & FLORA INTERNATIONAL USA, INC.

FINANCIAL STATEMENTS

December 31, 2018 and 2017

CONTENTS

Independent Auditor's Report	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8

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, 2018 and 2017, 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, 2018 and 2017, 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 Pronouncement

As discussed in Note 1 to the financial statements, Fauna & Flora International USA, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
July 9, 2019

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 118,293	\$ 627,533
Unconditional promises to give	231,350	255,000
Prepaid expenses	5,390	5,000
Total assets	\$ 355,033	\$ 887,533
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 15,992	\$ 378
Payable to FFI	208,809	270,667
Total liabilities	224,801	271,045
NET ASSETS		
Without donor restrictions	97,632	607,488
With donor restrictions	32,600	9,000
Total net assets	130,232	616,488
Total liabilities and net assets	\$ 355,033	\$ 887,533

See accompanying notes.

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

	Without Donor Restrictions	With Donor Restrictions	Total
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.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 647,849	\$ 494,000	\$ 1,141,849
EXPENSES			
Grants to support conservancy	485,000	-	485,000
Management and general	40,361	-	40,361
Total expenses	525,361	-	525,361
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	485,000	(485,000)	-
Change in net assets	607,488	9,000	616,488
Net assets at beginning of year	-	-	-
Net assets at end of year	<u>\$ 607,488</u>	<u>\$ 9,000</u>	<u>\$ 616,488</u>

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

<u>2018</u>	Grants to Support Conservancy	Management and General	Fundraising	Total
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
	Grants to Support Conservancy	Management and General	Fundraising	Total
<u>2017</u>				
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	\$ 485,000	\$ 40,361	\$ -	\$ 525,361

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (486,256)	\$ 616,488
Adjustments to reconcile change in net assets to change in cash		
(Increase) decrease in assets		
Unconditional promises to give	23,650	(255,000)
Prepaid expenses	(390)	(5,000)
Increase (decrease) in liabilities		
Accounts payable	15,614	378
Payable to FFI	(61,858)	270,667
Change in cash	<u>(509,240)</u>	<u>627,533</u>
Cash at beginning of year	<u>627,533</u>	<u>-</u>
Cash at end of year	<u><u>\$ 118,293</u></u>	<u><u>\$ 627,533</u></u>

See accompanying notes.

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

Adoption of New Accounting Pronouncement

The Organization adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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, 2018 and 2017, 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, 2018 and 2017

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 July 9, 2019, the date which the financial statements were available to be issued.

NOTE 2—NET ASSETS

At December 31, 2018 and 2017, net assets with donor restrictions are restricted for conservation projects.

NOTE 3—CONCENTRATIONS

Contributions

For the years ended December 31, 2018 and 2017, approximately 75% and 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, 2018, the Organization's cash balances were fully insured with federal depository insurance. At December 31, 2017, the Organization's uninsured cash balances total approximately \$377,000.

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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, 2018 and 2017, the Organization paid FFI the following amounts for the following purposes:

	<u>2018</u>	<u>2017</u>
Grants	\$ 645,638	\$ 485,000
Management fees	479	3,611
Occupancy	31,250	22,500
Legal fees	-	9,456
Total	<u>\$ 677,367</u>	<u>\$ 520,567</u>

At December 31, 2018 and 2017, amounts payable to FFI consist of the following:

	<u>2018</u>	<u>2017</u>
Grants	\$ 80,638	\$ 235,000
FFI staff time	11,274	3,611
Operating advance	100,000	-
Legal fees	9,556	9,556
Office rent	22	22,500
Consulting fees	479	-
Travel	5,650	-
Subscriptions	1,190	-
Payable to FFI	<u>\$ 208,809</u>	<u>\$ 270,667</u>

NOTE 5—LIQUIDITY AND AVAILABILITY

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

Financial assets at year-end	\$ 349,643
Less those unavailable for general expenditures within one year, due to: Restricted by donor with purpose restrictions	<u>(32,600)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 317,043</u>

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.