

FAUNA & FLORA INTERNATIONAL USA, INC.

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Fauna & Flora International USA, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fauna & Flora International USA, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fauna & Flora International USA, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fauna & Flora International USA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fauna & Flora International USA, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fauna & Flora International USA, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Wegner CPAs, LLP
Alexandria, Virginia
June 15, 2023

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,196,053	\$ 1,457,854
Unconditional promises to give	259,653	1,117,216
Prepaid expenses	0	5,788
Deposit	<u>22,000</u>	<u>22,000</u>
Total assets	<u><u>\$ 2,477,706</u></u>	<u><u>\$ 2,602,858</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 29,517	\$ 9,060
Payable to FFI	<u>1,325,394</u>	<u>638,534</u>
Total liabilities	1,354,911	647,594
NET ASSETS		
Without donor restrictions	628,866	641,503
With donor restrictions		
Conservation projects	<u>493,929</u>	<u>1,313,761</u>
Total net assets	<u>1,122,795</u>	<u>1,955,264</u>
Total liabilities and net assets	<u><u>\$ 2,477,706</u></u>	<u><u>\$ 2,602,858</u></u>

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 618,217	\$ 933,032	\$ 1,551,249
EXPENSES			
Grants to Support Conservancy	1,722,966	-	1,722,966
Management and General	262,514	-	262,514
Fundraising	398,238	-	398,238
Total expenses	2,383,718	-	2,383,718
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	1,752,864	(1,752,864)	-
Change in net assets	(12,637)	(819,832)	(832,469)
Net assets at beginning of year	641,503	1,313,761	1,955,264
Net assets at end of year	<u>\$ 628,866</u>	<u>\$ 493,929</u>	<u>\$ 1,122,795</u>

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 843,945	\$ 6,507,001	\$ 7,350,946
EXPENSES			
Grants to Support Conservancy	5,573,188	-	5,573,188
Management and General	131,781	-	131,781
Fundraising	482,293	-	482,293
Total expenses	6,187,262	-	6,187,262
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	5,574,997	(5,574,997)	-
Change in net assets	231,680	932,004	1,163,684
Net assets at beginning of year	409,823	381,757	791,580
Net assets at end of year	<u>\$ 641,503</u>	<u>\$ 1,313,761</u>	<u>\$ 1,955,264</u>

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

<u>2022</u>	Grants to Support Conservancy	Management and General	Fundraising	Total
Grants and assistance	\$ 1,722,966	\$ -	\$ -	\$ 1,722,966
Personnel	-	-	127,888	127,888
Professional fees	-	210,872	221,120	431,992
Conferences and meetings	-	2,739	-	2,739
Occupancy	-	34,730	-	34,730
Equipment	-	737	-	737
Travel	-	-	26,758	26,758
Insurance	-	358	-	358
Office expenses	-	13,078	22,432	35,510
Credit card fees	-	-	40	40
Total expenses	\$ 1,722,966	\$ 262,514	\$ 398,238	\$ 2,383,718
	Grants to Support Conservancy	Management and General	Fundraising	Total
<u>2021</u>	Conservancy	and General	Fundraising	Total
Grants and assistance	\$ 5,573,188	\$ -	\$ -	\$ 5,573,188
Personnel	-	-	282,625	282,625
Professional fees	-	83,508	190,466	273,974
Conferences and meetings	-	774	-	774
Occupancy	-	34,729	-	34,729
Equipment	-	2,216	-	2,216
Travel	-	-	8,022	8,022
Insurance	-	1,091	-	1,091
Office expenses	-	9,463	1,180	10,643
Total expenses	\$ 5,573,188	\$ 131,781	\$ 482,293	\$ 6,187,262

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (832,469)	\$ 1,163,684
Adjustments to reconcile change in net assets to change in cash		
(Increase) decrease in assets		
Unconditional promises to give	857,563	(946,029)
Prepaid expenses	5,788	-
Increase (decrease) in liabilities		
Accounts payable	20,457	(432)
Payable to FFI	686,860	545,522
Change in cash	<u>738,199</u>	<u>762,745</u>
Cash at beginning of year	<u>1,457,854</u>	<u>695,109</u>
Cash at end of year	<u><u>\$ 2,196,053</u></u>	<u><u>\$ 1,457,854</u></u>

See accompanying notes.

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Fauna & Flora International USA, Inc. (FFI USA) 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. FFI USA is funded by contributions and grants.

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 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.

Adoption of New Accounting Guidance

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, Leases, and creates FASB ASC Topic 842, Leases. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FFI USA adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows FFI USA's to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. FFI USA's reporting for the year ended December 31, 2021, is in accordance with the previous guidance in Topic 840.

FFI USA elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed FFI USA to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 did not have an effect on FFI USA's change in net assets or cash flows.

Income Tax Status

FFI USA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, FFI USA 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.

Leases

FFI USA does not recognize short-term leases in the statements of financial position. For these leases, FFI USA recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. FFI USA also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, FFI USA uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

Date of Management's Review

Management has evaluated subsequent events through June 15, 2023, the date which the financial statements were available to be issued.

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2—LEASE

FFI USA sub-leases office space in Washington, D.C. on a month-to-month basis. For the years ended December 31, 2022 and 2021, rent expense for this lease totaled \$34,729 each year.

NOTE 3—CONCENTRATIONS

Contributions

For the years ended December 31, 2022 and 2021, 13% and 83% of FFI USA's support was received from one and three donors, respectively.

Credit Risk

FFI USA 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, 2022 and 2021, FFI's uninsured cash balances totaled \$1,946,053 and \$1,207,854, respectively.

NOTE 4—TRANSACTIONS WITH RELATED PARTIES

During 2022, FFI USA received a grant contribution of \$25,000 from The Kerr Foundation, a foundation that was founded by a board member of FFI USA's family.

FFI USA is related to Fauna & Flora International (FFI) through common board members. For the years ended December 31, 2022 and 2021, FFI USA paid FFI grants to support conservancy of \$1,722,966 and \$5,573,188, respectively.

At December 31, 2022 and 2021, amounts payable to FFI consist of the following:

	<u>2022</u>	<u>2021</u>
Grants	\$ 1,019,677	\$ 475,320
FFI staff time	291,400	162,430
Fundraising and operational expenses	<u>14,317</u>	<u>784</u>
Payable to FFI	<u>\$ 1,325,394</u>	<u>\$ 638,534</u>

NOTE 5—CONDITIONAL PROMISE TO GIVE

FFI USA has a contribution for which the donor's promise to give is conditioned upon FFI USA incurring certain qualifying contingencies. At December 31, 2022, the conditional promise to give totals \$4,000,000. The promise will be recognized as revenue when the respective condition is met in the subsequent year.

FAUNA & FLORA INTERNATIONAL USA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 6—RETIREMENT PLAN

During 2021, FFI USA established a 401(k) salary deferral retirement plan for all eligible employees. All employees who have completed 3 months of employment are eligible to participate in the plan. FFI USA contributes the equivalent of 3% of an employee's annual compensation. FFI USA retirement plan expense under this plan for the years ended December 31, 2022 and 2021 totaled \$1,650 and \$4,795, respectively.

NOTE 7—LIQUIDITY AND AVAILABILITY

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

	2022	2021
Financial assets at year-end:		
Cash	\$ 2,196,053	\$ 1,457,854
Unconditional promises to give	259,653	1,117,216
Total financial assets at year-end	2,455,706	2,575,070
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions	(493,929)	(1,313,761)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,961,777	\$ 1,261,309

As part of FFI USA'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.