

FRANKFURT ZOOLOGICAL SOCIETY - U.S., INC.

Washington, DC

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended
December 31, 2017 and 2016



BAKER TILLY

Candor. Insight. Results.

FRANKFURT ZOOLOGICAL SOCIETY - U.S., INC.

Financial Statements

As of and for the Years Ended December 31, 2017 and 2016

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Independent Auditors' Report

To the Board of Directors
Frankfurt Zoological Society - U.S., Inc.

We have audited the accompanying financial statements of Frankfurt Zoological Society - U.S., Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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.

Auditors' 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 auditors' 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 Frankfurt Zoological Society - U.S., Inc. as of December 31, 2017 and 2016, 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.

Baker Tilly Virchow Krause, LLP

Tysons, Virginia
May 17, 2018

FRANKFURT ZOOLOGICAL SOCIETY - U.S., INC.

Statements of Financial Position

As of December 31, 2017 and 2016

| | 2017 | 2016 |
|--|---------------------|-------------------|
| Assets | | |
| Cash | \$ 1,977,034 | \$ 969,258 |
| Contributions, grants, and pledges receivable, net | 551,823 | - |
| Total Assets | \$ 2,528,857 | \$ 969,258 |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 409,907 | \$ 1,592 |
| Net Assets | | |
| Unrestricted | 85,262 | 473,448 |
| Temporarily restricted | 2,033,688 | 494,218 |
| Total Net Assets | 2,118,950 | 967,666 |
| Total Liabilities and Net Assets | \$ 2,528,857 | \$ 969,258 |

The accompanying notes are an integral part of these financial statements.

FRANKFURT ZOOLOGICAL SOCIETY - U.S., INC.

Statements of Activities

For the Years Ended December 31, 2017 and 2016

| | 2017 | | | 2016 | | |
|--------------------------------------|------------------|------------------------|---------------------|-------------------|------------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Support and Revenues | | | | | | |
| Grants and contributions | \$ 3,857,448 | \$ 2,028,640 | \$ 5,886,088 | \$ 2,695,203 | \$ 370,962 | \$ 3,066,165 |
| Interest income | 379 | - | 379 | 808 | - | 808 |
| Net assets released from restriction | 489,170 | (489,170) | - | 2,660,901 | (2,660,901) | - |
| Total support and revenues | 4,346,997 | 1,539,470 | 5,886,467 | 5,356,912 | (2,289,939) | 3,066,973 |
| Operating Expenses | | | | | | |
| Program services | 4,501,313 | - | 4,501,313 | 5,065,928 | - | 5,065,928 |
| Management and general | 222,849 | - | 222,849 | 115,996 | - | 115,996 |
| Fundraising | 11,021 | - | 11,021 | 5,332 | - | 5,332 |
| Total operating expenses | 4,735,183 | - | 4,735,183 | 5,187,256 | - | 5,187,256 |
| Change in Net Assets | (388,186) | 1,539,470 | 1,151,284 | 169,656 | (2,289,939) | (2,120,283) |
| Net Assets, beginning of year | 473,448 | 494,218 | 967,666 | 303,792 | 2,784,157 | 3,087,949 |
| Net Assets, end of year | \$ 85,262 | \$ 2,033,688 | \$ 2,118,950 | \$ 473,448 | \$ 494,218 | \$ 967,666 |

The accompanying notes are an integral part of these financial statements.

FRANKFURT ZOOLOGICAL SOCIETY - U.S., INC.

Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|--|--------------|----------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 1,151,284 | \$ (2,120,283) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Contributions, grants, and pledges receivable | (551,823) | 7,100 |
| Accounts payable and accrued expenses | 408,315 | (4,930) |
| Net Increase (Decrease) in Cash | 1,007,776 | (2,118,113) |
| Cash, beginning of year | 969,258 | 3,087,371 |
| Cash, end of year | \$ 1,977,034 | \$ 969,258 |

The accompanying notes are an integral part of these financial statements.

FRANKFURT ZOOLOGICAL SOCIETY - U.S., INC.

Notes to the Financial Statements

As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - ORGANIZATION

Frankfurt Zoological Society - U.S., Inc. ("FZS-US" or the "Organization") is based in the United States of America and offers its members and supporters the opportunity to support international wildlife conservation projects and to play a role in protecting nature's diversity.

The Organization supports projects around the world that fall within its mission and vision. Currently, the Organization is collaborating with partners to support four large projects: one in Zimbabwe (Gonarezhou National Park), one in Tanzania (Serengeti National Park), and two in Zambia (North Luangwa National Park and Nsumbu National Park), but also supports smaller projects in other countries.

NOTE 2 - TRANSACTIONS WITH AFFILIATES

FZS-US is an affiliate of Frankfurt Zoological Society, a German Organization. FZS-US makes grants to Frankfurt Zoological Society's various projects in Africa, Indonesia, and Peru. For the years ended December 31, 2017 and 2016, FZS-US incurred \$817,935 and \$1,448,676, respectively, related to Frankfurt Zoological Society projects, of which, \$408,603 and \$0, respectively, have been included in accounts payable and accrued expenses on the accompanying statements of financial position as of December 31, 2017 and 2016, respectively.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accounts of the Organization are maintained on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"). This accounting and reporting method classifies various resources by their nature and purpose, based on the presence or absence of donor-imposed restrictions, into three classes of net assets:

Unrestricted - Unrestricted net assets are not subject to any donor-imposed stipulations and are available to support the Organization's operations.

Temporarily restricted - Funds whose use is limited by donor-imposed stipulations either that expire by the passage of time or for which the restriction can be fulfilled by the Organization, primarily by expending funds for the designated purpose. As of December 31, 2017 and 2016, the Organization had \$2,033,688 and \$494,218, respectively, in temporarily restricted net assets designated for various specific projects.

Permanently restricted - Funds subject to donor-imposed restrictions that will not terminate and that establish the nature and purpose of such funds. Principal is invested in perpetuity and only the income is used for activities as determined by the donor. As of December 31, 2017 and 2016, the Organization had no permanently restricted net assets.

Cash - The term cash, as used in the accompanying financial statements, includes currency on hand and demand deposits with financial institutions. FZS-US maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Cash accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. FZS-US has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Contributions, Grants, and Pledges Receivable - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Restricted gifts or promises to give are required to be reported as restricted support in the period received and are then reclassified to unrestricted net assets upon satisfaction of donor restriction. Contributions whose restrictions are met in the same reporting period as received are recorded as unrestricted revenue.

FRANKFURT ZOOLOGICAL SOCIETY - U.S., INC.

Notes to the Financial Statements

As of and for the Years Ended December 31, 2017 and 2016

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivables due in less than one year are reported at their outstanding balance. Receivables due beyond one year are discounted to their net present value of future cash flows. Receivables are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering payment history and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received. Management has determined that no allowance for doubtful accounts is necessary as of December 31, 2017 and 2016.

Income Taxes - The Organization is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code (the "IRC"); however, income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. The Organization did not have any unrelated business income for the years ended December 31, 2017 and 2016.

Use of Estimates - The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent and assets and liabilities. Actual results may vary from these estimates.

Subsequent Events - FZS-US has evaluated subsequent events through the report date of these financial statements, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Recent Accounting Pronouncement - During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2015 and 2016, the FASB also issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09; ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance on principal versus agent considerations in Topic 606; ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, which clarifies the identification of performance obligations and the licensing implementation guidance; ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients*, and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606*, which both affect narrow aspects of Topic 606. Topic 606 (as amended) is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Organization may elect to apply the guidance earlier. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that Topic 606 (as amended) will have on its results of financial position, activities, and cash flows.

During August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 makes improvements to the information provided in the financial statements and accompanying notes of not-for-profit entities. Entities will present on the face of their financial statements two classes of net assets, rather than the three classes currently required. In addition, entities will be required to present expenses by both their natural classification and functional classification, present investment returns net of external and direct internal investment expenses, and provide enhanced disclosures regarding the entity's available resources and liquidity, among other changes. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018, with early application permitted. The amendments should be applied on a retrospective basis in the year of adoption, with certain limited exceptions in the case of comparative financial statements, with disclosure of the nature of any reclassifications or restatements and their effects, if any, on changes in the net asset classes for each period presented. The Organization is currently assessing the effect that ASU No. 2016-14 will have on its statements of financial position, activities, and cash flows.

FRANKFURT ZOOLOGICAL SOCIETY - U.S., INC.

Notes to the Financial Statements

As of and for the Years Ended December 31, 2017 and 2016

NOTE 4 - DONOR CONCENTRATIONS

For the years ended December 31, 2017 and 2016, contributions from individual donors that represent 10 percent or more of contributions were as follows:

| | 2017 | 2016 |
|---------|------|------|
| Donor A | 26% | 0% |
| Donor B | 22% | 5% |
| Donor C | 19% | 32% |
| Donor D | 10% | 0% |
| Donor E | 9% | 12% |
| Donor F | 2% | 33% |

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for specific projects in the following regions as of December 31, 2017 and 2016:

| | 2017 | 2016 |
|---------------|--------------|------------|
| Zimbabwe | \$ 757,197 | \$ 70,939 |
| Tanzania | 663,970 | 83,625 |
| Zambia | 547,396 | 291,078 |
| United States | 42,125 | - |
| Indonesia | 23,000 | - |
| Peru | - | 48,576 |
| Total | \$ 2,033,688 | \$ 494,218 |