



Frankfurt Zoological Society - U.S., Inc.

Financial Statements

December 31, 2018 and 2017

Frankfurt Zoological Society - U.S., Inc.

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December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors of
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, 2018 and 2017, the related statements of activities and changes in net assets, and cash flows for the years then ended, and the statement of functional expenses for the year ended December 31, 2018, 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, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Baker Tilly Virchow Krause, LLP

Tysons, Virginia
September 13, 2019

Frankfurt Zoological Society - U.S., Inc.

Statements of Financial Position

December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Assets | | |
| Cash | \$ 2,845,400 | \$ 1,977,034 |
| Contributions, grants, and pledges receivable, net | - | 551,823 |
| Security deposit | <u>3,500</u> | <u>-</u> |
| Total assets | <u>\$ 2,848,900</u> | <u>\$ 2,528,857</u> |
| Liabilities | | |
| Accounts payable and accrued expenses | <u>\$ 1,138</u> | <u>\$ 409,907</u> |
| Net Assets | | |
| Without donor restrictions | 478,444 | 85,262 |
| With donor restrictions | <u>2,369,318</u> | <u>2,033,688</u> |
| Total net assets | <u>2,847,762</u> | <u>2,118,950</u> |
| Total liabilities and net assets | <u>\$ 2,848,900</u> | <u>\$ 2,528,857</u> |

See notes to financial statements

Frankfurt Zoological Society - U.S., Inc.

Statements of Activities and Changes in Net Assets

Years Ended December 31, 2018 and 2017

| | 2018 | | | 2017 | | |
|---------------------------------------|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and Revenues | | | | | | |
| Grants and contributions | \$ 2,932,507 | \$ 2,188,680 | \$ 5,121,187 | \$ 3,857,448 | \$ 2,028,640 | \$ 5,886,088 |
| Other income | 208,603 | - | 208,603 | - | - | - |
| Interest income | 663 | - | 663 | 379 | - | 379 |
| Net assets released from restriction: | | | | | | |
| Satisfaction of program restrictions | 1,636,225 | (1,636,225) | - | 489,170 | (489,170) | - |
| Expiration of program restrictions | 216,825 | (216,825) | - | - | - | - |
| Total support and revenues | <u>4,994,823</u> | <u>335,630</u> | <u>5,330,453</u> | <u>4,346,997</u> | <u>1,539,470</u> | <u>5,886,467</u> |
| Operating Expenses | | | | | | |
| Program services | 4,477,527 | - | 4,477,527 | 4,607,638 | - | 4,607,638 |
| Management and general | 110,367 | - | 110,367 | 116,524 | - | 116,524 |
| Fundraising | 13,747 | - | 13,747 | 11,021 | - | 11,021 |
| Total operating expenses | <u>4,601,641</u> | <u>-</u> | <u>4,601,641</u> | <u>4,735,183</u> | <u>-</u> | <u>4,735,183</u> |
| Change in net assets | 393,182 | 335,630 | 728,812 | (388,186) | 1,539,470 | 1,151,284 |
| Net Assets, Beginning of Year | <u>85,262</u> | <u>2,033,688</u> | <u>2,118,950</u> | <u>473,448</u> | <u>494,218</u> | <u>967,666</u> |
| Net Assets, End of Year | <u>\$ 478,444</u> | <u>\$ 2,369,318</u> | <u>\$ 2,847,762</u> | <u>\$ 85,262</u> | <u>\$ 2,033,688</u> | <u>\$ 2,118,950</u> |

See notes to financial statements

Frankfurt Zoological Society - U.S., Inc.

Statement of Functional Expenses
Year Ended December 31, 2018

| | Program Services | Management and General | Fundraising | Total |
|---------------------------|-----------------------------|---------------------------------------|--------------------|---------------------|
| Grants | \$ 4,082,120 | \$ - | \$ - | \$ 4,082,120 |
| Bad debt expense | 210,879 | - | - | 210,879 |
| External consultants | 156,875 | 12,657 | 4,950 | 174,482 |
| Salary and wages | 14,800 | 51,800 | 7,400 | 74,000 |
| Office expenses | 10,930 | 7,492 | - | 18,422 |
| Accounting | - | 16,000 | - | 16,000 |
| Travel | 710 | 6,403 | 790 | 7,903 |
| Payroll taxes | 1,213 | 4,245 | 607 | 6,065 |
| Legal | - | 5,554 | - | 5,554 |
| Conferences and workshops | - | 4,020 | - | 4,020 |
| Insurance | - | 2,196 | - | 2,196 |
| | <u>\$ 4,477,527</u> | <u>\$ 110,367</u> | <u>\$ 13,747</u> | <u>\$ 4,601,641</u> |

See notes to financial statements

Frankfurt Zoological Society - U.S., 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 | \$ 728,812 | \$ 1,151,284 |
| Bad debt expense (Note 3) | 210,879 | - |
| Other income (Note 3) | (208,603) | - |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Contributions, grants, and pledges receivable | 340,944 | (551,823) |
| Security deposit | (3,500) | - |
| Accounts payable and accrued expenses | (200,166) | 408,315 |
| | <u>868,366</u> | <u>1,007,776</u> |
| Net increase in cash | 868,366 | 1,007,776 |
| Cash, Beginning of Year | <u>1,977,034</u> | <u>969,258</u> |
| Cash, End of Year | <u><u>\$ 2,845,400</u></u> | <u><u>\$ 1,977,034</u></u> |

See notes to financial statements

Frankfurt Zoological Society - U.S., Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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.

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, 2018 and 2017, FZS-US incurred expenses totaling \$266,929 and \$817,935, respectively, that were due directly to Frankfurt Zoological Society for projects, of which, \$0 and \$408,603 have been included in accounts payable and accrued expenses on the accompanying statements of financial position as of December 31, 2018 and 2017, respectively.

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"). The Organization has established standards for financial reporting, including the classification of resources into two classes of net assets: without donor restrictions and with donor restrictions, based upon the absence or existence and nature of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions

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 or that must be held in perpetuity. As of December 31, 2018 and 2017, the Organization had \$2,369,318 and \$2,033,688, respectively, in specific donor-imposed stipulated net assets designated for various specific projects.

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.

Frankfurt Zoological Society - U.S., Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Contributions, Grants, and Pledges Receivable

Contributions received are recorded as revenue with or without donor restrictions, depending on the existence and/or nature of any donor restrictions, and are reported as an increase in net assets with or without donor restrictions. When a restriction expires (that is, when the purpose of the restriction is accomplished or time restriction passes), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restriction. Contributions whose restrictions are met in the same reporting period as received are recorded as unrestricted revenue.

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, 2018 and 2017.

During 2017, the Organization received a grant award from Donor E (Note 7) which had a termination date of February 15, 2019. Due to project delays, the Organization was unable to receive the entire grant award by the termination date and was unable to secure an extension for the grant. In February 2019, it was determined that the remaining grant award would not be received and therefore the related grant receivable and subgrant payable should be written off. As of December 31, 2018, the grant receivable balance totaled \$210,879 and was written off to bad debt expense on the accompanying statement of functional expenses. As of December 31, 2018, the related subgrant payable balance totaled \$208,603 was written off to other income on the accompanying statement of activities and changes in net assets.

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, 2018 and 2017.

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.

Reclassifications

Certain reclassifications have been made to the accompanying financial statements from the prior year to conform to the current year presentation.

Subsequent Events

FZS-US has evaluated subsequent events through September 13, 2019, 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.

Frankfurt Zoological Society - U.S., Inc.

Notes to Financial Statements
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Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU No. 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU No. 2014-09 is effective for the Organization for 2019. The Organization is currently assessing the effect that ASU No. 2014-09 will have on its financial statements.

Adoption of ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*

In 2018, the Organization adopted the FASB's ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 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 Organization has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources and analysis of expenses by nature and function. These disclosures have been presented for 2018 only, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- The temporarily restricted net assets class has been renamed Net Assets With Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources as of December 31, 2018 (Note 4);
- A statement of functional expense for the year ended December 31, 2018 has been presented and includes expenses reported both by nature and function (see also Note 6).

4. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the balance sheet date for general expenditures and liabilities are as follows:

| | |
|---|--------------------|
| Cash | \$ 2,845,400 |
| Donor restrictions | <u>(2,369,318)</u> |
| Assets available for general expenditures and liabilities | <u>\$ 476,082</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to first meet donor restrictions and then to be available as its general expenditures and liabilities come due.

Frankfurt Zoological Society - U.S., Inc.

Notes to Financial Statements
December 31, 2018 and 2017

5. Net Assets With Restrictions

Net assets with donor restrictions are available for specific projects in the following regions as of December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|---------------|---------------------|---------------------|
| Zimbabwe | \$ 1,161,926 | \$ 757,197 |
| Zambia | 639,490 | 547,396 |
| Tanzania | 388,413 | 663,970 |
| United States | 179,489 | 42,125 |
| Indonesia | - | 23,000 |
| Total | <u>\$ 2,369,318</u> | <u>\$ 2,033,688</u> |

6. Functional Expenses

The financial statements report certain categories of expenses that are related to more than function. The expenses that are allocated include salaries and wages, payroll taxes, and travel, which are allocated based on estimated time and effort.

7. Donor Concentrations

For the years ended December 31, 2018 and 2017, contributions from individual donors that represent 10 percent or more of contributions were as follows:

| | <u>2018</u> | <u>2017</u> |
|---------|-------------|-------------|
| Donor A | 41 % | 2 % |
| Donor B | 20 | 22 |
| Donor C | 15 | 19 |
| Donor D | 10 | 26 |
| Donor E | - | 10 |
| Donor F | - | 9 |