

Frankfurt Zoological Society - U.S., Inc.

Financial Statements

December 31, 2021 and 2020

Frankfurt Zoological Society - U.S., Inc.

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Frankfurt Zoological Society - U.S., Inc. (FZS-US or the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 the Organization as of December 31, 2021 and 2020, 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 (GAAP).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 the Organization'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 the Organization'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.

Baker Tilly US, LLP

Milwaukee, Wisconsin
March 18, 2022

Frankfurt Zoological Society - U.S., Inc.

Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 4,641,959	\$ 4,741,668
Contributions, grants, and pledges receivable, net	50	4,317
Security deposit	418	-
Investments	-	208,053
	<u> </u>	<u> </u>
Total assets	<u>\$ 4,642,427</u>	<u>\$ 4,954,038</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 65,440	\$ 204,676
Grant funds received in advance	-	171,293
	<u> </u>	<u> </u>
Total liabilities	<u>65,440</u>	<u>375,969</u>
Net Assets		
Without donor restrictions	599,748	500,447
With donor restrictions	3,977,239	4,077,622
	<u> </u>	<u> </u>
Total net assets	<u>4,576,987</u>	<u>4,578,069</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 4,642,427</u>	<u>\$ 4,954,038</u>

See notes to the financial statements

Frankfurt Zoological Society - U.S., Inc.

Statements of Activities

Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Grants and contributions	\$ 6,509,008	\$ 3,570,204	\$ 10,079,212	\$ 5,276,795	\$ 3,553,867	\$ 8,830,662
Other income	66,831	-	66,831	48,202	-	48,202
Interest income	1,571	-	1,571	2,219	-	2,219
Net assets released from restrictions	3,670,587	(3,670,587)	-	3,360,461	(3,360,461)	-
Total support and revenues	10,247,997	(100,383)	10,147,614	8,687,677	193,406	8,881,083
Operating Expenses						
Program services	9,860,355	-	9,860,355	8,393,840	-	8,393,840
Management and general	233,511	-	233,511	156,010	-	156,010
Fundraising	54,830	-	54,830	56,029	-	56,029
Total operating expenses	10,148,696	-	10,148,696	8,605,879	-	8,605,879
Change in net assets	99,301	(100,383)	(1,082)	81,798	193,406	275,204
Net Assets, Beginning of Year	500,447	4,077,622	4,578,069	418,649	3,884,216	4,302,865
Net Assets, Ending of Year	\$ 599,748	\$ 3,977,239	\$ 4,576,987	\$ 500,447	\$ 4,077,622	\$ 4,578,069

See notes to the financial statements

Frankfurt Zoological Society - U.S., Inc.

Statements of Functional Expenses

Years Ended December 31, 2021 and 2020

	2021			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 9,759,370	\$ -	\$ -	\$ 9,759,370
External consultants	49,068	8,178	24,534	81,780
Salary, wages and payroll taxes	48,391	169,368	24,195	241,954
Office	3,526	14,102	5,876	23,504
Professional fees	-	25,264	225	25,489
Travel	-	1,118	-	1,118
Legal	-	11,739	-	11,739
Insurance	-	3,742	-	3,742
Total expenses	<u>\$ 9,860,355</u>	<u>\$ 233,511</u>	<u>\$ 54,830</u>	<u>\$ 10,148,696</u>

	2020			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 8,246,993	\$ -	\$ -	\$ 8,246,993
External consultants	120,500	21,119	37,555	179,174
Salary, wages and payroll taxes	23,097	80,843	11,549	115,489
Office	3,221	15,968	6,843	26,032
Professional fees	-	17,804	-	17,804
Travel	29	712	82	823
Legal	-	15,118	-	15,118
Insurance	-	4,446	-	4,446
Total expenses	<u>\$ 8,393,840</u>	<u>\$ 156,010</u>	<u>\$ 56,029</u>	<u>\$ 8,605,879</u>

See notes to the financial statements

Frankfurt Zoological Society - U.S., Inc.

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (1,082)	\$ 275,204
In-kind stock received	-	(208,053)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions, grants and pledges receivable	4,267	(3,090)
Security deposit	(418)	3,500
Advanced grant funds	-	247,694
Accounts payable and accrued expenses	(139,236)	112,467
Grant funds received in advance	(171,293)	(139,580)
Net cash flows from operating activities	(307,762)	288,142
Cash Flows From Investing Activities		
Proceeds from sale of investments	208,053	-
Net change in cash and cash equivalents	(99,709)	288,142
Cash and Cash Equivalents, Beginning	<u>4,741,668</u>	<u>4,453,526</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,641,959</u>	<u>\$ 4,741,668</u>

See notes to the financial statements

Frankfurt Zoological Society - U.S., Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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 seven large projects: one in Zimbabwe (Gonarezhou National Park), three in Tanzania (Serengeti National Park, Selous Game Reserve, and Mahale Mountains National Park), two in Zambia (North Luangwa National Park and Nsumbu National Park), and one in the Democratic Republic of the Congo (Lomami National Park), but the Organization 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. For the years ended December 31, 2021 and 2020, FZS-US incurred expenses totaling \$249,366 and \$463,683, respectively, that were due directly to Frankfurt Zoological Society for projects, of which, \$0 and \$79,294 have been included in accounts payable and accrued expenses on the accompanying statements of financial position as of December 31, 2021 and 2020, respectively. Frankfurt Zoological Society may receive advanced grant funds from FZS-US for various conservation projects. As these advanced funds include a right of return and require Frankfurt Zoological Society to incur allowable expenditures, they are included on the statements of financial position as advanced grant funds and were \$0 as of December 31, 2021 and 2020.

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 (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. The Organization's Board of Directors has the ability to designate net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. The Organization's Board of Directors has not designated any amounts as of December 31, 2021 and 2020.

Net Assets With Donor Restrictions

Funds whose use is limited by donor-imposed stipulations that either expire by the passage of time or for which the restriction can be fulfilled by the Organization, primarily by expending funds for the restricted purpose or that must be held in perpetuity. As of December 31, 2021 and 2020, the Organization had \$3,977,239 and \$4,077,622, respectively, in specific donor-imposed stipulated net assets restricted for various specific projects.

Frankfurt Zoological Society - U.S., Inc.

Notes to Financial Statements
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Cash and Cash Equivalents

The term cash and cash equivalents, as used in the accompanying financial statements, includes currency on hand, demand deposits with financial institutions and money market funds held with investments. 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 and Support and Revenue

Unconditional contributions or grants are recognized when cash, securities, other assets or promises to give are received. Conditional contributions or grants, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. A portion of the Organization's contributions and grants are conditional upon certain performance requirements and the incurrence of allowable qualifying expenses. As of December 31, 2021 and 2020 there was approximately \$4,822,000 and \$1,551,000, respectively, of conditional grants and contributions revenue which is expected to be recognized in future years when the conditions are met and substantially all of these grants are conditionally granted to others.

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 as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period as received are recorded as without donor restrictions.

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 net realizable value based on a review of all outstanding amounts. Management determines the net realizable value by regularly evaluating individual receivables and considering payment history and current economic conditions. Recoveries of receivables previously written-off are recorded when received. All receivables are current and no allowance was deemed necessary as of December 31, 2021 and 2020.

Advanced Grant Funds

The Organization subcontracted certain grants. The terms of these agreements are conditional until the subrecipient incurs allowable expenses and other barriers are met under the terms of the contract. Any unused amounts are to be returned to the Organization. Cash advanced to the subrecipients that the barriers have not been met are presented as advanced grant funds on the statements of financial position and totaled \$0 as of December 31, 2021 and 2020. As of December 31, 2021 and 2020 there was approximately \$4,680,000 and \$1,545,000, respectively, of conditional grants payable relating to conditional contributions receivable which are expected to be expensed in future years when the conditions are met. As of December 31, 2021 and 2020 there was approximately \$3,977,000 and \$4,078,000, respectively, of conditional grants payable related to contributions with donor restrictions which are expected to be expensed in future years when the conditions are met.

Grant Funds Received in Advance

The Organization receives grants that are conditional upon incurring allowable expenses. Cash received before meeting the conditions of the grant are presented as grant funds received in advance on the statements of financial position and totaled \$0 and \$171,293 as of December 31, 2021 and 2020, respectively.

Frankfurt Zoological Society - U.S., Inc.

Notes to Financial Statements
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Investments

Investments are recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which is considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Organization records the change of ownership of stocks on the day a trade is made. Investment income or loss and unrealized gains or losses, net of fees, are included in the statements of activities as increases or decreases in net assets without donor restriction unless the income or loss is restricted by donor or law.

Realized gains and losses are measured based on the difference between net selling price and original cost or other basis. Unrealized gains and losses are calculated using the difference between fair value at the beginning of the period and end of the period for investments held for the entire period, and the difference between cost and fair value at the end of the period for investments purchased during the period.

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, 2021 and 2020.

Use of Estimates

The preparation of financial statements in accordance with 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.

Future Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. The Organization will be required to apply the standard for fiscal years and reporting periods beginning after December 15, 2021 (2022). Management is currently evaluating the impact of ASU No. 2016-02 on the Organization's financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU No. 2020-07). ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (2022). Management is currently assessing the effect that ASU No. 2020-07 will have on its financial statements.

Frankfurt Zoological Society - U.S., Inc.

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4. Investments and Fair Value Measurements

The Organization measures and discloses the fair value of assets and liabilities using a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In determining fair value, the Organization uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data. Level 2 inputs include (a) quoted prices for similar investments in active markets; (b) quoted price for identical or similar investments in markets that are not active; and (c) inputs other than quoted prices that are observable for the investment.

Level 3 - Unobservable inputs that are not corroborated by market data. Unobservable inputs are inputs that reflect the Center's own assumptions used in valuing assets and liabilities based on the best information available.

Investments consisted of stock in one publicly traded company and were considered level 1 at December 31, 2020.

5. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of the statements of financial position date consist of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 4,641,959	\$ 4,741,668
Contributions, grants and pledges receivable, net	50	4,317
Investments	-	208,053
Less amounts unavailable due to donor restrictions	<u>(3,977,239)</u>	<u>(4,077,622)</u>
Assets available for general expenditures and liabilities	<u>\$ 664,770</u>	<u>\$ 876,416</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. The Organization passes thru the majority of its grants and contributions to other organizations and the amount granted and paid to third parties varies depending on grants received and the timing of cash receipts outlined in each contract.

Frankfurt Zoological Society - U.S., Inc.

Notes to Financial Statements
December 31, 2021 and 2020

6. Net Assets With Restrictions

Net assets with donor restrictions are available for specific projects in the following regions as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Zimbabwe	\$ 1,780,000	\$ 2,194,308
Zambia	1,257,423	1,232,947
Tanzania	322,817	600,917
United States	322,542	34,075
Democratic Republic of the Congo	<u>294,457</u>	<u>15,375</u>
Total	<u>\$ 3,977,239</u>	<u>\$ 4,077,622</u>

7. 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.

8. Donor Concentrations

For the years ended December 31, 2021 and 2020, grants and contributions from individual donors that represent 10 percent or more of grants and contributions were as follows:

	<u>2021</u>	<u>2020</u>
Donor A	31 %	32 %
Donor B	32	30
Donor C	7	14

9. Subsequent Events

FZS-US has evaluated subsequent events through March 18, 2022, the date these financial statements were available to be issued.