

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friends of BirdLife International, Inc.

Opinion

We have audited the accompanying financial statements of Friends of BirdLife International, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of Friends of BirdLife International, Inc. as of December 31, 2023 and 2022, 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. 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 Friends of BirdLife International, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the 2022 financial statements have been restated to correct certain misstatements. 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 Friends of BirdLife International, Inc.'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Friends of BirdLife International, 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 Friends of BirdLife International, 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.

Lotz + Carr, LLP

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash (Note 10a)	\$1,345,060	\$ 652,621
Investments (Notes 1c, 1d and 5)	3,805,328	8,181,473
Reimbursement receivable	219,412	49,297
Contributions receivable (Notes 1b and 4)		
With donor restrictions	-	379,315
Donated vehicle (Note 9)	35,000	-
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 6)	710	2,128
Prepaid expenses	1,812	-
Security deposit	3,822	3,822
	<u> </u>	<u> </u>
Total Assets	<u><u>\$5,411,144</u></u>	<u><u>\$9,268,656</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 46,512	\$ 41,414
Grants payable (Notes 1f, 7 and 8)	4,071,077	8,129,640
Total Liabilities	<u>4,117,589</u>	<u>8,171,054</u>
Commitments (Note 11)		
Net Assets, as restated (Notes 1g, 3 and 12)		
Without donor restrictions	1,268,555	718,287
With donor restrictions - for future programs	25,000	379,315
Total Net Assets	<u>1,293,555</u>	<u>1,097,602</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u><u>\$5,411,144</u></u>	<u><u>\$9,268,656</u></u>

See notes to financial statements.

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions		
Revenue and Support		
Contributions (Notes 1b and 10b)	\$3,682,047	\$ 3,102,882
Donated vehicle (Note 9)	35,000	-
Net investment income (loss) (Notes 1c and 5)	291,579	(98,146)
	<u>4,008,626</u>	<u>3,004,736</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>379,315</u>	<u>16,954,315</u>
Total Revenue and Support	<u>4,387,941</u>	<u>19,959,051</u>
Expenses (Note 7)		
Program Services	<u>3,519,561</u>	<u>19,129,715</u>
Supporting Services		
Management and general	197,751	194,783
Fundraising	120,361	73,213
Total Supporting Services	<u>318,112</u>	<u>267,996</u>
Total Expenses	<u>3,837,673</u>	<u>19,397,711</u>
Increase in Net Assets Without Donor Restrictions	<u>550,268</u>	<u>561,340</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Notes 1b and 10b)	25,000	-
Net assets released from restrictions	<u>(379,315)</u>	<u>(16,954,315)</u>
Decrease in Net Assets With Donor Restrictions	<u>(354,315)</u>	<u>(16,954,315)</u>
Increase (decrease) in net assets	195,953	(16,392,975)
Net assets, beginning of year, as previously reported	718,287	16,754,010
Prior period adjustments (Note 12)	<u>379,315</u>	<u>736,567</u>
Net assets, beginning of year, as restated	<u>1,097,602</u>	<u>17,490,577</u>
Net Assets, End of Year	<u><u>\$1,293,555</u></u>	<u><u>\$ 1,097,602</u></u>

See notes to financial statements.

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023				2022			
	Supporting Services			Total Expenses	Supporting Services			Total Expenses
	Program Services	Management and General	Fundraising		Program Services	Management and General	Fundraising	
Grant expense	\$3,439,321	\$ -	\$ -	\$3,439,321	\$19,046,609	\$ -	\$ -	\$19,046,609
Salaries, payroll taxes and employee benefits	67,887	56,572	101,831	226,290	70,990	35,495	62,539	169,024
Professional fees	-	49,405	-	49,405	-	70,427	-	70,427
Management fees	-	-	-	-	-	40,715	-	40,715
Accounting	-	44,511	-	44,511	-	13,113	-	13,113
Legal	-	4,925	-	4,925	-	2,995	-	2,995
Occupancy	3,302	2,752	4,953	11,007	1,541	770	1,358	3,669
Information technology	-	2,353	-	2,353	-	5,962	-	5,962
Insurance	1,424	1,187	2,136	4,747	774	388	682	1,844
Travel	-	29,690	-	29,690	-	20,018	-	20,018
Bank charges and other miscellaneous expenses	7,202	6,001	10,803	24,006	9,205	4,603	8,109	21,917
Depreciation expense	425	355	638	1,418	596	297	525	1,418
Total Expenses	<u>\$3,519,561</u>	<u>\$ 197,751</u>	<u>\$ 120,361</u>	<u>\$3,837,673</u>	<u>\$19,129,715</u>	<u>\$ 194,783</u>	<u>\$ 73,213</u>	<u>\$19,397,711</u>

See notes to financial statements.

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 195,953	\$(16,392,975)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation expense	1,418	1,418
Realized gain on investments	(44,172)	(1,300)
Unrealized (gain) loss on investments	(162,337)	159,308
Donated vehicle	(35,000)	-
(Increase) decrease in:		
Reimbursement receivable	(170,115)	29,031
Contributions receivable	379,315	357,252
Prepaid expenses	(1,812)	-
Security deposit	-	(3,822)
Increase (decrease) in:		
Accounts payable and accrued expenses	5,098	19,522
Grants payable	(4,058,563)	7,388,016
Net Cash Used By Operating Activities	<u>(3,890,215)</u>	<u>(8,443,550)</u>
Cash Flows From Investing Activities		
Purchase of investments	(1,122,635)	(11,535,543)
Proceeds from sale of investments	5,705,289	3,196,062
Net Cash Provided (Used) By Investing Activities	<u>4,582,654</u>	<u>(8,339,481)</u>
Net increase (decrease) in cash	692,439	(16,783,031)
Cash, beginning of year	<u>652,621</u>	<u>17,435,652</u>
Cash, End of Year	<u><u>\$1,345,060</u></u>	<u><u>\$ 652,621</u></u>

See notes to financial statements.

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Friends of BirdLife International, Inc. (the "Organization") is a not-for-profit organization which was incorporated in 2004 within the state of Delaware. The Organization's mission is to devote and apply resources for the support of conservation activities, projects, and programs to BirdLife International, a registered charity located in the United Kingdom.

b - Contributions and Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Conditional promises to give, that have a measurable performance or other barrier and a right of return are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

c - Investments

The Organization reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Income earned on investments that is restricted by the donor is reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the income is recognized.

d - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Fair Value Measurements (continued)

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The Organization's investments are classified entirely within Level 1.

e - Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

f - Grants

Grants are accrued at the time they are approved and awarded by the Board of Directors. Grant payments due in greater than one year are discounted to net present value using a discount rate of 3%.

g - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) (reported in U.S. dollars), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies

g - Financial Statement Presentation (continued)

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

h - Functional Allocation of Expenses

The financial statements report expenses that are attributable to program or supporting functions. Expenses are applied directly to programs or supporting functions where applicable. A substantial portion of the Organization's expenses are directly related to program activities. Certain other expenses are attributable to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, employee benefits, occupancy and depreciation which are allocated on the basis of estimates of employee time and effort.

i - Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j - Tax Status

Friends of BirdLife International, Inc. is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

k - Subsequent Events

The Organization has evaluated subsequent events through October 30, 2024, the date that the financial statements are considered available to be issued.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. The Organization's annual revenue is comprised of contribution revenue raised during the current year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to management and general and fundraising activities undertaken to support those services.

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization regularly monitors liquidity to meet its operating needs and other commitments. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain all of its financial assets in cash so that they are available to cover expenditures as they arise.

The Organization's financial assets as of December 31, 2023 and 2022 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year End:		
Cash	\$1,345,060	\$ 652,621
Investments	3,805,328	8,181,473
Reimbursement receivable	219,412	49,297
Contributions receivable	<u>-</u>	<u>379,315</u>
Total Financial Assets	5,369,800	9,262,706
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes	(25,000)	(379,315)
Plus: Net assets with donor restrictions expected to be met within one year	<u>25,000</u>	<u>379,315</u>
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$5,369,800</u>	<u>\$9,262,706</u>

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are designated for future activities.

Note 4 - Contributions Receivable

Contributions receivable at December 31, 2022 are due within one year.

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 5 - Investments

At December 31, 2023, investments consist of fixed income securities with a cost of \$3,802,299 and fair value of \$3,805,328.

At December 31, 2022, investments consist of fixed income securities with a cost of \$8,340,781 and fair value of \$8,181,473.

Net investment income (loss) consists of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 85,140	\$ 59,962
Unrealized gain (loss) on investments	162,337	(159,308)
Realized gain on investments	44,172	1,300
Investment fees	<u>(70)</u>	<u>(100)</u>
	<u>\$291,579</u>	<u>\$ (98,146)</u>

Note 6 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>Life</u>	<u>2023</u>	<u>2022</u>
Equipment	3 years	\$ 4,255	\$ 4,255
Less: Accumulated depreciation		<u>(3,545)</u>	<u>(2,127)</u>
		<u>\$ 710</u>	<u>\$ 2,128</u>

Note 7 - Significant Grant Award

In 2021, the Organization received a \$17,000,000 grant award in support of two of its projects over a five-year period. The Conserva Aves project, a collaborative effort to target new protected sites for every endangered and critically endangered bird species in the Tropical Andes region, was awarded \$12,000,000 in support from 2022 through 2026. The Key Biodiversity Areas (KBA) project, a partnership of the world's leading nature conservation organizations, was awarded \$5,000,000 over two years to support mapping, documenting, monitoring and promoting the conservation of KBA's.

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Note 7 - Significant Grant Award (continued)

In 2022, the Organization's board of directors approved grants to sub-grantees of \$16,575,000. As of December 31, 2023, the unpaid balance of approximately \$3,628,208 is included in grants payable and is expected to be paid based on sub-grantee annual budgeted expenditures over three years (Note 8).

Note 8 - Grants Payable

Grants payable as of December 31, 2023 are due as follows:

<u>Year Ending December 31,</u>	
2024	\$1,578,556
2025	1,432,556
2026	<u>1,170,323</u>
	4,181,435
Less: Discount to net present value	<u>(110,358)</u>
	<u>\$4,071,077</u>

Note 9 - Donated Vehicle

During the year ended December 31, 2023, the Organization received a donated van to utilize in connection with its programmatic activities. The van is reflected at appraised value obtained from the Organization's insurance provider. Subsequent to year end, the Organization granted the vehicle to another organization.

Note 10 - Concentrations

- a - The Organization maintains its cash in two financial institutions. The cash balances, at times, may exceed federally insured limits.
- b - In 2023 and 2022, the Organization received 43% and 54% of its contributions from two foundations and one individual, and three foundations and one individual, respectively.

FRIENDS OF BIRDLIFE INTERNATIONAL, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023 AND 2022****Note 11 - Commitments**

- a - In September 2023, the Organization extended its license agreement for office space through September 2024. Future minimum rental payments through September 2024 total \$34,400.
- b - The Organization adopted a 401k retirement plan for eligible employees effective January 1, 2022. The Organization may make discretionary non-elective contributions. The contribution made for the years ended December 31, 2023 and 2022 was \$39,353 and \$34,018, respectively.

Note 12 - Prior Period Adjustments

Net assets with donor restrictions as of January 1, 2023 and 2022 were restated to reflect a multiyear contribution receivable of \$379,315 and \$736,567, respectively, that had not been previously recorded.