

American Eagle Foundation

Financial Statements

*Year ended December 31, 2021
with Independent Auditor's Report*

American Eagle Foundation
Financial Statements
Year ended December 31, 2021

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Independent Auditor's Report

Board of Directors
American Eagle Foundation

Opinion

We have audited the financial statements of American Eagle Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

As discussed in Note 5 to the financial statements, net assets as of January 1, 2021, were restated to correct certain revenues and expenses that were reported in the wrong period. 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 these 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Board of Directors
American Eagle Foundation

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 the Foundation'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 Foundation'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.

Coulter & Justus, P.C.

Knoxville, Tennessee
November 9, 2022

American Eagle Foundation
Statement of Financial Position
December 31, 2021

Assets

Current assets:

Cash	\$ 356,260
Board restricted cash and cash equivalents	1,927,864
Other current assets	40,000
Total current assets	2,324,124

Property and equipment:

Land	615,000
Building and improvements	271,951
Equipment	111,374
Furniture and fixtures	30,665
Vehicles	81,999
Computer software	5,500
	1,116,489
Less accumulated depreciation	442,970
	673,519
Construction in progress	877,200
Net property and equipment	1,550,719

Restricted cash 149,294

Investments 6,077,633

Employee retention credit receivable 365,700

Other assets 11,029

Total assets \$ 10,478,499

American Eagle Foundation
Statement of Financial Position (continued)
December 31, 2021

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 11,364
Construction costs payable	25,527
Accrued expenses	<u>12,277</u>
Total current liabilities	49,168

Refundable advances	<u>149,114</u>
	198,282

Net assets:

Without donor restrictions	1,594,256
Without donor restrictions - Board restricted	<u>8,685,961</u>
	<u>10,280,217</u>

Total liabilities and net assets	<u><u>\$ 10,478,499</u></u>
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See accompanying Notes to Financial Statements.

American Eagle Foundation
Statement of Activities
Year ended December 31, 2021

Revenues and other support:	
Contributions and sponsorships	\$ 576,875
Employee retention credit income	365,700
Membership dues	26,355
Educational programs and shows	165,332
State license plates	267,169
In-kind revenue	36,000
Investment income	991,998
Other	<u>20,859</u>
Total revenues and other support	2,450,288
Expenses:	
Program services	1,195,902
Management and general	270,405
Fundraising	<u>203,706</u>
Total expenses	1,670,013
Increase in net assets	780,275
Net assets at beginning of year, as restated	<u>9,499,942</u>
Net assets at end of year	<u><u>\$ 10,280,217</u></u>

See accompanying Notes to Financial Statements.

American Eagle Foundation
Statement of Functional Expenses
Year ended December 31, 2021

	Program Services	Management and General	Fundraising	Totals
Salaries, wages and benefits	\$ 755,538	\$ 88,887	\$ 44,443	\$ 888,868
Professional expenses	30,250	73,883	7,500	111,633
Supplies	71,692	-	105,062	176,754
Telecommunications and utilities	93,545	10,099	5,050	108,694
Insurance	65,251	8,570	1,806	75,627
Rent	36,001	5,222	-	41,223
Travel	54,568	-	-	54,568
Advertising	9,992	-	39,845	49,837
Depreciation	-	34,569	-	34,569
Veterinary services	34,712	-	-	34,712
Repairs and maintenance	12,401	18,895	-	31,296
Grant expense	28,769	-	-	28,769
Licenses, taxes and fees	3,183	7,662	-	10,845
Other	-	22,618	-	22,618
	\$ 1,195,902	\$ 270,405	\$ 203,706	\$ 1,670,013

See accompanying Notes to Financial Statements.

American Eagle Foundation
Statement of Cash Flows
Year ended December 31, 2021

Cash flows from operating activities	
Change in net assets	\$ 780,275
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation expense	34,569
Realized gain on investments	(2,196,864)
Unrealized loss on investments	1,341,127
Changes in operating assets and liabilities:	
Other current assets	(40,000)
Inventory	104,953
Other assets	(1,640)
Employee retention credit receivable	(365,700)
Accounts payable and accrued expenses	(1,225)
Net cash used by operating activities	<u>(344,505)</u>
 Cash flows from investing activities	
Purchases of property and equipment	(854,364)
Purchases of marketable securities	(4,121,392)
Proceeds from sale of marketable securities	<u>5,872,291</u>
Net cash provided by investing activities	896,535
 Net increase in cash, restricted cash and cash equivalents	552,030
 Cash, restricted cash and cash equivalents at beginning of year	<u>1,881,388</u>
Cash, restricted cash and cash equivalents at end of year	<u><u>\$ 2,433,418</u></u>
 Reconciliation of cash, restricted cash and cash equivalents to the statement of financial position	
Cash	\$ 356,260
Board restricted cash and cash equivalents	1,927,864
Restricted cash	149,294
Total cash, restricted cash and cash equivalents	<u><u>\$ 2,433,418</u></u>
 Supplemental schedule of noncash transactions	
Payables related to purchase of property and equipment	\$ 25,527

See accompanying Notes to Financial Statements.

American Eagle Foundation
Notes to Consolidated Financial Statements
December 31, 2021

1. Significant Accounting Policies

Description of Foundation and Operations

American Eagle Foundation (the Foundation) is a not-for-profit organization established to guard and protect the American Bald Eagle and all birds of prey. The Foundation's mission includes conservation of the eagles' habitats, a wide variety of education initiatives and protection for raptors needing rehabilitation.

Basis of Presentation

The financial statements of the Foundation are prepared in accordance with accounting principles generally accepted in the United States of America and provide for the accrual basis of accounting. The financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets with Donor Restrictions: Net assets subject to donor or grantor restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash, Board Restricted Cash and Cash Equivalents and Restricted Cash

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Board restricted cash at December 31, 2021 totals \$1,927,864 and represents funds held by the Foundation's investment manager to be used for programs, education, eagle care, recovery, protection and enhancement as directed by the Board. Restricted cash represents advances received from a donor that are expected to be refunded. The balance of restricted cash as of December 31, 2021 was \$149,294. The total of cash, board restricted cash and cash equivalents and restricted cash included in the statement of cash flows at December 31, 2021 was \$2,433,418.

Property and Equipment

Property and equipment is stated on the basis of cost, if purchased, or fair value, if the asset is donated. Repairs and maintenance costs are expensed as incurred, while significant asset purchases and improvements are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to seven years for equipment and twenty years for buildings and improvements.

American Eagle Foundation
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Property and Equipment (continued)

Property and equipment donated with explicit donor stipulations regarding their use and contributions of cash or other assets that must be used to acquire property and equipment, are reported as restricted contributions. Absent explicit donor stipulations regarding how these assets are to be used or how long those assets must be maintained, the Foundation reports expiration of the donor's restrictions when the donated assets are placed in service.

Construction in progress relates to the development, construction and equipping of a new aviary, education facility and administrative offices for the Foundation in Kodak, Tennessee. The estimated cost to complete the construction is approximately \$10,000,000. Construction costs for 2021 and through November 9, 2022 have been self-funded by the Foundation, using its board restricted cash and investments (*Note 2*).

Contributions, Sponsorships, Educational Programs and Shows and Promises to Give

Contributions, sponsorships and funds received when conducting educational programs and shows are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support and included in net assets with donor restrictions. When a donor restriction expires in a subsequent fiscal year, 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 statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

The Foundation receives approximately \$400,000 from one donor.

Donated goods are recorded at fair market value on the date received and classified as in-kind revenues and expenses in the statement of activities. Donated services that create or enhance nonfinancial assets or require specialized skills are also recorded at fair market value. Several volunteers donate time to the Foundation's programs, however, no amounts have been recorded in 2021 as these activities do not meet the criteria for revenue recognition.

The current aviary and administrative facility used by the Foundation is provided free of charge by a donor. The Foundation has recorded \$36,000 in in-kind revenue and rent expense related to this arrangement.

Functional Expenses

The Foundation's expenses are allocated between program and supporting services primarily on the basis of specific identification. Supporting services include management and general and fundraising expenses.

American Eagle Foundation
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Income Taxes

The Foundation is exempt from income tax under Internal Revenue Code section 501(c)(3) as other than a private foundation. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Liquidity and Availability of Resources

The Foundation has a policy to generally structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As of December 31, 2021, the Foundation has approximately \$2,324,000 of financial assets. The financial assets include approximately \$2,284,124 of cash and \$40,000 of other current assets which are available to meet cash needs for general expenditures that will be available within one year of the statement of financial position date. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

As of December 31, 2021, the Clinic has \$149,294 of cash that is subject to donor restrictions that make it unavailable for general expenditure within one year of the statement of financial position date.

Subsequent Events

In preparation of the accompanying financial statements, events that have occurred since December 31, 2021 have been evaluated through November 9, 2022, the date the financial statements were available for issuance.

American Eagle Foundation
Notes to Financial Statements (continued)

2. Fair Value of Financial Instruments

Fair value is measured using a framework which prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy (in order of priority) are described below:

Level 1	Quoted prices in active markets for identical investments.
Level 2	Significant other observable inputs.
Level 3	Significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The Foundation's marketable securities are reported at fair values determined as follows:

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Domestic equity	\$2,092,188	\$ -	\$ -	\$2,092,188
International equity	1,296,898	-	-	1,296,898
Fixed income	2,380,713	-	-	2,380,713
Real estate	307,834	-	-	307,834
Total investments at fair value	<u>\$6,077,633</u>	\$ -	\$ -	<u>\$6,077,633</u>

3. Board Restricted Funds

The Foundation's governing board considers certain investments to be board restricted. In June 2020 the governing board directed that the board restricted investments be used for the purchase, development, construction and equipping of a new aviary, education center and administrative facility in Kodak, Tennessee. Net assets associated with these funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

American Eagle Foundation
Notes to Financial Statements (continued)

4. Employee Retention Credit

The Foundation was eligible for the Employee Retention Credit under the provisions of the Coronavirus Aid, Relief, and Economic Security Act as amended. The Foundation recognized as income and a receivable \$365,700 during the year ended December 31, 2021.

5. Prior Period Adjustments

During 2021, the Foundation determined that net assets without donor restrictions, as originally presented on January 1, 2021, included certain revenues and expenses that were reported in the wrong period. The Foundation made adjustments to net assets without donor restrictions as of January 1, 2021, as described in the table below. In addition, \$615,000 of net assets without donor restrictions - board restricted were reclassified to net assets without donor restrictions. Net assets as restated totaled \$9,499,942.

Total net assets without donor restrictions as of January 1, 2021, as originally presented	\$10,013,943
Writeoff certain inventory and other assets	(192,084)
Additional depreciation for certain property and equipment	(157,213)
Accrue payroll and related taxes	(15,590)
Accrue advances to be returned to donor	(149,114)
Total net assets without donor restrictions as of January 1, 2021, as restated	<u>\$ 9,499,942</u>