



FINANCIAL STATEMENTS

DECEMBER 31, 2020

**NATURE AND CULTURE INTERNATIONAL
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Nature and Culture International

Report on the Financial Statements

We have audited the accompanying financial statements of Nature and Culture International, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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.

To the Board of Directors
Nature and Culture International

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nature and Culture International as of December 31, 2020, 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.

Leaf & Cole LLP

San Diego, California
May 14, 2021

**NATURE AND CULTURE INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

<u>Current Assets:</u> (Note 2)	
Cash and cash equivalents	\$ 4,074,945
Grants receivable	75,782
Prepaid expenses and other assets	20,993
Total Current Assets	<u>4,171,720</u>
<u>Noncurrent Assets:</u> (Notes 2 and 4)	
Property and equipment, net	2,992,563
Total Noncurrent Assets	<u>2,992,563</u>
TOTAL ASSETS	\$ <u>7,164,283</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Note 2)	
Accounts payable and accrued expenses	\$ 40,728
Accrued payroll and benefits	363,964
Deferred revenue	1,012,186
Total Current Liabilities	<u>1,416,878</u>
<u>Commitments and Contingencies</u> (Note 6)	
<u>Net Assets:</u> (Notes 2 and 5)	
Without donor restriction:	4,078,538
With donor restriction:	1,668,867
Total Net Assets	<u>5,747,405</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>7,164,283</u>

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

**NATURE AND CULTURE INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenue:</u>			
Contributions	\$ 2,737,757	\$ 712,343	\$ 3,450,100
Grants	2,575,048	-	2,575,048
Fees	121,707	-	121,707
Other income	21,152	-	21,152
Interest	5,089	-	5,089
Net assets released from restrictions	629,026	(629,026)	-
Total Support and Revenue	<u>6,089,779</u>	<u>83,317</u>	<u>6,173,096</u>
<u>Expenses:</u>			
Program expenses	3,820,985	-	3,820,985
Management and general	676,318	-	676,318
Fundraising	358,853	-	358,853
Total Expenses	<u>4,856,156</u>	<u>-</u>	<u>4,856,156</u>
Change in Net Assets	1,233,623	83,317	1,316,940
Net Assets at Beginning of Year	<u>2,844,915</u>	<u>1,585,550</u>	<u>4,430,465</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 4,078,538</u></u>	<u><u>\$ 1,668,867</u></u>	<u><u>\$ 5,747,405</u></u>

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

**NATURE AND CULTURE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>Salaries and Related Expenses:</u>				
Salaries and wages	\$ 1,343,452	\$ 188,293	\$ 218,923	\$ 1,750,668
Employer taxes and benefits	160,532	33,269	27,219	221,020
Total Salaries and Related Expenses	<u>1,503,984</u>	<u>221,562</u>	<u>246,142</u>	<u>1,971,688</u>
<u>Nonsalary Related Expenses:</u>				
Professional fees	687,287	281,039	19,716	988,042
Project grants	690,477	-	-	690,477
Field expenses	609,192	2,282	-	611,474
Occupancy	67,383	90,000	-	157,383
Development and marketing	50,646	1,235	90,408	142,289
Office expense	101,692	34,509	2,587	138,788
Depreciation	42,984	-	-	42,984
Publicity	39,450	3,116	-	42,566
Insurance	13,252	17,472	-	30,724
Other expenses	-	25,000	-	25,000
Dining and events	14,638	103	-	14,741
Total Nonsalary Related Expenses	<u>2,317,001</u>	<u>454,756</u>	<u>112,711</u>	<u>2,884,468</u>
TOTAL EXPENSES	<u>\$ 3,820,985</u>	<u>\$ 676,318</u>	<u>\$ 358,853</u>	<u>\$ 4,856,156</u>

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

**NATURE AND CULTURE INTERNATIONAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Cash Flows From Operating Activities:</u>	
Change in net assets	\$ 1,316,940
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	42,984
(Increase) Decrease in:	
Grants receivable	564,218
Prepaid expenses and other assets	25
Increase (Decrease) in:	
Accounts payable and accrued expenses	7,978
Accrued payroll and benefits	32,813
Deferred revenue	(999,078)
Net Cash Provided by Operating Activities	<u>965,880</u>
<u>Cash Flows From Investing Activities:</u>	
Purchase of property and equipment	<u>(186,949)</u>
Net Cash Used in Investing Activities	<u>(186,949)</u>
Net Increase in Cash and Cash Equivalents	778,931
Cash and Cash Equivalents at Beginning of Year	<u>3,296,014</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 4,074,945</u></u>

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

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 1 - Organization:

Nature and Culture International (“Nature and Culture”) is a California non-profit corporation dedicated to the international preservation of biological and cultural diversity and to educate the public regarding these issues.

We believe conservation success is defined by helping nature thrive so the people who depend on it can too. It means a forest where the towering trunks of old growth trees remain so that jaguars can still walk the ground at dawn. It means communities where children no longer get sick after a strong rain, because they have protected one of their most precious assets: water. It means a place where our own children can find joy in the living forms that will still endure.

Since 1996, our donors have helped save 21 million acres of endangered ecosystems, an achievement made possible through unparalleled efficiency. Our efforts are directed at working with local and indigenous communities, and with governments from the village to the national level. These bottom-up strategies result in conservation programs that work for the long-term.

In the face of climate change and other threats to the ecosystems that sustain our planet, we continue to work urgently to save more intact landscapes and the diverse species within. We are dedicated to our mission: **to conserve biologically diverse landscapes in Latin America, in concert with local cultures, for the well-being of the planet.**

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of Nature and Culture have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor)-imposed restrictions. Some donor-imposed 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. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Foreign Securities

The values of securities and cash and cash equivalents which are denominated in currencies other than U.S. Dollar are stated using the exchange rate in effect as of December 31, 2020.

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 2 - Significant Accounting Policies: (Continued)

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 the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Nature and Culture had no financial instruments at December 31, 2020.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of outstanding receivables. Management believes that all grants receivable were fully collectible; therefore, no allowance for doubtful grants receivable was recorded at December 31, 2020.

Capitalization and Depreciation

Nature and Culture capitalizes all expenditures in excess of \$5,000 for property and equipment at cost, while donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, Nature and Culture reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Nature and Culture reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over the estimated asset lives of five to thirty nine years. Depreciation totaled \$42,984 for the year ended December 31, 2020.

Maintenance and repairs are charged to operations as incurred. Major renewals or improvements are capitalized. Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Land

Land is acquired by Nature and Culture for conservation purposes, sustainable use of natural resources and promotion of scientific research in biological and cultural diversity.

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 2 - Significant Accounting Policies: (Continued)

Compensated Absences

Accumulated unpaid vacation totaling \$75,401 at December 31, 2020 is accrued when incurred, and is included in accrued payroll and benefits.

Revenue Recognition

Contributions

Contributions are recognized when the donor makes a promise to give in writing to Nature and Culture that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional—that is, when the conditions on which they depend are substantially met. Contributions are recorded as without donor restriction or with donor restriction, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Grants

Grant revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant. Grants receivable are recorded when revenue earned under a grant or contract exceeds the cash received. Grants receivable totaled \$75,783 at December 31, 2020. Deferred revenue is recorded when cash received under a grant exceeds the revenue earned. Deferred revenue totaled \$1,012,186 at December 31, 2020.

Fees

Fees for services are recognized in the period in which the service is performed. Included in fees are rental fees for the San Francisco Station in Ecuador from research organizations. Rental income is recognized when the obligation is satisfied. Deferred revenue due to Ecuador totaled \$6,347 at December 31, 2020 and is included in accounts payable and accrued expenses.

Donated Services, Materials and Facilities

Nature and Culture occupies office space in Del Mar in facilities that are donated. Donated facilities are recorded at fair value and totaled \$90,000 for the year ended December 31, 2020 and have been included in contribution revenue and occupancy expense.

Nature and Culture has received donations of software. The software is recorded at fair value and totaled \$9,400 for the year ended December 31, 2020 and has been included in contribution revenue and office expense for the year ended December 31, 2020.

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 2 - Significant Accounting Policies: (Continued)

Donated Services, Materials and Facilities (Continued)

In addition, many individuals volunteer their time and perform a variety of tasks that assist Nature and Culture with specific programs and various committee assignments. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the year ended December 31, 2020 did not meet the requirements above; therefore, no amounts were recognized in the financial statements for volunteer time.

Functional Allocation of Expenses

The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by Nature and Culture's management.

Income Tax Status

Nature and Culture is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Nature and Culture believe that they have appropriate support for any tax positions taken, and, as such, do not have any uncertain tax positions that are material to the financial statements. Nature and Culture is not a private foundations.

Nature and Culture's Return of Organization Exempt from Income Tax for the years ended December 31, 2020, 2019, 2018, and 2017 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

Nature and Culture maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Nature and Culture has not experienced any losses in such accounts. Nature and Culture believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Nature and Culture considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, Nature and Culture has evaluated subsequent events through May 14, 2021, which is the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 3 - Liquidity and Availability:

Nature and Culture regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Nature and Culture considers investment income without donor restrictions, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Nature and Culture considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditure within one year at December 31, 2020:

Cash and cash equivalents	\$ 4,080,373
Grants receivable	75,783
Financial assets available to meet general expenditures within one year	<u>\$ 4,156,156</u>

In addition to financial assets available to meet general expenditures over the next 12 months, Nature and Culture operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4 - Property and Equipment:

Property and equipment consist of the following at December 31, 2020:

Land - conservation	\$ 2,687,373
Buildings and improvements	272,316
Furniture and equipment	38,686
Vehicles	375,485
Subtotal	<u>3,373,860</u>
Less: Accumulated depreciation	<u>(381,297)</u>
Property and Equipment, Net	<u>\$ 2,992,563</u>

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 5 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by Nature and Culture, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at December 31, 2020:

Subject to Expenditure for Specified Purpose:

Creation and maintenance of protected land areas	\$ 818,867
Total Subject to Expenditure For Specified Purpose	<u>818,867</u>

Perpetual in Nature:

5,290 hectares (13,066 acres) of dry tropical forest land on the Southern Province of Loja, Ecuador	450,000
1,000 hectares (2,471 acres) of cloud forest with a 8,000 square foot research station in Zamora Chinchipe, Ecuador	<u>400,000</u>
Total Perpetual in Nature	<u>850,000</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 1,668,867</u></u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the year ended December 31, 2020:

Purpose Restrictions Accomplished:

Creation and maintenance of protected land areas	\$ 629,026
Total Net Assets Released From Restrictions	<u><u>\$ 629,026</u></u>

Note 6 – Commitments and Contingencies:

Pension Plan

Nature and Culture has established a Simple IRA for employees. The plan was adopted as of January 1, 2018 and provides a 3% employer match for all participating employees. Employer contributions totaled \$3,333 for the year ended December 31, 2020 and are included in employer payroll taxes and benefits in the statement of functional expenses.

Operating Leases

Nature and Culture leases office space under month-to-month operating leases and term leases which expire on various dates through June 2023. Future minimum rental payments are as follows:

<u>Years Ended December 31</u>		
2021	\$	54,530
2022		18,932
2023		<u>2,922</u>
	\$	<u><u>76,384</u></u>

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 6 – Commitments and Contingencies: (Continued)

Salary Reserve Contingency

Employees in Ecuador and Peru are required by law to be paid a severance pay upon termination by the employer. The severance pay is based on years of service and current rate of pay. The total contingent liability for all current employees is approximately \$863,000. This calculation is based on the liability at December 31, 2020 if all employees were terminated. Nature and Culture is not anticipating any reduction in staff subsequent to December 31, 2020. The potential liability to pay severance related to any terminations is based on historical experience and management's evaluation of staffing needs. The estimated liability totaling \$234,905 has been accrued at December 31, 2020 and is included in accrued payroll and benefits.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Nature and Culture is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on Nature and Culture's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Nature and Culture's donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Nature and Culture's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.