

NATURE AND CULTURE INTERNATIONAL
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS:	
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES	6
STATEMENT OF FUNCTIONAL EXPENSES	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9-16

GURRERA & ASSOCIATES

Certified Public Accountants
Business & Personal Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nature and Culture International
Del Mar, California

We have audited the accompanying financial statements of Nature and Culture International (a California non-profit Corporation), which comprise the statement of financial position as of December 31, 2018, 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 judgement, 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nature and Culture International as of December 31, 2018, 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.

Drew : aut
GURRERA & ASSOCIATES

San Diego, California
October 21, 2019

NATURE AND CULTURE INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 3,375,200
Grants receivable	522,401
Prepaid expenses and deposits	<u>24,243</u>

Total current assets 3,921,844

PROPERTY & EQUIPMENT, at cost:

Land - conservation	2,360,373
Buildings and improvements	278,558
Vehicles	352,785
Furniture and equipment	<u>35,813</u>

3,027,529

Less accumulated depreciation (347,356)

2,680,173

Total assets \$ 6,602,017

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 43,794
Loan payable	30,000
Accrued payroll and benefits	269,271
Deferred revenue - grants	<u>1,889,907</u>

Total current liabilities 2,232,972

NET ASSETS:

Without donor restrictions	2,984,601
With donor restrictions	<u>1,384,444</u>

Total net assets 4,369,045

Total liabilities and net assets \$ 6,602,017

See notes to the financial statements and independent auditor's report.

NATURE AND CULTURE INTERNATIONAL
STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUES:			
Grants	\$ 2,432,460		\$ 2,432,460
Contributions	2,259,046	\$ 604,965	2,864,011
Fees	77,702		77,702
Interest	17,815		17,815
In-kind contributions	66,491		66,491
Special events	3,319		3,319
Gain on sale of fixed assets	59,798		59,798
Miscellaneous	46,400		46,400
Net assets released from restriction	<u>778,425</u>	<u>(778,425)</u>	<u>-0-</u>
Total public support and revenues	<u>5,741,456</u>	<u>(173,460)</u>	<u>5,567,996</u>
EXPENSES:			
Program services	3,955,114	-0-	3,955,114
Management and general	465,077	-0-	465,077
Fundraising	264,097	-0-	264,097
Total expenses	<u>4,684,288</u>	<u>-0-</u>	<u>4,684,288</u>
CHANGE IN NET ASSETS	1,057,168	(173,460)	883,708
NET ASSETS at January 1, 2018	<u>1,927,433</u>	<u>1,557,904</u>	<u>3,485,337</u>
NET ASSETS at December 31, 2018	<u>\$ 2,984,601</u>	<u>\$ 1,384,444</u>	<u>\$ 4,369,045</u>

See notes to financial statements and independent auditor's report.

NATURE AND CULTURE INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	<u>Program Services</u>	<u>Management & General</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES:					
Project grants	\$ 1,286,721	\$ -0-		-0-	\$ 1,286,721
Salaries and wages	1,198,464	236,584		193,250	1,628,298
Field expenses	680,080	23,581		1,414	705,075
Professional fees	506,483	155,272		22,150	683,905
Office expense	165,248	27,870		98	193,216
Development and marketing	41,297	9,938		15,582	66,817
Depreciation	29,348	-0-		-0-	29,348
Publicity	24,761	209		-0-	24,970
Insurance	19,760	9,103		-0-	28,863
Dining and events	2,952	2,520		6,603	12,075
Joint projects	-0-	-0-		25,000	25,000
Total expenses	<u>\$ 3,955,114</u>	<u>\$ 465,077</u>		<u>\$ 264,097</u>	<u>\$ 4,684,288</u>

See notes to financial statements and independent auditor's report.

NATURE AND CULTURE INTERNATIONAL
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 883,708
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	29,348
Donated fixed assets	(63,980)
Donation of land	228,500
Gain on sale of assets	(59,798)
(Increase) decrease in:	
Grants receivable	(204,301)
Prepaid expenses and deposits	13,839
Increase (decrease) in:	
Accounts payable and accrued expenses	15,849
Deferred revenue - grants	<u>1,002,733</u>
Net cash provided by operating activities	<u>1,845,898</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(107,681)
Proceeds from sale of assets	<u>69,960</u>
Net cash used by investing activities	<u>(37,721)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Debt reduction	<u>(120,000)</u>
Net cash used by financing activities	<u>(120,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,688,177
CASH AND CASH EQUIVALENTS AT JANUARY 1, 2018	<u>1,687,023</u>
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2018	<u>\$ 3,375,200</u>

SUPPLEMENTAL INFORMATION:

No payments for interest or income taxes were made during the year ended December 31, 2018.

See notes to financial statements and independent auditor's report.

NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE A - ORGANIZATION

Organization's Activities

Nature and Culture International is a California non-profit corporation dedicated to the international preservation of biological and cultural diversity and to educate the public regarding these issues. Its programs emphasize the conservation of endangered ecosystems in Latin America, and are carried out with the involvement of local communities. Nature and Culture International has offices and institutional presence in California, Ecuador (Loja, Cuenca, Zamora, Macas and Zapotillo), Peru (Chachapoyas, Loreto, Piura and Pucallpa) and Mexico (Alamos). Nature and Culture International also provides grants to and collaborates with other non-profit organizations throughout the Americas in carrying out its programs.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS - (Continued)
December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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 by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS - (Continued)
December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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, 2018.

Property and Equipment

Property and equipment are stated at cost or donated fair market value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives (5 to 39 years) of the assets. Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of properties, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS - (Continued)
December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Land

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

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short term investments with an original maturity of three months or less to be cash equivalents.

Income Taxes

The Organization is a non-profit corporation exempt from Federal and State income taxes under section 501 (c) (3), and 23701(d), respectively. The Organization's Form 990, is subject to examination by the Internal Revenue Service for three years after it was filed.

The Organization recognizes and measures its uncertain tax positions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, Income Taxes. This addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FASB ASC 740, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS - (Continued)
December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Income Taxes - (Continued)

FASB ASC 740, also provides guidance on the de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of December 31, 2018, the Organization does not have a liability for unrecognized tax uncertainties. The Organization's policy is to record interest and penalties on uncertain tax positions as income tax expense. As of December 31, 2018, the Organization has no accrued interest or penalties related to uncertain tax positions.

The Organization is subject to routine audits by taxing jurisdictions. However, currently no audits for any tax periods are in progress.

Promises To Give

Unconditional promises to give are recognized as contribution revenue in the period the cash is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Donated Property and Materials

Donations of property and materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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 restricted contributions.

NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS - (Continued)
December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fair Value Measurements

The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs.

The three levels are defined as follows:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE C - CONCENTRATIONS OF CREDIT RISK

The Organization maintains account balances at various institutions. The Organization considers all highly liquid debt instruments purchased with a maturity at three months or less to be cash equivalents. As of December 31, 2018, the Organization had \$2,840,278 of cash in excess of FDIC insurance limits.

NATURE AND CULTURE INTERNATIONAL
 NOTES TO FINANCIAL STATEMENTS - (Continued)
 December 31, 2018

NOTE D - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets of \$1,384,444 as of December 31, 2018, were available for the following purposes:

Creation and maintenance of protected land areas.	\$ 534,444
5,290 hectares (13,066 acres) of dry tropical forest land in the Southern Province of Loja, Ecuador, which was donated to the Organization.	450,000
1,000 hectares (2,471 acres) of cloud forest with a 8,000 square foot research station in Zamora Chinchipe, Ecuador.	400,000
	\$ 1,384,444

NOTE E - LOAN

The loan of \$30,000 is due on demand. The loan was non-interest bearing until September 30, 2018. Interest began accruing at 3% per annum on October 1, 2018. The loan will be treated as a matching grant in that all or part of the loan will be forgiven once matching funds are secured.

NOTE F - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of balance sheet:

Cash	\$ 3,375,200
Grants receivable	522,401
Prepaid expenses and deposits	24,243
Financial assets at year-end	3,921,844
Less those unavailable for general expenditures with one year, due to: Donor-restricted to creation and maintenance of protected land areas	(1,384,444)

NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS - (Continued)
December 31, 2018

NOTE G - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS -
(Continued)

Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,537,400</u>
---	---------------------

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

NOTE H - DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through October 21, 2019, which is the date the financial statements were available to be issued.