



FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**NATURE AND CULTURE INTERNATIONAL
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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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

Opinion

We have audited the accompanying financial statements of Nature and Culture International (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Nature and Culture International as of December 31, 2022 and 2021, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nature and Culture International, 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.

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 Nature and Culture International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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, including omissions, 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 Nature and Culture International'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 Nature and Culture International'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.

Change in Accounting Principle

As described in Note 2 to the financial statements, Nature and Culture adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter.

Leaf & Cole LLP

San Diego, California
June 8, 2023

**NATURE AND CULTURE INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

ASSETS

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|----------------------------|
| <u>Current Assets:</u> (Note 2 and 4) | | |
| Cash and cash equivalents | \$ 7,221,403 | \$ 6,130,244 |
| Grants and other receivables | 84,297 | 107,864 |
| Pledges receivable | 400,299 | 34,692 |
| Prepaid expenses and other assets | 20,130 | 19,523 |
| Total Current Assets | <u>7,726,129</u> | <u>6,292,323</u> |
| <u>Noncurrent Assets:</u> (Notes 2, 4, 5 and 8) | | |
| Pledges receivable, net | 868,570 | - |
| Property and equipment, net | 3,728,573 | 3,174,060 |
| Operating lease right-of-use asset | 24,309 | - |
| Total Noncurrent Assets | <u>4,621,452</u> | <u>3,174,060</u> |
| TOTAL ASSETS | \$ <u>12,347,581</u> | \$ <u>9,466,383</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|-----------------------------|----------------------------|
| <u>Current Liabilities:</u> (Notes 2 and 8) | | |
| Accounts payable and accrued expenses | \$ 94,236 | \$ 54,162 |
| Accrued payroll and benefits | 535,177 | 359,876 |
| Deferred revenue | 2,272,729 | 1,580,184 |
| Operating lease liability, current | 13,604 | - |
| Total Current Liabilities | <u>2,915,746</u> | <u>1,994,222</u> |
| <u>Noncurrent Liabilities:</u> (Notes 2 and 8) | | |
| Operating lease liability, net of current portion | 10,709 | - |
| Total Noncurrent Liabilities | <u>10,709</u> | <u>-</u> |
| Total Liabilities | <u>2,926,455</u> | <u>1,994,222</u> |
| <u>Commitments and Contingencies</u> (Note 8) | | |
| <u>Net Assets:</u> (Notes 2, 6 and 7) | | |
| Without donor restriction: | | |
| Undesignated | 5,285,246 | 4,785,213 |
| Board designated reserve | 762,908 | 500,000 |
| With donor restriction | 3,372,972 | 2,186,948 |
| Total Net Assets | <u>9,421,126</u> | <u>7,472,161</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ <u>12,347,581</u> | \$ <u>9,466,383</u> |

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

**NATURE AND CULTURE INTERNATIONAL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | | | 2021 | | |
|--|----------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| <u>Support and Revenue:</u> | | | | | | |
| Grants | \$ 4,581,686 | \$ - | \$ 4,581,686 | \$ 3,106,963 | \$ - | \$ 3,106,963 |
| Contributions | 2,478,914 | 1,760,893 | 4,239,807 | 2,472,795 | 1,503,296 | 3,976,091 |
| Fees | 182,466 | - | 182,466 | 151,236 | - | 151,236 |
| In-kind contributions | 80,000 | - | 80,000 | 90,000 | - | 90,000 |
| Interest | 31,853 | - | 31,853 | 214 | - | 214 |
| Other income | - | - | - | 29,216 | - | 29,216 |
| Gain on disposal of property and equipment | - | - | - | 16,701 | - | 16,701 |
| Net assets released from restrictions | 574,869 | (574,869) | - | 985,215 | (985,215) | - |
| Total Support and Revenue | <u>7,929,788</u> | <u>1,186,024</u> | <u>9,115,812</u> | <u>6,852,340</u> | <u>518,081</u> | <u>7,370,421</u> |
| <u>Expenses:</u> | | | | | | |
| Program expenses | 6,083,477 | - | 6,083,477 | 4,784,082 | - | 4,784,082 |
| Management and general | 510,709 | - | 510,709 | 526,457 | - | 526,457 |
| Fundraising | 572,661 | - | 572,661 | 335,126 | - | 335,126 |
| Total Expenses | <u>7,166,847</u> | <u>-</u> | <u>7,166,847</u> | <u>5,645,665</u> | <u>-</u> | <u>5,645,665</u> |
| Change in Net Assets | 762,941 | 1,186,024 | 1,948,965 | 1,206,675 | 518,081 | 1,724,756 |
| Net Assets at Beginning of Year | 5,285,213 | 2,186,948 | 7,472,161 | 4,078,538 | 1,668,867 | 5,747,405 |
| NET ASSETS AT END OF YEAR | <u>\$ 6,048,154</u> | <u>\$ 3,372,972</u> | <u>\$ 9,421,126</u> | <u>\$ 5,285,213</u> | <u>\$ 2,186,948</u> | <u>\$ 7,472,161</u> |

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

**NATURE AND CULTURE INTERNATIONAL
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | | | | 2021 | | | |
|--|---------------------|---------------------------|-------------------|---------------------|---------------------|---------------------------|-------------------|---------------------|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| <u>Salaries and Related Expenses:</u> | | | | | | | | |
| Salaries and wages | \$ 1,833,783 | \$ 274,336 | \$ 389,436 | \$ 2,497,555 | \$ 1,352,309 | \$ 285,639 | \$ 245,562 | \$ 1,883,510 |
| Employer taxes and benefits | 246,122 | 47,320 | 53,981 | 347,423 | 234,195 | 22,620 | 13,548 | 270,363 |
| Total Salaries and Related Expenses | <u>2,079,905</u> | <u>321,656</u> | <u>443,417</u> | <u>2,844,978</u> | <u>1,586,504</u> | <u>308,259</u> | <u>259,110</u> | <u>2,153,873</u> |
| <u>Nonsalary Related Expenses:</u> | | | | | | | | |
| Field expenses | 1,490,598 | 2,921 | 15,287 | 1,508,806 | 944,599 | 5,525 | 7,773 | 957,897 |
| Professional fees | 1,145,979 | 36,271 | 5,125 | 1,187,375 | 861,175 | 61,274 | - | 922,449 |
| Project grants | 718,356 | - | - | 718,356 | 942,825 | - | - | 942,825 |
| Development and marketing | 90,723 | 6,011 | 103,506 | 200,240 | 61,901 | 3,461 | 54,159 | 119,521 |
| Office expense | 165,085 | 26,414 | 4,615 | 196,114 | 100,309 | 28,597 | 13,921 | 142,827 |
| Occupancy | 98,681 | 80,000 | - | 178,681 | 69,645 | 90,000 | - | 159,645 |
| Publicity | 175,065 | - | - | 175,065 | 140,607 | 300 | - | 140,907 |
| Depreciation | 90,986 | - | - | 90,986 | 55,217 | - | - | 55,217 |
| Insurance | 20,407 | 31,070 | - | 51,477 | 14,780 | 24,889 | - | 39,669 |
| Other expenses | 7,572 | - | - | 7,572 | - | - | - | - |
| Dining and events | 120 | 6,366 | 711 | 7,197 | 6,520 | 4,152 | 163 | 10,835 |
| Total Nonsalary Related Expenses | <u>4,003,572</u> | <u>189,053</u> | <u>129,244</u> | <u>4,321,869</u> | <u>3,197,578</u> | <u>218,198</u> | <u>76,016</u> | <u>3,491,792</u> |
| TOTAL EXPENSES | <u>\$ 6,083,477</u> | <u>\$ 510,709</u> | <u>\$ 572,661</u> | <u>\$ 7,166,847</u> | <u>\$ 4,784,082</u> | <u>\$ 526,457</u> | <u>\$ 335,126</u> | <u>\$ 5,645,665</u> |

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

**NATURE AND CULTURE INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| <u>Cash Flows From Operating Activities:</u> | | |
| Change in net assets | \$ 1,948,965 | \$ 1,724,756 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 90,986 | 55,217 |
| Property and equipment acquired in business combination (Note 9) | (263,648) | - |
| Gain on disposal of property and equipment | - | (16,701) |
| (Increase) Decrease in: | | |
| Grants and other receivables | 23,567 | (32,082) |
| Pledges receivable | (1,234,177) | (34,692) |
| Prepaid expenses and other assets | (607) | 1,470 |
| Operating lease right-of-use asset | (24,309) | - |
| Increase (Decrease) in: | | |
| Accounts payable and accrued expenses | 40,074 | 13,434 |
| Accrued payroll and benefits | 175,301 | (4,088) |
| Deferred revenue | 692,545 | 567,998 |
| Operating lease liability | 24,313 | - |
| Net Cash Provided by Operating Activities | <u>1,473,010</u> | <u>2,275,312</u> |
| <u>Cash Flows From Investing Activities:</u> | | |
| Purchase of property and equipment | (381,851) | (239,313) |
| Proceeds from sale of property and equipment | - | 19,300 |
| Net Cash Used in Investing Activities | <u>(381,851)</u> | <u>(220,013)</u> |
| Net Increase in Cash and Cash Equivalents | 1,091,159 | 2,055,299 |
| Cash and Cash Equivalents at Beginning of Year | <u>6,130,244</u> | <u>4,074,945</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 7,221,403</u> | <u>\$ 6,130,244</u> |

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

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 1 - Organization:

Nature and Culture International is a 501(c)(3) that works to bring people together to save wild places. Our conservation goals are born within local communities, and ensure biological and cultural diversity can thrive. Nature and Culture works together with indigenous groups, local communities, as well as national and subnational governments, to protect critical ecosystems. This methodology has been highly successful since the organization's establishment in 1996. Since our founding, we've protected over 25 million acres, and not a single area has had its protected status reversed. This success is partly attributed to Nature and Culture's devotion to the long-term management and technical support of a protected area after establishing its protected status. Nature and Culture International has a committed team of local conservationists, environmental lawyers, and mapping experts, working to save critical ecosystems in Latin America. To learn more, visit www.natureandculture.org.

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 Cash and Cash Equivalents

The values of cash and cash equivalents which are denominated in currencies other than the U.S. Dollar are stated using the exchange rate in effect as of December 31, 2022 and 2021.

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.

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

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, 2022 and 2021.

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 and other receivables were fully collectible; therefore, no allowance for doubtful grants and other receivables was recorded at December 31, 2022 and 2021. Management believes that all pledges receivable were fully collectible; therefore, no allowance for doubtful pledges receivable was recorded at December 31, 2022 and 2021.

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 \$90,986 and \$55,217 for the years ended December 31, 2022 and 2021, respectively.

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.

Compensated Absences

Accumulated unpaid vacation totaling \$150,351 and \$78,042 at December 31, 2022 and 2021, respectively, is accrued when incurred, and is included in accrued payroll and benefits.

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

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 \$84,297 and \$107,864 at December 31, 2022 and 2021, respectively, and is included in grants and other receivables. Deferred revenue is recorded when cash received under a grant exceeds the revenue earned. Deferred revenue totaled \$2,272,729 and \$1,580,184 at December 31, 2022 and 2021, respectively.

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 \$8,480 and \$7,052 at December 31, 2022 and 2021, respectively, 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 space is valued at the fair value of similar properties available in commercial real estate listings. Donated facilities totaled \$80,000 and \$90,000 for the years ended December 31, 2022 and 2021, respectively, and have been included in in-kind contributions revenue and occupancy expense.

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 years ended December 31, 2022 and 2021 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.

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

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 believes that they have appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. Nature and Culture is not a private foundation.

Nature and Culture's Return of Organization Exempt from Income Tax for the years ended December 31, 2022, 2021, 2020, and 2019 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.

Accounting Pronouncements Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Financial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

Change in Accounting Principle

In February 2016, the FASB issued Accounting Standards Codification ("ASC") 842, *Leases ("FASB ASC 842")*, to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees, and the disclosure of key information about leasing arrangements. This standard is applied using the effective date transition method which allows Nature and Culture to apply the guidance for the current year presentation and not adjust the prior year numbers. Nature and Culture elected the package of practical expedients that allows an entity to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. Nature and Culture did not elect to use hindsight for leases existing at the adoption date. The new guidance applies to leases under which Nature and Culture is a lessee. Nature and Culture has recognized a new asset and liability - "Right-of-use asset" and "Lease liability" - for the lease classified as an operating lease under the previous standard. The expense recognition of this lease has not changed.

FASB ASC 842 was adopted January 1, 2022 with certain practical expedients available.

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

Subsequent Events

In preparing these financial statements, Nature and Culture has evaluated subsequent events through June 8, 2023, 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.

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:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 7,221,403 | \$ 6,130,244 |
| Grants and other receivables | 84,297 | 107,864 |
| Pledges receivable | 400,299 | 34,692 |
| Financial assets available to meet general expenditures within one year | <u>\$ 7,705,999</u> | <u>\$ 6,272,800</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 - Pledges Receivable:

Pledges receivable consist of the following at December 31:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|---------------------|------------------|
| Current: | | |
| Due in less than one year | \$ <u>400,299</u> | \$ <u>34,692</u> |
| Noncurrent: | | |
| Due in one-to-five years | 925,000 | - |
| Less: Discount to present value | <u>(56,430)</u> | <u>-</u> |
| Total Noncurrent, Net | 868,570 | - |
| Total Pledges Receivable, Net | <u>\$ 1,268,869</u> | <u>\$ 34,692</u> |

The pledges receivable have been discounted to their present value using a discount rate of 3.0% and \$-0- for the years ended December 31, 2022 and 2021, respectively.

**NATURE AND CULTURE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 5 - Property and Equipment:

Property and equipment consist of the following at December 31:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|---------------------|---------------------|
| Land - conservation | \$ 3,252,721 | \$ 2,749,373 |
| Buildings and improvements | 272,316 | 272,316 |
| Furniture and equipment | 35,021 | 33,481 |
| Vehicles | 636,479 | 486,998 |
| Subtotal | <u>4,196,537</u> | <u>3,542,168</u> |
| Less: Accumulated depreciation | <u>(467,964)</u> | <u>(368,108)</u> |
| Property and Equipment, Net | <u>\$ 3,728,573</u> | <u>\$ 3,174,060</u> |

Note 6 - Board-Designated Reserve:

Nature and Culture's Board of Directors approved the establishment of appropriations of net assets without donor restrictions for an operating reserve. The balance of the reserve totaled \$762,908 and \$500,000 at December 31, 2022 and 2021, respectively.

Note 7 - 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:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Subject to Expenditure for Specified Purpose: | | |
| Creation and maintenance of protected land areas | \$ <u>2,522,972</u> | \$ <u>1,336,948</u> |
| Total Subject to Expenditure For Specified Purpose | <u>2,522,972</u> | <u>1,336,948</u> |
| Perpetual in Nature: | | |
| 5,290 hectares (13,066 acres) of dry tropical forest land on the Southern Province of Loja, Ecuador | 450,000 | 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> | <u>400,000</u> |
| Total Perpetual in Nature | <u>850,000</u> | <u>850,000</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 3,372,972</u> | <u>\$ 2,186,948</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 years ended December 31:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Purpose Restrictions Accomplished: | | |
| Creation and maintenance of protected land areas | \$ <u>574,869</u> | \$ <u>985,215</u> |
| Total Net Assets Released From Restrictions | <u>\$ 574,869</u> | <u>\$ 985,215</u> |

**NATURE AND CULTURE INTERNATIONAL
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Note 8 - 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 \$8,982 and \$8,577 for the years ended December 31, 2022 and 2021, respectively, and are included in employer payroll taxes and benefits in the statements of functional expenses.

Leases

As disclosed in Note 2, Nature and Culture adopted FASB ASC 842. Nature and Culture entered into long-term leases during the year ended December 31, 2022. These new leases are the only leases required to be included on the statement of financial position under FASB ASC 842. As a result, adopting FASB ASC 842 had no impact to prior year information, and because these leases are operating leases, the adoption of this standard has no impact on the statement of activities.

Nature and Culture has elected to apply the short-term lease exception to all leases with a term of one year or less. Other than short-term leases, Nature and Culture has two operating leases for office space with lease terms expiring through April 2025. Lease expense for these two leases totaled \$9,963 and \$-0- for the years ended December 31, 2022 and 2021, respectively. The risk-free rate of return used to determine the discount rate for these leases is 2.95%.

The following summarizes the line items in the statement of financial position for operating leases as of December 31:

| | <u>2022</u> | <u>2021</u> |
|---|------------------|-------------|
| Operating lease right-of-use asset | \$ <u>24,309</u> | \$ <u>-</u> |
| Operating lease liabilities, current | 13,604 | - |
| Operating lease liabilities, net of current portion | <u>10,709</u> | <u>-</u> |
| Total operating lease liabilities | \$ <u>24,313</u> | \$ <u>-</u> |

The following is the schedule of future minimum lease payments under the leases:

| | | |
|------------------------------------|--|------------------|
| Years Ended | | |
| <u>December 31</u> | | |
| 2023 | | \$ 14,104 |
| 2024 | | 9,181 |
| 2025 | | <u>1,680</u> |
| Total lease payments | | 24,965 |
| Less: interest | | <u>(652)</u> |
| Present value of lease liabilities | | \$ <u>24,313</u> |

**NATURE AND CULTURE INTERNATIONAL
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Note 8 - Commitments and Contingencies: (Continued)

Salary Reserve Contingency

Employees in Ecuador, Peru and Mexico 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 \$1,255,099 and \$882,000. This calculation is based on the liability at December 31, 2022 and 2021, respectively, if all employees were terminated.

Nature and Culture is not anticipating any reduction in staff subsequent to December 31, 2022 and 2021. 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 \$312,847 and \$234,905 has been accrued at December 31, 2022 and 2021, respectively, 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.

Note 9 - Business Combinations:

On February 8, 2022, Nature and Culture acquired 100% control of the Naturaleza y Cultura Sierra Madre (NCSM) located in Mexico. The following table summarizes the assets acquired and liabilities assumed which were recognized on the acquisition date:

| | |
|--------------------------------|------------------|
| Cash | \$ 30,205 |
| Prepaid expenses | 73 |
| Property and equipment, net | 263,648 |
| Financial liabilities | <u>(438)</u> |
| Total identifiable net assets | 293,488 |
| Inherent contribution received | <u>(293,488)</u> |
| | <u>\$ -</u> |

On the statement of activities, the inherent contribution received is recorded as the excess of fair value of net assets acquired and increases net assets without donor restrictions.