

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS  
NATURE AND CULTURE INTERNATIONAL  
DECEMBER 31, 2011

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NATURE AND CULTURE INTERNATIONAL  
Statement of Financial Position  
December 31, 2011

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 777,873
Investments	100,611
Grants receivable	132,289
Prepaid expenses and deposits	<u>137,165</u>

Total current assets 1,147,938

PROPERTY & EQUIPMENT, at cost:

Land - conservation	2,487,636
Buildings and improvements	226,242
Vehicles	268,922
Furniture and equipment	<u>48,781</u>

3,031,581

Less accumulated depreciation (215,115)

2,816,466

Total assets \$ 3,964,404

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 25,156
Due to granting agency	45,000
Accrued payroll and vacation	95,871
Deferred revenue - grants	<u>439,190</u>

Total current liabilities 605,217

NET ASSETS:

Unrestricted	1,992,813
Temporarily restricted	266,374
Permanently restricted	850,000
Board designated funds	<u>250,000</u>

Total net assets 3,359,187

Total liabilities and net assets \$ 3,964,404

See notes to the financial statements and auditors' report.

NATURE AND CULTURE INTERNATIONAL  
STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES				
Grants	\$ 1,421,120			\$ 1,421,120
Contributions	1,118,123	245,184		1,363,307
Fees	210,741			210,741
Other	29,444			29,444
Interest	189			189
Net assets released from restriction	<u>252,496</u>	<u>(252,496)</u>		<u>-0-</u>
Total public support and revenues	<u>3,032,113</u>	<u>(7,312)</u>	<u>-0-</u>	<u>3,024,801</u>
EXPENSES				
Salaries and related benefits	963,848			963,848
Project grants	876,137			876,137
Outside services	211,758			211,758
Consultants	157,578			157,578
Travel	145,159			145,159
Supplies	94,666			94,666
Office expense	82,462			82,462
Auto	63,609			63,609
Insurance	59,048			59,048
Depreciation	53,300			53,300
Telephone	37,000			37,000
Loss on sale of assets	32,926			32,926
Security	30,466			30,466
Publications	29,938			29,938
Repairs and maintenance	14,268			14,268
Other	12,811			12,811
Utilities	11,807			11,807
Training	<u>3,722</u>			<u>3,722</u>
Total expenses	<u>2,880,503</u>	<u>-0-</u>	<u>-0-</u>	<u>2,880,503</u>
CHANGE IN NET ASSETS	151,610	(7,312)	-0-	144,298
NET ASSETS AT January 1, 2011	<u>2,091,203</u>	<u>273,686</u>	<u>850,000</u>	<u>3,214,889</u>
NET ASSETS AT December 31, 2011	<u>\$ 2,242,813</u>	<u>\$ 266,374</u>	<u>\$ 850,000</u>	<u>\$ 3,359,187</u>

See notes to financial statements and auditors' report.

NATURE AND CULTURE INTERNATIONAL  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 144,298
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	53,300
Loss on sale of assets	32,926
(Increase) decrease in:	
Grants receivable	(72,300)
Prepaid expenses and deposits	3,377
Increase (decrease) in:	
Accounts payable and accrued expenses	(5,425)
Due to granting agency	45,000
Deferred revenue - grants	<u>59,749</u>
Net cash provided by operating activities	<u>260,925</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Purchases of land, property and equipment	(372,169)
Proceeds from sale of land	65,410
Proceeds from sale of fixed assets	27,000
Purchase of marketable securities	<u>(100,611)</u>
Net cash used by investing activities	<u>(380,370)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(119,445)
CASH AND CASH EQUIVALENTS AT JANUARY 1, 2011	<u>897,318</u>
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2011	<u>\$ 777,873</u>

SUPPLEMENTAL INFORMATION:

No payments for interest or income taxes were made during the year ended December 31, 2011.

See notes to financial statements and auditors' report.

NATURE AND CULTURE INTERNATIONAL  
Notes to Financial  
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statement follows.

1. 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 and with an emphasis on enhancing education and sustainable development. Nature and Culture International has offices or an institutional presence in California, Ecuador (Loja, Cuenca, Zamora 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.

2. Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

3. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributed assets are recorded at the fair market value at the date of the donation. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets are released from restrictions.

NATURE AND CULTURE INTERNATIONAL  
Notes to Financial Statement - (Continued)  
December 31, 2011

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

4. 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.

5. 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.

6. 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.

7. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use to be cash equivalents.

8. Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

NATURE AND CULTURE INTERNATIONAL  
Notes to Financial Statement - (Continued)  
December 31, 2011

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

9. 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.

10. Promises To Give

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

11. 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.

12. 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:



NATURE AND CULTURE INTERNATIONAL  
Notes to Financial Statement - (Continued)  
December 31, 2011

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

Fair Value Measurements - (continued)

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 B - CONCENTRATIONS OF CREDIT RISK

The Organization maintains account balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2011, the Organization's uninsured cash balances total \$262,102. Included in cash and cash equivalents of \$777,873 is \$349,859 invested in a Fidelity Money Market Fund.

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$266,374 as of December 31, 2011, were available for the following purposes:

Creation and maintenance of protected land areas.	<u>\$ 266,374</u>
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NATURE AND CULTURE INTERNATIONAL  
Notes to Financial Statement - (Continued)  
December 31, 2011

NOTE D - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$850,000 as of December 31, 2011, consist of the following:

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
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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>
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\$ 850,000

NOTE E - INVESTMENTS

Investments are stated at fair value. A summary of the aggregate fair value of investments at December 31, 2011, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Bond mutual fund	\$ 100,611	\$ 100,611
	<u>\$ 100,611</u>	<u>\$ 100,611</u>

NOTE F - BOARD DESIGNATED FUNDS

The Board has designated \$250,000 of unrestricted funds to be used for the Amazon Peru programs.