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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, 2015, and the related statements of activities 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 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.

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, 2015, 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.

GURRERA & ASSOCIATES

San Diego, California
September 29, 2016
## ASSETS

**CURRENT ASSETS:**
- Cash and cash equivalents $1,936,482
- Grants receivable 961,559
- Prepaid expenses and deposits 61,297

**Total current assets** 2,959,338

**PROPERTY & EQUIPMENT, at cost:**
- Land - conservation 2,528,636
- Buildings and improvements 278,558
- Vehicles 411,925
- Furniture and equipment 74,819

**Less accumulated depreciation** (410,300)

**Total assets** $5,842,976

## LIABILITIES AND NET ASSETS

**CURRENT LIABILITIES:**
- Accounts payable $55,518
- Accrued payroll and vacation 220,158
- Deferred revenue - grants 1,022,216

**Total current liabilities** 1,297,892

**NET ASSETS:**
- Unrestricted
  - Undesignated 1,209,902
  - Conservation land 1,678,636

**Total unrestricted** 2,888,538
- Temporarily restricted 806,546
- Permanently restricted (conservation land) 850,000

**Total net assets** 4,545,084

**Total liabilities and net assets** $5,842,976

See notes to the financial statements and independent auditor's report.
NATURE AND CULTURE INTERNATIONAL
STATEMENT OF ACTIVITIES
For the year ended December 31, 2015

<table>
<thead>
<tr>
<th>SUPPORT AND REVENUES:</th>
<th>UNRESTRICTED</th>
<th>TEMPORARILY RESTRICTED</th>
<th>PERMANENTLY RESTRICTED</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>$ 2,253,228</td>
<td></td>
<td></td>
<td>$ 2,253,228</td>
</tr>
<tr>
<td>Contributions</td>
<td>2,519,289</td>
<td>$ 607,034</td>
<td></td>
<td>3,126,323</td>
</tr>
<tr>
<td>Fees</td>
<td>181,811</td>
<td></td>
<td>181,811</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,465</td>
<td></td>
<td>1,465</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>8,603</td>
<td></td>
<td>8,603</td>
<td></td>
</tr>
<tr>
<td>Net assets released from</td>
<td></td>
<td></td>
<td></td>
<td>-0-</td>
</tr>
<tr>
<td>restriction</td>
<td>813,121</td>
<td></td>
<td></td>
<td>-0-</td>
</tr>
<tr>
<td>Total public support and</td>
<td>5,777,517</td>
<td>(206,087)</td>
<td></td>
<td>5,571,430</td>
</tr>
<tr>
<td>revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

EXPENSES:

<table>
<thead>
<tr>
<th>Expense</th>
<th>UNRESTRICTED</th>
<th>TEMPORARILY RESTRICTED</th>
<th>PERMANENTLY RESTRICTED</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project grants</td>
<td>2,118,540</td>
<td></td>
<td></td>
<td>2,118,540</td>
</tr>
<tr>
<td>Salaries and related benefits</td>
<td>1,448,873</td>
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<td></td>
<td>1,448,873</td>
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<tr>
<td>Consultants</td>
<td>544,124</td>
<td></td>
<td></td>
<td>544,124</td>
</tr>
<tr>
<td>Outside services</td>
<td>442,367</td>
<td></td>
<td></td>
<td>442,367</td>
</tr>
<tr>
<td>Office expense</td>
<td>183,825</td>
<td></td>
<td></td>
<td>183,825</td>
</tr>
<tr>
<td>Travel</td>
<td>398,836</td>
<td></td>
<td></td>
<td>398,836</td>
</tr>
<tr>
<td>Insurance</td>
<td>120,742</td>
<td></td>
<td></td>
<td>120,742</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>119,940</td>
<td></td>
<td></td>
<td>119,940</td>
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<tr>
<td>Auto</td>
<td>117,992</td>
<td></td>
<td></td>
<td>117,992</td>
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<tr>
<td>Supplies</td>
<td>107,965</td>
<td></td>
<td></td>
<td>107,965</td>
</tr>
<tr>
<td>Depreciation</td>
<td>71,395</td>
<td></td>
<td></td>
<td>71,395</td>
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<tr>
<td>Publications</td>
<td>56,345</td>
<td></td>
<td></td>
<td>56,345</td>
</tr>
<tr>
<td>Telephone</td>
<td>48,486</td>
<td></td>
<td></td>
<td>48,486</td>
</tr>
<tr>
<td>Other</td>
<td>25,774</td>
<td></td>
<td></td>
<td>25,774</td>
</tr>
<tr>
<td>Security</td>
<td>21,522</td>
<td></td>
<td></td>
<td>21,522</td>
</tr>
<tr>
<td>Utilities</td>
<td>10,616</td>
<td></td>
<td></td>
<td>10,616</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>10,525</td>
<td></td>
<td></td>
<td>10,525</td>
</tr>
<tr>
<td>Training</td>
<td>10,289</td>
<td></td>
<td></td>
<td>10,289</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>5,858,156</td>
<td>-0-</td>
<td>-0-</td>
<td>5,858,156</td>
</tr>
</tbody>
</table>

CHANGE IN NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>UNRESTRICTED</th>
<th>TEMPORARILY RESTRICTED</th>
<th>PERMANENTLY RESTRICTED</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>(80,639)</td>
<td>(206,087)</td>
<td></td>
<td></td>
<td>(286,726)</td>
</tr>
</tbody>
</table>

NET ASSETS AT January 1, 2015

<table>
<thead>
<tr>
<th></th>
<th>UNRESTRICTED</th>
<th>TEMPORARILY RESTRICTED</th>
<th>PERMANENTLY RESTRICTED</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,962,177</td>
<td>1,012,633</td>
<td></td>
<td>850,000</td>
<td>4,831,810</td>
</tr>
</tbody>
</table>

NET ASSETS AT December 31, 2015

<table>
<thead>
<tr>
<th></th>
<th>UNRESTRICTED</th>
<th>TEMPORARILY RESTRICTED</th>
<th>PERMANENTLY RESTRICTED</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 2,888,538</td>
<td>$ 806,546</td>
<td></td>
<td>$ 850,000</td>
<td>$ 4,545,084</td>
</tr>
</tbody>
</table>

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

-6-
CASH FLOWS FROM OPERATING ACTIVITIES:
Decrease in net assets $ (286,726)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:
Depreciation 71,395
(Increase) decrease in:
Grants receivable (707,612)
Prepaid expenses and deposits (40,869)
Accounts receivable (10,840)
Increase (decrease) in:
Accounts payable and accrued expenses 41,059
Deferred revenue - grants (151,566)
Net cash used by operating activities (1,085,159)

CASH FLOWS FROM INVESTING ACTIVITIES:
Purchases of property and equipment (28,883)

Net cash used by investing activities (28,883)

NET DECREASE IN CASH AND CASH EQUIVALENTS (1,114,042)

CASH AND CASH EQUIVALENTS AT JANUARY 1, 2015 3,050,524
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2015 $ 1,936,482

SUPPLEMENTAL INFORMATION:
No payments for interest or income taxes were made during the year ended December 31, 2015.
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. 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.

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.
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.
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.

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.

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, 2015, 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, 2015, 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. Management believes that the Organization is no longer subject to income tax examination for years prior to December 31, 2012.
10. **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.

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:

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

Fair Value Measurements - (continued)

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

13. Date of Management’s Review

Subsequent events were evaluated through September 29, 2016, which is the date the financial statements were available to be issued.

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. Included in cash and cash equivalents of $1,936,482 is $1,138,502 invested in a Fidelity Money Market Fund.

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $806,546 as of December 31, 2015, were available for the following purposes:

Creation and maintenance of protected land areas. $ 806,546

NOTE D - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of $850,000 as of December 31, 2015, 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

1,000 hectares (2,471 acres) of cloud forest with a 8,000 square foot research station in Zamora Chinchipe, Ecuador. 400,000

$ 850,000
NOTE E - UNRESTRICTED NET ASSETS

Unrestricted net assets as of December 31, 2015, include $1,678,636 that was used to purchase land for conservation purposes.