

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS  
NATURE AND CULTURE INTERNATIONAL  
DECEMBER 31, 2010

## CONTENTS

|  | Page |
|--|------|
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS | 3    |
| FINANCIAL STATEMENTS                               |      |
| STATEMENT OF FINANCIAL POSITION                    | 4    |
| STATEMENT OF ACTIVITIES                            | 5    |
| STATEMENT OF CASH FLOWS                            | 6    |
| NOTES TO FINANCIAL STATEMENTS                      | 7    |

# GURRERA & ASSOCIATES

Certified Public Accountants  
Business & Personal Consultants


## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Nature and Culture International (a California non-profit Corporation) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Nature and Culture International as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
GURRERA & ASSOCIATES

San Diego, California  
October 19, 2011

NATURE AND CULTURE INTERNATIONAL  
Statement of Financial Position  
December 31, 2010

ASSETS

|                                |                     |
|--------------------------------|---------------------|
| CURRENT ASSETS:                |                     |
| Cash and cash equivalents      | \$ 897,318          |
| Grants receivable              | 59,989              |
| Prepaid expenses and deposits  | <u>140,542</u>      |
| Total current assets           | 1,097,849           |
| PROPERTY & EQUIPMENT, at cost: |                     |
| Land - conservation            | 2,260,266           |
| Buildings and improvements     | 226,242             |
| Vehicles                       | 182,902             |
| Furniture and equipment        | <u>43,613</u>       |
|                                | 2,713,023           |
| Less accumulated depreciation  | <u>(190,703)</u>    |
|                                | 2,522,320           |
| OTHER ASSETS                   |                     |
| Deposit - land purchase        | <u>100,613</u>      |
| Total assets                   | <u>\$ 3,720,782</u> |

LIABILITIES AND NET ASSETS

|                                  |                     |
|----------------------------------|---------------------|
| CURRENT LIABILITIES:             |                     |
| Accounts payable                 | \$ 28,686           |
| Accrued payroll and vacation     | 97,766              |
| Deferred revenue - grants        | <u>379,441</u>      |
| Total current liabilities        | 505,893             |
| NET ASSETS:                      |                     |
| Unrestricted                     | 2,091,203           |
| Temporarily restricted           | 273,686             |
| Permanently restricted           | <u>850,000</u>      |
| Total net assets                 | <u>3,214,889</u>    |
| Total liabilities and net assets | <u>\$ 3,720,782</u> |

See notes to the financial statements and auditors' report.

NATURE AND CULTURE INTERNATIONAL  
STATEMENT OF ACTIVITIES  
For the year ended December 31, 2010

|   | UNRESTRICTED        | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL               |
|---|---------------------|---------------------------|---------------------------|---------------------|
| REVENUES                                |                     |                           |                           |                     |
| Grants                                  | \$ 605,967          |                           |                           | \$ 605,967          |
| Contributions                           | 1,317,179           | 215,446                   |                           | 1,532,625           |
| Fees                                    | 160,291             |                           |                           | 160,291             |
| Other                                   | 35,217              |                           |                           | 35,217              |
| Interest                                | 223                 |                           |                           | 223                 |
| Net assets released from<br>restriction | <u>61,364</u>       | <u>(61,364)</u>           |                           | <u>-0-</u>          |
| Total public support and<br>revenues    | <u>2,180,241</u>    | <u>154,082</u>            | <u>-0-</u>                | <u>2,334,323</u>    |
| EXPENSES                                |                     |                           |                           |                     |
| Salaries and related benefits           | 910,230             |                           |                           | 910,230             |
| Project grants                          | 458,772             |                           |                           | 458,772             |
| Consultants                             | 128,094             |                           |                           | 128,094             |
| Travel                                  | 127,652             |                           |                           | 127,652             |
| Outside services                        | 116,365             |                           |                           | 116,365             |
| Office expense                          | 64,260              |                           |                           | 64,260              |
| Auto                                    | 62,522              |                           |                           | 62,522              |
| Publications                            | 51,917              |                           |                           | 51,917              |
| Depreciation                            | 45,278              |                           |                           | 45,278              |
| Insurance                               | 44,632              |                           |                           | 44,632              |
| Supplies                                | 30,597              |                           |                           | 30,597              |
| Telephone                               | 20,548              |                           |                           | 20,548              |
| Other                                   | 20,021              |                           |                           | 20,021              |
| Repairs and maintenance                 | 11,073              |                           |                           | 11,073              |
| Utilities                               | 9,968               |                           |                           | 9,968               |
| Training                                | <u>9,227</u>        |                           |                           | <u>9,227</u>        |
| Total expenses                          | <u>2,111,156</u>    | <u>-0-</u>                | <u>-0-</u>                | <u>2,111,156</u>    |
| CHANGE IN NET ASSETS                    |                     |                           |                           |                     |
|   | 69,085              | 154,082                   | -0-                       | 223,167             |
| NET ASSETS AT January 1, 2010           | <u>2,022,118</u>    | <u>119,604</u>            | <u>850,000</u>            | <u>2,991,722</u>    |
| NET ASSETS AT December 31, 2010         | <u>\$ 2,091,203</u> | <u>\$ 273,686</u>         | <u>\$ 850,000</u>         | <u>\$ 3,214,889</u> |

See notes to financial statements and auditors' report.

NATURE AND CULTURE INTERNATIONAL  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2010

|  |                   |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                   |
| Increase in net assets   | \$ 223,167        |
| Adjustments to reconcile change in net<br>assets to net cash provided (used) by<br>operating activities: |                   |
| Depreciation   | 45,278            |
| (Increase) decrease in:  |                   |
| Grants receivable  | 33,856            |
| Prepaid expenses and deposits  | 21,493            |
| Increase (decrease) in:  |                   |
| Accounts payable and accrued expenses  | 22,326            |
| Deferred revenue - grants  | <u>243,396</u>    |
| Net cash provided by operating<br>activities   | <u>589,516</u>    |
| CASH FLOWS USED IN INVESTING ACTIVITIES:   |                   |
| Purchases of land, property and equipment  | (22,761)          |
| Deposit - land purchase  | <u>(100,613)</u>  |
| Net cash used by investing activities  | <u>(123,374)</u>  |
| NET INCREASE IN CASH AND CASH EQUIVALENTS  | 466,142           |
| CASH AND CASH EQUIVALENTS AT JANUARY 1, 2010   | <u>431,176</u>    |
| CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2010   | <u>\$ 897,318</u> |

SUPPLEMENTAL INFORMATION:

No payments for interest or income taxes were made during the year ended December 31, 2010.

See notes to financial statements and auditors' report.

NATURE AND CULTURE INTERNATIONAL  
Notes to Financial  
December 31, 2010

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 in California, Southern Ecuador (Loja) where it manages a scientific station and a number of private reserves, and Northern Peru (Piura). 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, 2010

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

In accordance with SFAS No. 117, Financial Statements of non-profit Organizations, 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, 2010

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.

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 adopted Statement of financial Accounting Standards No. 157 (SFAS No. 157) at the beginning of 2009. SFAS No. 157 applies to all financial assets and liabilities that are being measured and reported on a fair value basis and requires such assets and liabilities to be classified and disclosed in one of the following three categories to enable readers of the financial statements to assess the inputs used to develop those measurements:

NATURE AND CULTURE INTERNATIONAL  
Notes to Financial Statement - (Continued)  
December 31, 2010

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

Fair Value Measurements - (continued)

- Level 1      Quoted market prices unadjusted in active markets for identical assets or liabilities.
  
- Level 2      Observable market based inputs or unobservable inputs that are corroborated by market data.
  
- Level 3      Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs an analysis of the assets and liabilities that are subject to SFAS No.157.

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, 2010, the Organization's uninsured cash balances total \$365,217. Included in cash and cash equivalents of \$897,318 is \$514,841 invested in a Fidelity Money Market Fund.

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$273,686 as of December 31, 2010, were available for the following purposes:

|   |                   |
|---|-------------------|
| Creation and maintenance of protected land areas. | <u>\$ 273,686</u> |
|---|-------------------|

NATURE AND CULTURE INTERNATIONAL  
Notes to Financial Statement - (Continued)  
December 31, 2010

NOTE D - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$850,000 as of December 31, 2010, 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.                        | <u>400,000</u>    |
|   | <u>\$ 850,000</u> |

NOTE E - DEPOSIT - LAND PURCHASE

The deposit was for the purchase of approximately 1,000 hectares of land in Alamos, Mexico known as the San Pedro property. It was completed in March 2011 for a total purchase price of \$204,940.