THE BIOMIMICRY INSTITUTE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2019

HAN GROUP
Certified Public Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Biomimicry Institute

We have audited the accompanying financial statements of the Biomimicry Institute (the Institute), which comprise of the statement of financial position as of December 31, 2019, 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.

Auditors' 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 auditors' judgment, 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 auditors consider 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 The Biomimicry Institute as of December 31, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, The Biomimicry Institute has adopted new accounting guidance, Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) and ASU 2018-08 Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to that matter.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
September 25, 2020

THE BIOMIMICRY INSTITUTE
Statement of Financial Position
December 31, 2019

Assets		
Cash and cash equivalents	$	715,681
Contributions receivable		318,002
Prepaid expenses		80,450
Investments		301,483
Property and equipment, net		4,874
Total assets	$	1,420,490
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$	70,097
Accrued salaries and leave		49,981
Deferred revenue		32,200
Total liabilities		152,278
Net Assets		
Without donor restrictions:		
Undesignated		420,195
Board designated reserve		150,000
Total without donor restrictions		570,195
With donor restrictions		698,017
Total net assets		1,268,212
Total liabilities and net assets	$	1,420,490

See accompanying notes.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	$ 527,608	$ 1,231,010	$ 1,758,618
Program service revenue	191,561	-	191,561
Net investment income	14,504	-	14,504
Other income	1,097	-	1,097
Net assets released from restrictions:			
Satisfaction of purpose restrictions	588,317	(588,317)	-
Total revenue and support	1,323,087	642,693	1,965,780
Expenses			
Program services:			
Design Challenges and Other Education Programs	464,577	-	464,577
Entrepreneurship	331,899	-	331,899
AskNature	236,816	-	236,816
Total program services	1,033,292	-	1,033,292
Supporting services:			
Management and general	143,478	-	143,478
Fundraising	161,085	-	161,085
Total supporting services	304,563	-	304,563
Total expenses	1,337,855	-	1,337,855
Change in Net Assets	(14,768)	642,693	627,925
Net Assets, beginning of year	584,963	55,324	640,287
Net Assets, end of year	$ 570,195	$ 698,017	$ 1,268,212

See accompanying notes.

THE BIOMIMICRY INSTITUTE
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				Supporting Services			
	Design Challenges and Other Education	Entrepreneur-ship	AskNature	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	$ 249,576	$ 170,116	$ 80,987	$ 500,679	$ 100,868	$ 116,284	$ 217,152	$ 717,831
Professional services	149,744	59,327	134,105	343,176	6,411	27,379	33,790	376,966
Programmatic trainings and events	17,876	58,098	-	75,974	-	-	-	75,974
Meetings and conferences	14,779	29,047	9,400	53,226	1,688	4,294	5,982	59,208
Computer software and hardware	20,500	7,068	5,066	32,634	1,241	5,387	6,628	39,262
Accounting and legal	-	-	-	-	21,088	-	21,088	21,088
Office expenses	5,003	4,037	4,668	13,708	2,644	2,262	4,906	18,614
Dues, fees, and subscriptions	2,210	718	386	3,314	4,448	3,232	7,680	10,994
Marketing and promotion	3,710	2,636	1,661	8,007	978	1,712	2,690	10,697
Insurance	1,179	852	543	2,574	4,112	535	4,647	7,221
Total Expenses	$ 464,577	$ 331,899	$ 236,816	$ 1,033,292	$ 143,478	$ 161,085	$ 304,563	$ 1,337,855

See accompanying notes.

Cash Flows from Operating Activities	
Change in net assets	$ 627,925
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized loss on investments	(6,331)
Depreciation and amortization	2,974
Change in operating assets and liabilities:	
Contributions receivable	(311,623)
Prepaid expenses	(62,780)
Accounts payable and accrued expenses	21,922
Accrued salaries and leave	14,587
Deferred revenue	32,200
Net cash provided by operating activities	318,874
Cash Flows from Investing Activities	
Purchases of investments	(195,980)
Purchases of property and equipment	(2,736)
Net cash used in investing activities	(198,716)
Net Increase in Cash and Cash Equivalents	120,158
Cash and Cash Equivalents, beginning of year	595,523
Cash and Cash Equivalents, end of year	$ 715,681

See accompanying notes.

1. Nature of Operations

The Biomimicry Institute is a not-for-profit corporation organized in 2006. The Institute was formed to empower people to create nature-inspired solutions for a healthy planet. The Institute is governed by a Board of Directors.

The purpose of the Institute is to naturalize biomimicry in the culture by promoting the transfer of ideas, designs, and strategies from biology to sustainable human systems design. The Institute's goal is for biomimicry to become a natural part of the design process – for practitioners to study nature's best ideas, abstract the design principles, and emulate these designs and processes to solve problems like climate change. This is done by increasing access to high-quality biomimicry materials and services; developing the proficiency and practice of next-generation innovators; and shifting the design culture so that biomimicry is widely recognized and used as a tool to advance sustainable and restorative innovation.

• Ask Nature: This is the world's most accessible and comprehensive online bridge to nature's solutions for innovation professionals, students, and educators. Launched in 2008, this free service features 2,000+ articles describing how living systems have adapted to thrive amongst a myriad of conditions and challenges, and how those strategies have influenced innovation. By using the information available via AskNature to understand how natural adaptations work, innovators can mimic ideas that have thrived in balance with the Earth's complex systems. Every year over half a million people from nearly every country on the planet visited AskNature to conduct research, teach biomimicry and inspire innovation.

• Design Challenges and other education programs: The *Biomimicry Youth Design Challenge* is a hands-on, project-based learning experience for middle and high school students that provides classroom and informal educators with an engaging framework to introduce bio-inspired design and an interdisciplinary lens on science, engineering, and environmental literacy. It gives middle and high school students a unique STEM experience and empowers them to envision solutions to social and environmental challenges resulting from climate change. The Biomimicry Global Design Challenge is an annual international program that gives university students and professionals the opportunity to learn biomimicry while applying it to create solutions to climate change. The program is currently focused on creating solutions related to the United Nations Sustainable Development Goals, including climate change, ocean plastic, and responsible consumption. The Institute also provides other free resources for anyone interested in learning about biomimicry and the nature-inspire design process, including the Biomimicry Toolbox and webinars.

• Entrepreneurship: The Biomimicry Launchpad supports a community of early-stage entrepreneurs who benefit from each other as they deepen their biological knowledge and develop the skills needed to transform their ideas from concept to proven prototype and beyond. The program features a virtual 10-week customer discovery and technology validation incubator. The Ray of Hope Prize® program identifies startups with nature-inspired solutions, amplifies their stories and connects them to mentors and investors. The $100,000 prize helps companies cross a critical threshold in becoming viable businesses. In supporting the next generation of businesses to solve big challenges, the institute brings attention to the innovative, nature-based solutions needed to build a sustainable and resilient world.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Institute have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Contributions Receivable

Contributions receivable represent amounts due from the Institute's various revenue sources. There was no allowance for doubtful accounts recorded at December 31, 2019 as the entire balance has been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

Property and Equipment

Property and equipment over $1,000 with a projected useful life exceeding one year are capitalized and recorded at cost or fair value at date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Investments

Investments are measured at fair value and are composed of certificates of deposit. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. Investment income is presented net of investment advisory and management fees in the accompanying statement of activities. Net realized and unrealized gains or losses on investments are included in net investment income.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Institute's operations. Included in net assets without donor restrictions are funds that have been designated by the Institute's Board of Directors as board-designated operating reserves.

- *Net Assets With Donor Restrictions* represent funds subject to donor-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. The Institute does not have any donor-imposed restrictions which are perpetual in nature at December 31, 2019.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions

Contributions without conditions are recognized upon notification of the award and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Contributions with donor-imposed restrictions are reclassified to net assets without donor restrictions when those restrictions are met, only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and for the expiration of donor-imposed time restrictions. These reclassifications are reported on the accompanying statement of activities as net assets released from restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are recognized in revenue once the conditions on which they depend have been met. Amounts received in advance of the conditions being met are recorded as deferred revenue. The Institute did not have any conditional contributions at December 31, 2019.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair market values at the date of donation.

Program Service Revenue

The main components of program service revenue are consulting and workshop fees. Consulting fees may be received in advance or may be invoiced once services have been provided and are recognized over the period of time in which the work is performed. Workshop fees are generally received in advance of the event and are recognized at the point in time when the event takes place. Amounts received in advance are recorded in deferred revenue. Conversely amounts due after the event takes place or services are performed are recorded in accounts receivable. At December 31, 2019 there were no receivables and there was $32,200 included in deferred revenue related to program service revenue as presented on the accompanying statement of financial position.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expense presents expenses by function and natural classification. The Institute incurs expense that directly relate to, and can be assigned to, a specific program or supporting activity. The Institute also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on estimates of time and effort incurred by personnel. The expenses that are allocated include salaries and related expenses, professional services, meetings and conferences, computer software and hardware, office expense, marketing and promotion, dues, fees, and subscriptions, and insurance.

2. Summary of Significant Accounting Policies (continued)

Changes in Accounting Principles

Effective January 1, 2019, the Institute adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The Institute adopted ASU 2018-08 using a modified prospective approach. The implementation of ASU 2018-08 did not have a material effect on the Institute's financial positions, results of operations, or cash flows. There was no cumulative effect of a change in accounting principle recorded related to the adoption of ASU 2018-08 on January 1, 2019.

Effective January 1, 2019, the Institute adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The core principle of ASU 2014-09 requires the recognition of revenue for exchange and partial exchange transactions when, or as goods or services are delivered, in the amount that reflects the consideration to which the organization is entitled in exchange for what has been delivered. The ASU requires that the Institute use the following five step process: 1) Identify exchange agreements or partial exchange agreements that create a contract; 2) Identify their performance obligations; 3) Determine the transaction price; 4) Allocate the transaction price among the performance obligations; 5) Recognize revenue at the point in time when, or over the time period during which, a performance obligation is recognized. The adoption of the ASU did not impact the change in net assets. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

Pending Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The core principles of ASU 2020-07 address the measurement of nonfinancial contributions and increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendments in the update are to be applied on a retrospective basis. ASU 2020-07 is effective for non-public entities for fiscal years beginning after June 15, 2021.

Use of 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 certain amounts reported in the financial statements. Actual results could differ from those estimates.

3. Concentrations

The Institute's cash and cash equivalents are held in accounts at certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limit or the Securities Investor Protection Corporation (SPIC) limits per depositor, per institution. The Institute has not experienced any losses to date as it relates to FDIC or SIPC insurance limits, monitors the credit worthiness of these institutions and believes that the risk of any loss is minimal.

Four grantors accounted for 68% of the Institute's total revenue and support for the year ended December 31, 2019. A change in the amount or continuation of funding from these sources could have a significant effect on the Institute's operations. Additionally, 94% of the Institute's contributions receivable are due from one source.

4. Contributions Receivable

Contributions receivable is comprised of unconditional promises to give which are receivable as follows at December 31, 2019:

Contributions receivable in less than one year	$	118,002
Contributions receivable in one to five years		200,000
Total contributions receivable	$	318,002

Contributions receivable are recorded at their net present realizable value. No discount was recorded on contributions receivable in one to five years, as the discount was not material to the financial statements for the year ended December 31, 2019. The Institute has not recorded an allowance for uncollectible accounts, as management believes all amounts are fully collectible.

5. Investments

Investments consist of the following at December 31, 2019:

Certificates of deposit	$	301,483
Total investments	$	301,483

6. Fair Value

The three levels of the fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access.
- Level 2: Inputs to the valuation methodology include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a summary of input levels used to determine fair values, measured on a recurring basis, of investments at December 31, 2019:

	Level 2	Total
Certificate of deposit	$ 301,483	$ 301,483
Total investments at fair value	$ 301,483	$ 301,483

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2019:

Subject to the passage of time	$ 307,500
Subject to expenditures for specific purposes:	
Design challenges and other education programs	300,269
AskNature	90,248
Total net assets with donor restrictions	$ 698,017

During the year ended December 31, 2019, releases from net assets with donor restrictions were for the following:

Satisfaction of expenditures for specific purposes:	
Design challenges and other education programs	$ 468,565
AskNature	119,752
Total net assets released from donor restrictions	$ 588,317

8. Liquidity and Availability of Resources

The following schedule reflects the Institute's financial assets as of December 31, 2019, reduced by amounts not available for general use within one year. All financial assets listed below are considered to be convertible to cash within one year.

Financial Assets:		
Cash and cash equivalents	$	715,681
Contributions receivable		318,002
Investments		301,483
Total financial assets		1,335,166
Less: Donor-imposed restrictions on the financial assets		(698,017)
Less: Board designated reserve		(150,000)
Financial assets available to meet cash needs for general expenditures within one year	$	487,149

The Institute's policy is to structure its financial assets to become available as general expenditures, liabilities and other obligations become due, operating within a prudent range of financial soundness and stability while maintaining and monitoring reserves to provide reasonable assurance that long-term program goals will continue to be met. The Board designates a portion of net assets without donor restrictions as a reserve. This reserve is available, upon the Board Treasurer's approval, should a need arise.

9. Retirement Plan

The Institute's maintains a 401(k)-retirement plan (the Plan) for all eligible employees. Employees meeting the Plan's service requirements are eligible for employer matching contributions. The Institute matches 100% of employee contributions up to 4% of the employee's salary. Employer matching contributions are fully and immediately vested to the employee. For the year ended December 31, 2019, the Institute contributed $22,110 in matching contributions to the Plan.

10. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Institute is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended December 31, 2019, as the Institute had no taxable net unrelated business income.

The Institute follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It is the Institute's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

10. Income Taxes (continued)

The Institute performed an evaluation of uncertain tax positions for the year ended December 31, 2019 and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. The statute of limitations generally remains open for three tax years with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Institute files tax returns.

11. Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through September 25, 2020, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements, other than as noted in the paragraph below.

The COVID-19 outbreak has caused disruption for nonprofit organizations and other businesses and has resulted in significant volatility in the financial markets. There have been mandated and voluntary closings of offices and cancellations of events and meetings. The Institute has continued its work remotely. The Institute cancelled a planned in-person event and has pivoted to hold other events in a virtual manner. The Institute has not incurred any cancellation fees. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of restrictions on gatherings and potential economic impacts. At this time, the potential related financial impact cannot be reasonably estimated.