

THE BIOMIMICRY INSTITUTE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2020

(With Summarized Comparative Information for the Year Ended December 31, 2019)

THE BIOMIMICRY INSTITUTE

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December 31, 2020

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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 the statement of financial position as of December 31, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the 2019 financial statements of The Biomimicry Institute, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
November 5, 2021

THE BIOMIMICRY INSTITUTE
Statement of Financial Position
December 31, 2020
(With Summarized Comparative Information for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 806,335	\$ 715,681
Contributions receivable	898,794	318,002
Prepaid expenses	17,341	80,450
Investments	307,549	301,483
Property and equipment, net	<u>139,517</u>	<u>4,874</u>
Total assets	<u>\$ 2,169,536</u>	<u>\$ 1,420,490</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 57,251	\$ 70,097
Accrued salaries and leave	79,894	49,981
Refundable advances	<u>456,690</u>	<u>32,200</u>
Total liabilities	<u>593,835</u>	<u>152,278</u>
Net Assets		
Without donor restrictions:		
Undesignated	441,940	420,195
Board designated reserve	<u>260,809</u>	<u>150,000</u>
Total without donor restrictions	702,749	570,195
With donor restrictions	<u>872,952</u>	<u>698,017</u>
Total net assets	<u>1,575,701</u>	<u>1,268,212</u>
Total liabilities and net assets	<u>\$ 2,169,536</u>	<u>\$ 1,420,490</u>

See accompanying notes.

THE BIOMIMICRY INSTITUTE
Statement of Activities
Year Ended December 31, 2020
(With Summarized Comparative Information for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Contributions	\$ 468,028	\$ 1,405,000	\$ 1,873,028	\$ 1,758,618
Program service revenue	107,710	-	107,710	191,561
Net investment income	-	8,168	8,168	14,504
In-kind contributions	18,546	-	18,546	
Other income	-	-	-	1,097
Net assets released from restrictions:				
Expiration of time restrictions	437,500	(437,500)	-	-
Satisfaction of purpose restrictions	800,733	(800,733)	-	-
Total revenue and support	1,832,517	174,935	2,007,452	1,965,780
Expenses				
Program services:				
Design Challenges and Other Education	548,326	-	548,326	331,899
AskNature	434,618	-	434,618	464,577
Entrepreneurship	380,185	-	380,185	236,816
Total program services	1,363,129	-	1,363,129	1,033,292
Supporting services:				
Management and general	167,688	-	167,688	143,478
Fundraising	169,146	-	169,146	161,085
Total supporting services	336,834	-	336,834	304,563
Total expenses	1,699,963	-	1,699,963	1,337,855
Change in Net Assets	132,554	174,935	307,489	627,925
Net Assets, beginning of year	570,195	698,017	1,268,212	640,287
Net Assets, end of year	\$ 702,749	\$ 872,952	\$ 1,575,701	\$ 1,268,212

See accompanying notes.

THE BIOMIMICRY INSTITUTE

Statement of Functional Expenses

Year Ended December 31, 2020

(With Summarized Comparative Information for 2019)

	2020							2019	
	Program Services				Supporting Services			Total	Total
	Design Challenges and Other Education	AskNature	Entrepreneur-ship	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and related expenses	\$ 318,867	\$ 241,019	\$ 162,964	\$ 722,850	\$ 102,428	\$ 130,952	\$ 233,380	\$ 956,230	\$ 717,831
Professional services	182,754	174,174	126,954	483,882	33,663	23,070	56,733	540,615	398,055
Programmatic trainings and events	7,121	600	65,710	73,431	5,500	64	5,564	78,995	86,098
Information technology	24,499	8,666	5,666	38,831	4,973	6,292	11,265	50,096	39,263
Office expenses	7,699	4,663	4,374	16,736	10,411	2,680	13,091	29,827	25,835
Meeting and conferences	2,143	2,090	11,617	15,850	-	20	20	15,870	49,083
Marketing and promotion	5,074	3,372	2,871	11,317	1,351	1,761	3,112	14,429	10,697
Dues, fees and subscriptions	169	34	29	232	9,362	4,307	13,669	13,901	10,993
Total Expenses	<u>\$ 548,326</u>	<u>\$ 434,618</u>	<u>\$ 380,185</u>	<u>\$ 1,363,129</u>	<u>\$ 167,688</u>	<u>\$ 169,146</u>	<u>\$ 336,834</u>	<u>\$ 1,699,963</u>	<u>\$ 1,337,855</u>

See accompanying notes.

THE BIOMIMICRY INSTITUTE
Statement of Cash Flows
Year Ended December 31, 2020
(With Summarized Comparative Information for 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 307,489	\$ 627,925
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(6,066)	(6,331)
Depreciation and amortization	4,509	2,974
Change in operating assets and liabilities:		
Contributions receivable	(580,792)	(311,623)
Prepaid expenses	63,109	(62,780)
Accounts payable and accrued expenses	(12,846)	21,922
Accrued salaries and leave	29,913	14,587
Refundable advances	424,490	32,200
Net cash provided by operating activities	<u>229,806</u>	<u>318,874</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(139,152)	(2,736)
Purchases of investments	<u>-</u>	<u>(195,980)</u>
Net cash used in investing activities	<u>(139,152)</u>	<u>(198,716)</u>
Net Increase in Cash and Cash Equivalents	<u>90,654</u>	<u>120,158</u>
Cash and Cash Equivalents, beginning of year	<u>715,681</u>	<u>595,523</u>
Cash and Cash Equivalents, end of year	<u>\$ 806,335</u>	<u>\$ 715,681</u>

See accompanying notes.

1. Nature of Operations

The Biomimicry Institute (The 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.

- AskNature: 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, 2020 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, 2020.

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 purpose restrictions are met 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 refundable advances. The Institute had \$456,690 in conditional contributions at December 31, 2020. There were no other conditional contributions for which the conditions are to be met in future periods.

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 during 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. There was no deferred revenue related to program service revenue at December 31, 2020.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Institute. Donated goods and services are recognized as both revenue and support and expenses on the accompanying statement of activities at the estimated fair value at the date of donation. The Institute received \$14,000 of donated advertising services used in the Institute's supporting service activities and \$4,546 of donated software licensing during the year ended December 31, 2020 which were used in fulfillment of the Institute's program and supporting service activities.

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.

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

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, information technology, office expenses and marketing and promotion.

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.

Management is currently evaluating the impact of ASU 2016-02 and ASU 2020-07 on the Institute's financial statements.

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 and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2020 financial statement presentation.

Summarized Comparative Information

The accompanying financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2019 from which the summarized information was derived.

THE BIOMIMICRY INSTITUTE

Notes to Financial Statements

December 31, 2020

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 (SIPC) 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.

Three grantors accounted for 83% of the Institute's total revenue and support for the year ended December 31, 2020. A change in the amount or continuation of funding from these sources could have a significant effect on the Institute's operations. Additionally, about 99% of the Institute's contributions receivable are due from two sources.

4. Contributions Receivable

Contributions receivable is comprised of unconditional promises to give which are receivable as follows at December 31, 2020:

Contributions receivable in less than one year	\$	458,794
Contributions receivable in one to five years		<u>440,000</u>
Total contributions receivable	\$	<u>898,794</u>

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, 2020. 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, 2020:

Certificates of deposit	\$	<u>307,549</u>
Total investments	\$	<u>307,549</u>

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.

6. Fair Value (continued)

- 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, 2020:

	<u>Level 2</u>	<u>Total</u>
Certificate of deposit	\$ 307,549	\$ 307,549
Total investments at fair value	<u>\$ 307,549</u>	<u>\$ 307,549</u>

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2020:

Subject to the passage of time	\$ 870,000
Subject to expenditures for specific purposes:	
Design challenges and other education programs	<u>2,952</u>
Total net assets with donor restrictions	<u>\$ 872,952</u>

During the year ended December 31, 2020, releases from net assets with donor restrictions were for the following:

Expiration of time restrictions	\$ 437,500
Satisfaction of purpose restrictions:	
Design challenges and other education programs	405,564
Entrepreneurship	300,000
AskNature	<u>95,169</u>
Total net assets released from donor restrictions	<u>\$ 1,238,233</u>

8. Liquidity and Availability of Resources

The following schedule reflects the Institute's financial assets as of December 31, 2020, 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	\$	806,335
Contributions receivable		898,794
Investments		<u>307,549</u>
Total financial assets		2,012,678
Less those unavailable for general expenditures within one year:		
Donor-imposed restrictions on the financial assets		(872,952)
Board designated reserve		<u>(260,809)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>878,917</u>

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 Treasurer's approval, should a need arise.

9. Retirement Plan

The Institute 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 each participating employee's salary. Employer matching contributions are fully and immediately vested to the employees. For the year ended December 31, 2020, the Institute contributed \$24,996 in matching contributions to the Plan which is included in salaries and related expenses on the accompanying statement of functional expenses.

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, 2020, 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*.

THE BIOMIMICRY INSTITUTE

Notes to Financial Statements

December 31, 2020

10. Income Taxes (continued)

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.

The Institute performed an evaluation of uncertain tax positions for the year ended December 31, 2020 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 November 5, 2021, 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.