THE BIOMIMICRY INSTITUTE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2021
(With Summarized Comparative Information for the Year Ended December 31, 2020)

CHAN GROUP
Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Biomimicry Institute

Opinion

We have audited the accompanying financial statements of The Biomimicry Institute (the Institute), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Biomimicry Institute’s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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
September 9, 2022

THE BIOMIMICRY INSTITUTE
Statement of Financial Position
December 31, 2021
(With Summarized Comparative Information for 2020)

	2021	2020
Assets		
Cash and cash equivalents	$ 959,475	$ 806,335
Contributions receivable	498,380	898,794
Investments	310,436	307,549
Prepaid expenses	14,307	17,341
Property and equipment, net	141,524	139,517
Total assets	$ 1,924,122	$ 2,169,536
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 69,565	$ 57,251
Accrued salaries and leave	100,255	79,894
Refundable advances	365,193	456,690
Total liabilities	535,013	593,835
Net Assets		
Without donor restrictions:		
Undesignated	476,701	441,940
Board designated reserve	435,809	260,809
Total without donor restrictions	912,510	702,749
With donor restrictions	476,599	872,952
Total net assets	1,389,109	1,575,701
Total liabilities and net assets	$ 1,924,122	$ 2,169,536

See accompanying notes.

THE BIOMIMICRY INSTITUTE
Statement of Activities
Year Ended December 31, 2021
(With Summarized Comparative Information for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Contributions	$ 1,459,838	$ 425,569	$ 1,885,407	$ 1,873,028
Program service revenue	116,700	-	116,700	107,710
In-kind contributions	81,548	-	81,548	18,546
Net investment income	2,730	1,689	4,419	8,168
Net assets released from restrictions:				
Expiration of time restrictions	430,000	(430,000)	-	-
Satisfaction of purpose restrictions	393,611	(393,611)	-	-
Total revenue and support	2,484,427	(396,353)	2,088,074	2,007,452
Expenses				
Program services:				
AskNature	574,584	-	574,584	434,618
Design Challenges and Other Education	502,074	-	502,074	548,326
Innovation	383,777	-	383,777	380,185
Systems Change	360,730	-	360,730	-
Total program services	1,821,165	-	1,821,165	1,363,129
Supporting services:				
Management and general	275,136	-	275,136	167,688
Fundraising	178,365	-	178,365	169,146
Total supporting services	453,501	-	453,501	336,834
Total expenses	2,274,666	-	2,274,666	1,699,963
Change in Net Assets	209,761	(396,353)	(186,592)	307,489
Net Assets, beginning of year	702,749	872,952	1,575,701	1,268,212
Net Assets, end of year	$ 912,510	$ 476,599	$ 1,389,109	$ 1,575,701

See accompanying notes.

THE BIOMIMICRY INSTITUTE
Statement of Functional Expenses
Year Ended December 31, 2021
(With Summarized Comparative Information for 2020)

	2021									2020
	Program Services					Supporting Services				
	AskNature	Design Challenges and Other Education	Innovation	Systems Change	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	Total
Salaries and related expenses	$ 361,532	$ 286,167	$ 190,659	$ 128,804	$ 967,162	$ 162,778	$ 78,928	$ 241,706	$ 1,208,868	$ 956,230
Professional services	139,931	171,639	127,791	200,083	639,444	47,603	92,803	140,406	779,850	531,616
Information technology	19,152	19,849	50,426	4,088	93,515	11,636	4,077	15,713	109,228	50,096
Depreciation	41,594	-	607	508	42,709	5,083	-	5,083	47,792	4,509
Office expenses	6,074	6,269	4,908	2,447	19,698	11,838	1,139	12,977	32,675	32,683
Grants and other assistance	-	5,198	5,500	20,700	31,398	-	-	-	31,398	66,248
Meetings, conferences and travel	17	10,040	8	2,964	13,029	16	84	100	13,129	28,617
Currency translation loss	-	-	-	-	-	10,615	-	10,615	10,615	-
Other expenses	6,284	2,912	3,878	1,136	14,210	25,567	1,334	26,901	41,111	29,964
Total Expenses	$ 574,584	$ 502,074	$ 383,777	$ 360,730	$ 1,821,165	$ 275,136	$ 178,365	$ 453,501	$ 2,274,666	$ 1,699,963

See accompanying notes.

THE BIOMIMICRY INSTITUTE
Statement of Cash Flows
Year Ended December 31, 2021
(With Summarized Comparative Information for 2020)

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ (186,592)	$ 307,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(2,887)	(6,066)
Depreciation	47,792	4,509
Change in operating assets and liabilities:		
Contributions receivable	400,414	(580,792)
Prepaid expenses	3,034	63,109
Accounts payable and accrued expenses	12,314	(12,846)
Accrued salaries and leave	20,361	29,913
Refundable advances	(91,497)	424,490
Net cash provided by operating activities	202,939	229,806
Cash Flows from Investing Activities		
Purchases of property and equipment	(49,799)	(139,152)
Net cash used in investing activities	(49,799)	(139,152)
Net Increase in Cash and Cash Equivalents	153,140	90,654
Cash and Cash Equivalents, beginning of year	806,335	715,681
Cash and Cash Equivalents, end of year	$ 959,475	$ 806,335

See accompanying notes.

1. Nature of Operations

The Biomimicry Institute (the Institute) is a not-for-profit corporation organized in 2005. 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-inspired design process, including the Biomimicry Toolbox and webinars.

• Innovation: 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 recorded when obligations are 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, 2021 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 with a cost over $1,000 and a projected useful life exceeding one year are capitalized and recorded at cost or fair value at date of purchase or 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 on 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, 2021.

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 adopted the simultaneous release option for donor-restricted conditional contributions that are recognized and used within the same reporting period, therefore, these amounts are reported as without donor restrictions. Revenue recognized as contributions that have not been received are included in contributions receivable. Conversely, amounts received in advance of the conditions being met are included in refundable advances. At December 31, 2021 the Institute had $365,193 in refundable advances as shown on the accompanying statement of financial position. In addition, the Institute had approximately $2.79 million of unrecognized conditional contributions at December 31, 2021 for which the conditions are expected 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 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, 2021.

In-Kind Contributions

In-kind contributions consist of donated software licensing and donated professional services which are recognized as revenue and expenses on the accompanying statement of activities at the estimated fair value at the date of donation.

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.

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions (continued)

The Institute received $20,875 of donated professional services used in the Institute's program service activities and $60,673 of donated software licensing during the year ended December 31, 2021 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 on 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, information technology, office expenses and other expenses.

Pending Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 GAAP requires management to make estimates and assumptions that affect certain amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

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, 2020 from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2021 financial statement presentation.

3. Concentrations

The Institute's cash and cash equivalents are held in accounts at certain commercial financial institutions. The 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.

Three contributors accounted for 78% of the Institute's total revenue and support for the year ended December 31, 2021. A change in the amount or continuation of funding from these sources could have a significant effect on the Institute's operations. Additionally, approximately 88% of the Institute's contributions receivables are due from two sources.

4. Investments

Investments consist of the following at December 31, 2021:

Certificates of deposit	$ 310,436
Total investments	$ 310,436

5. 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.

5. 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, 2021:

	Level 2	Total
Certificate of deposit	$ 310,436	$ 310,436
Total investments at fair value	$ 310,436	$ 310,436

6. Property and Equipment

The Organization held the following property and equipment at December 31, 2021:

Website	$ 177,428
Furniture and equipment	24,226
Total property and equipment	201,654
Less: accumulated depreciation	(60,130)
Property and equipment, net	$ 141,524

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2021:

Subject to the passage of time	$ 440,000
Subject to expenditures for specific purposes:	
Innovation	36,599
Total net assets with donor restrictions	$ 476,599

7. Net Assets With Donor Restrictions (continued)

During the year ended December 31, 2021, releases from net assets with donor restrictions were for the following:

Expiration of time restrictions	$	430,000
Satisfaction of purpose restrictions:		
Innovation		313,401
Biomimicry Education		75,000
Design Challenges and Other Education		3,521
AskNature		1,689
Total net assets released from donor restrictions	$	823,611

8. Liquidity and Availability of Resources

The following schedule reflects the Institute's financial assets as of December 31, 2021, 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	$	959,475
Contributions receivable		498,380
Investments		310,436
Total financial assets		1,768,291
Less those unavailable for general expenditures within one year:		
Donor-imposed restrictions on the financial assets		(476,599)
Board designated reserve		(435,809)
Financial assets available to meet cash needs for general expenditures within one year	$	855,883

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'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 each participating employee's salary. Employer matching contributions are fully and immediately vested to the employees. For the year ended December 31, 2021, the Institute contributed $27,104 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, 2021, 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.

The Institute performed an evaluation of uncertain tax positions for the year ended December 31, 2021 and determined that there were no matters that would require recognition on 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 9, 2022, 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.