

THE BIOMIMICRY INSTITUTE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2022

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

THE BIOMIMICRY INSTITUTE

Table of Contents
December 31, 2022

Table of Contents

Independent Auditor's Report..... 1 – 2

Financial Statements

Statement of Financial Position..... 3

Statement of Activities..... 4

Statement of Functional Expenses..... 5

Statement of Cash Flows..... 6

Notes to Financial Statements..... 7 – 15

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, 2022, 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, 2022, 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.

Adoption of New Accounting Standards

As disclosed in Note 2 to the financial statements, the Institute adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to that matter.

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.

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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



HAN GROUP LLC
Washington, DC
October 3, 2023

THE BIOMIMICRY INSTITUTE
Statement of Financial Position
December 31, 2022
(With Summarized Comparative Information for 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,914,143	\$ 959,475
Contributions receivable	21,119	498,380
Investments	78,810	310,436
Prepaid expenses	20,141	14,307
Property and equipment, net	<u>84,730</u>	<u>141,524</u>
Total assets	<u>\$ 2,118,943</u>	<u>\$ 1,924,122</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 36,554	\$ 69,565
Accrued salaries and leave	112,012	100,255
Refundable advances	413,493	365,193
Deferred revenue	<u>25,200</u>	<u>-</u>
Total liabilities	<u>587,259</u>	<u>535,013</u>
Net Assets		
Without donor restrictions:		
Undesignated	642,882	476,701
Board designated reserve	<u>615,809</u>	<u>435,809</u>
Total without donor restrictions	1,258,691	912,510
With donor restrictions	<u>272,993</u>	<u>476,599</u>
Total net assets	<u>1,531,684</u>	<u>1,389,109</u>
Total liabilities and net assets	<u>\$ 2,118,943</u>	<u>\$ 1,924,122</u>

See accompanying notes.

THE BIOMIMICRY INSTITUTE

Statement of Activities

Year Ended December 31, 2022

(With Summarized Comparative Information for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Contributions of cash and other financial assets	\$ 1,787,633	\$ 825,000	\$ 2,612,633	\$ 1,885,407
Contributions of nonfinancial assets	62,522	-	62,522	81,548
Program service revenue	48,867	-	48,867	116,700
Net investment income	4,946	1,293	6,239	4,419
Net assets released from restrictions:				
Expiration of time restrictions	440,000	(440,000)	-	-
Satisfaction of purpose restrictions	589,899	(589,899)	-	-
Total revenue and support	<u>2,933,867</u>	<u>(203,606)</u>	<u>2,730,261</u>	<u>2,088,074</u>
Expenses				
Program services:				
Systems Change	757,422	-	757,422	360,730
AskNature	466,153	-	466,153	574,584
Innovation	455,380	-	455,380	383,777
Design Challenges and Other Education	361,334	-	361,334	502,074
Total program services	<u>2,040,289</u>	<u>-</u>	<u>2,040,289</u>	<u>1,821,165</u>
Supporting services:				
Management and general	375,318	-	375,318	275,136
Fundraising	172,079	-	172,079	178,365
Total supporting services	<u>547,397</u>	<u>-</u>	<u>547,397</u>	<u>453,501</u>
Total expenses	<u>2,587,686</u>	<u>-</u>	<u>2,587,686</u>	<u>2,274,666</u>
Change in Net Assets	346,181	(203,606)	142,575	(186,592)
Net Assets , beginning of year	<u>912,510</u>	<u>476,599</u>	<u>1,389,109</u>	<u>1,575,701</u>
Net Assets , end of year	<u>\$ 1,258,691</u>	<u>\$ 272,993</u>	<u>\$ 1,531,684</u>	<u>\$ 1,389,109</u>

See accompanying notes.

THE BIOMIMICRY INSTITUTE

Statement of Functional Expenses

Year Ended December 31, 2022

(With Summarized Comparative Information for 2021)

	2022								2021	
	Program Services				Supporting Services				Total	Total
	Systems Change	AskNature	Innovation	Design Challenges and Other Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and related expenses	\$ 228,890	\$ 357,784	\$ 276,150	\$ 200,607	\$ 1,063,431	\$ 206,195	\$ 145,696	\$ 351,891	\$ 1,415,322	\$ 1,208,868
Professional services	444,966	27,909	51,909	132,109	656,893	68,910	13,992	82,902	739,795	779,850
Meetings, conferences and travel	29,687	5,225	47,964	10,765	93,641	24,749	1,137	25,886	119,527	13,129
Information technology	6,100	16,726	24,769	12,800	60,395	16,691	7,828	24,519	84,914	109,228
Grants and other assistance	36,690	-	44,592	-	81,282	-	-	-	81,282	31,398
Depreciation	6,100	50,007	911	-	57,018	5,846	-	5,846	62,864	47,792
Office expenses	4,542	7,001	7,878	4,485	23,906	14,516	3,114	17,630	41,536	32,675
Currency translation loss	-	-	-	-	-	10,407	-	10,407	10,407	10,615
Other expenses	447	1,501	1,207	568	3,723	28,004	312	28,316	32,039	41,111
Total Expenses	<u>\$ 757,422</u>	<u>\$ 466,153</u>	<u>\$ 455,380</u>	<u>\$ 361,334</u>	<u>\$ 2,040,289</u>	<u>\$ 375,318</u>	<u>\$ 172,079</u>	<u>\$ 547,397</u>	<u>\$ 2,587,686</u>	<u>\$ 2,274,666</u>

See accompanying notes.

THE BIOMIMICRY INSTITUTE

Statement of Cash Flows

Year Ended December 31, 2022

(With Summarized Comparative Information for 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 142,575	\$ (186,592)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(1,061)	(2,887)
Depreciation	62,864	47,792
Change in operating assets and liabilities:		
Contributions receivable	477,261	400,414
Prepaid expenses	(5,834)	3,034
Accounts payable and accrued expenses	(33,011)	12,314
Accrued salaries and leave	11,757	20,361
Refundable advances	48,300	(91,497)
Deferred revenue	25,200	-
Net cash provided by operating activities	<u>728,051</u>	<u>202,939</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	232,687	-
Purchases of property and equipment	<u>(6,070)</u>	<u>(49,799)</u>
Net cash provided by (used in) investing activities	<u>226,617</u>	<u>(49,799)</u>
Net Increase in Cash and Cash Equivalents	<u>954,668</u>	<u>153,140</u>
Cash and Cash Equivalents, beginning of year	<u>959,475</u>	<u>806,335</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,914,143</u>	<u>\$ 959,475</u>

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 visit 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 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 scientists and 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. This is a hybrid program, with participants attending a nature retreat designed to create a life-long community of environmental entrepreneurs, followed by a 10-week virtual program focused on science communication and sustainable business practices. The program culminates with a \$100,000 prize that 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.

THE BIOMIMICRY INSTITUTE

Notes to Financial Statements

December 31, 2022

1. Nature of Operations (continued)

• **Systems Change:** This year the Institute initiated a new Systems Change program to continue building on the interest generated by the Institute's The Nature of Fashion report (2020). This program, called Design for Transformation, looks at system level challenges to post-consumer waste with an initial focus on using textile decomposition to create new, biocompatible materials. The ultimate goal of the work is to offer thought leadership on how industrial symbiosis, or food webs, can inspire new systems that ultimately support the safe breakdown and buildup of materials. The outcomes of this work will inform a new narrative around the role of biomimicry in building a materials metabolism.

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 as obligations are incurred.

Adoption of New Accounting Standards

Effective January 1, 2022, the Institute adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires that an organization to present contributions of nonfinancial assets as a separate line item apart from contributions of cash or other financial assets on the statement of activities. Additionally, the categories of recognized contributed nonfinancial assets, how the services were utilized, and the valuation techniques and inputs used to arrive at a fair value measure are disclosed. The Institute adopted ASU 2020-07 on a retrospective basis. The presentation and discloses of contributed nonfinancial assets have been enhanced in accordance with the standards.

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, 2022, 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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

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 Institutes' 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, 2022.

Revenue Recognition

Contributions of Cash and Other Financial Assets

The majority of the Institute's revenue is received through contributions of cash and other financial assets. Unconditional contributions 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.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions of Cash and Other Financial Assets (Continued)

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. 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, 2022, the Institute had approximately \$1.77 million of unrecognized conditional contributions, including \$413,493 in refundable advances as shown on the accompanying statement of financial position.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets include donated professional services and donated software licensing which are recognized as revenue and expenses on the accompanying statement of activities at the estimated fair value at the date of receipt. 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. Unless noted, contributed nonfinancial assets did not have donor-imposed restrictions. See Note 6 for additional information on the contributions of nonfinancial assets.

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. At December 31, 2022, deferred revenue related to program service revenue was \$25,200 and is included 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 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 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.

THE BIOMIMICRY INSTITUTE

Notes to Financial Statements

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

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.

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, 2021 from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2022 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 (SIPC) limits per depositor, per institution. Amounts in excess of the insured limits are subject to potential loss. 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 61% of the Institute's total revenue and support for the year ended December 31, 2022. A change in the amount or continuation of funding from these sources could have a significant effect on the Institute's operations. Additionally, approximately 47% of the Institute's contributions receivables is due from one source.

4. Investments

Investments consist of the following at December 31, 2022:

Certificates of deposit	\$ 78,810
Total investments	<u>\$ 78,810</u>

5. Fair Value Measurements

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.

THE BIOMIMICRY INSTITUTE

Notes to Financial Statements

December 31, 2022

5. Fair Value Measurements (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, 2022:

	<u>Level 1</u>	<u>Total</u>
Certificates of deposit	\$ 78,810	\$ 78,810
Total investments at fair value	<u>\$ 78,810</u>	<u>\$ 78,810</u>

6. Contributions of Nonfinancial Assets

The following table summarizes the Institute's contributed nonfinancial assets by major category for the year ended December 31, 2022:

<u>Nonfinancial Assets</u>	<u>Revenue Recognized</u>	<u>Usage in Programs</u>	<u>Fair Value Techniques and Inputs</u>
Professional Services	\$ 41,283	Systems Change, Innovation, and supporting services	Standard rates of the donating firm for services
Subscription Software	21,239	Supporting services	Standard rates of the donating firm for subscriptions
Total contributed nonfinancial assets	<u>\$ 62,522</u>		

No contributed nonfinancial assets were monetized, and none had donor-imposed restrictions.

THE BIOMIMICRY INSTITUTE

Notes to Financial Statements

December 31, 2022

7. Property and Equipment

The Institute held the following property and equipment at December 31, 2022:

Property and equipment:	
Website	\$ 177,428
Furniture and equipment	<u>30,296</u>
Total property and equipment	207,724
Less: accumulated depreciation	<u>(122,994)</u>
Property and equipment, net	<u>\$ 84,730</u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2022:

Subject to expenditures for specific purposes:	
Innovation	\$ 143,816
Systems Change	102,884
Executive Director Search and Transition	25,000
Youth Ed	648
AskNature	<u>645</u>
Total net assets with donor restrictions	<u>\$ 272,993</u>

During the year ended December 31, 2022, releases from net assets with donor restrictions were for the following:

Expiration of time restrictions	\$ 440,000
Satisfaction of purpose restrictions:	
Innovation	392,783
Systems Change	<u>197,116</u>
Total net assets released from donor restrictions	<u>\$ 1,029,899</u>

THE BIOMIMICRY INSTITUTE

Notes to Financial Statements

December 31, 2022

9. Liquidity and Availability of Resources

The following schedule reflects the Institute's financial assets as of December 31, 2022, 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	\$ 1,914,143
Contributions receivable	21,119
Investments	<u>78,810</u>
Total financial assets	2,014,072
Less those unavailable for general expenditures within one year:	
Donor-imposed restrictions on the financial assets	(272,993)
Board designated reserve	<u>(615,809)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,125,270</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 program goals will continue to be met. The Board designates a portion of net assets without donor restrictions as a general reserve. Should the need arise, the Board Treasurer may approve releases from the reserve.

10. 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, 2022, the Institute contributed \$32,699 in matching contributions to the Plan which is included in salaries and related expenses on the accompanying statement of functional expenses.

11. 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, 2022, 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 BIOMIMICRY INSTITUTE

Notes to Financial Statements

December 31, 2022

11. Income Taxes (continued)

The Institute performed an evaluation of uncertain tax positions for the year ended December 31, 2022 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.

12. Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through October 3, 2023, 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.