



Nature Sacred

NATURE SACRED
Financial Statements
December 31, 2021 and 2020
With Independent Auditor's Report

Nature Sacred
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December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Nature Sacred:

Opinion

We have audited the financial statements of Nature Sacred (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nature Sacred as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Organization's ability to continue as a going concern for 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 GAAS 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 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 GAAS, 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 Organization'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 Organization'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.

Withum Smith & Brown, PC

July 6, 2022

Nature Sacred
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 2,980,940	\$ 1,963,853
Promises to give, net	50,000	-
Prepaid expenses	13,165	30,847
Promissory note receivable	-	20,000
Investments	7,502,023	6,413,902
Property and equipment, net	50,746	92,753
Trademarks	<u>1,000</u>	<u>1,000</u>
 Total assets	 <u>\$ 10,597,874</u>	 <u>\$ 8,522,355</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 25,462</u>	<u>\$ 37,583</u>
Net assets		
Without donor restrictions		
Available for operations	1,903,415	1,146,468
Board designated endowment fund	<u>6,942,075</u>	<u>5,399,693</u>
Total without donor restrictions	8,845,490	6,546,161
With donor restrictions	<u>1,726,922</u>	<u>1,938,611</u>
Total net assets	<u>10,572,412</u>	<u>8,484,772</u>
 Total liabilities and net assets	 <u>\$ 10,597,874</u>	 <u>\$ 8,522,355</u>

The Notes to Financial Statements are an integral part of these statements.

Nature Sacred
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Contributions	\$ 1,755,634	\$ 344,127	\$ 2,099,761	\$ 563,217	\$ 2,038,611	\$ 2,601,828
Donated services	57,652	-	57,652	43,000	-	43,000
Net investment return	1,202,257	-	1,202,257	472,390	-	472,390
Contract revenue	25,000	-	25,000	-	-	-
Other income	-	-	-	15,000	-	15,000
Net assets released from restrictions	555,816	(555,816)	-	450,000	(450,000)	-
	<u>3,596,359</u>	<u>(211,689)</u>	<u>3,384,670</u>	<u>1,543,607</u>	<u>1,588,611</u>	<u>3,132,218</u>
Expenses						
Program	854,562	-	854,562	556,633	-	556,633
Management and general	206,818	-	206,818	249,087	-	249,087
Fundraising	235,650	-	235,650	155,136	-	155,136
	<u>1,297,030</u>	<u>-</u>	<u>1,297,030</u>	<u>960,856</u>	<u>-</u>	<u>960,856</u>
Changes in net assets	2,299,329	(211,689)	2,087,640	582,751	1,588,611	2,171,362
Net assets						
Beginning of year	<u>6,546,161</u>	<u>1,938,611</u>	<u>8,484,772</u>	<u>5,963,410</u>	<u>350,000</u>	<u>6,313,410</u>
End of year	<u>\$ 8,845,490</u>	<u>\$ 1,726,922</u>	<u>\$ 10,572,412</u>	<u>\$ 6,546,161</u>	<u>\$ 1,938,611</u>	<u>\$ 8,484,772</u>

The Notes to Financial Statements are an integral part of these statements.

**Nature Sacred
Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating activities		
Changes in net assets	\$ 2,087,640	\$ 2,171,362
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	46,138	45,267
Realized and unrealized gains	(1,101,802)	(354,326)
Change in assets and liabilities		
Contributions receivable	(50,000)	-
Prepaid expenses	17,682	(25,673)
Accounts payable and accrued expenses	(12,121)	31,386
Net cash provided by operating activities	<u>987,537</u>	<u>1,868,016</u>
Investing activities		
Purchases of investments	(2,176,256)	(3,243,122)
Payment of promissory note receivable	20,000	-
Proceeds from sales of investments	2,189,937	3,148,299
Receivable - due from investment fund	-	27,737
Purchases of property and equipment	(4,131)	(1,907)
Net cash provided by (used in) investing activities	<u>29,550</u>	<u>(68,993)</u>
Net change in cash and cash equivalents	1,017,087	1,799,023
Cash and cash equivalents		
Beginning of year	<u>1,963,853</u>	<u>164,830</u>
End of year	<u>\$ 2,980,940</u>	<u>\$ 1,963,853</u>
Supplemental disclosure of cash flow information		
Cash paid for excise taxes	<u>\$ -</u>	<u>\$ 34,403</u>

The Notes to Financial Statements are an integral part of these statements.

Nature Sacred
Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	2021				2020			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Grants and direct program expenses	\$ 133,833	\$ -	\$ -	\$ 133,833	\$ 22,850	\$ -	\$ -	\$ 22,850
Compensation costs	308,485	99,339	142,326	550,150	241,452	86,569	90,159	418,180
Office expense	21,059	6,862	9,831	37,752	36,490	13,083	13,625	63,198
Occupancy	15,773	5,080	7,278	28,131	11,372	4,078	4,247	19,697
Insurance	2,892	932	1,335	5,159	3,833	1,375	1,432	6,640
Auto	4,693	1,511	2,165	8,369	8,809	-	-	8,809
Travel	7,975	-	-	7,975	-	-	-	-
Professional fees	252,199	64,978	46,610	363,787	150,546	124,728	35,913	311,187
Excise and other taxes	-	8,352	-	8,352	-	9,883	-	9,883
Depreciation	25,871	8,331	11,936	46,138	26,136	9,371	9,760	45,267
Photography	-	-	-	-	-	-	-	-
Bench material cost	41,928	-	-	41,928	36,834	-	-	36,834
Board expenses	-	11,433	-	11,433	-	-	-	-
Donor cultivation materials and events	-	-	14,169	14,169	-	-	-	-
Outreach marketing and other	39,854	-	-	39,854	18,311	-	-	18,311
	<u>\$ 854,562</u>	<u>\$ 206,818</u>	<u>\$ 235,650</u>	<u>\$ 1,297,030</u>	<u>\$ 556,633</u>	<u>\$ 249,087</u>	<u>\$ 155,136</u>	<u>\$ 960,856</u>

The Notes to Financial Statements are an integral part of these statements.

Nature Sacred
Notes to Financial Statements
December 31, 2021 and 2020

1. NATURE OF ORGANIZATION

Nature Sacred (the “Organization”) formerly known as the Thomas & Katharine Stoner Foundation (“TKF”) is a private foundation incorporated in the state of Iowa and operating in the state of Maryland. The purpose of the Organization includes (but is not limited to) facilitating the creation of open, green, contemplative park areas located largely in urban areas. These green areas are referred to as “Sacred Places” by the Organization. Additionally, the Organization is involved with various educational and programmatic activities to raise awareness about the health, economic, and community benefits of these Sacred Places. The Organization is focused on building a relationship with their community partners, “Firesouls”, who oversee the role of creating these spaces. Building a network of Firesouls is imperative to their operations because it leads to increase in use and the development of more Sacred Places. The Organization’s funding was provided primarily through contributions and investment income. The Organization received approval to be reclassified from a private non-operating foundation to a private operating foundation in June 2020. The year ended December 31, 2021 reflects the first full year as a private operating foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (“US GAAP”).

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

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 the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in these financial statements are the investments valued at Level 3 and net asset value as a practical expedient to fair value (see Note 4).

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and detailed within the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited or directly charged to the appropriate functional area. Such allocations are determined by management on an equitable basis.

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The expenses that are allocated include the following:

<u>Expense</u>	<u>Methodology</u>
Compensation costs	Time and effort
Office expense	Compensation costs
Occupancy	Compensation costs
Insurance	Compensation costs
Depreciation	Compensation costs

Tax-Exempt Status

The Organization is exempt from federal income taxes under Section 501(c)(3) and is classified as a private operating foundation under section 509(a) of the Internal Revenue Code. The Organization is subject to excise taxes. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2021 and 2020 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. There has been no tax related interest or penalties for the periods presented in these financial statements.

Revenue Recognition – Contributions Received

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. Contributions, net assets and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions.

Promises to Give, net

Promises to give are stated at the amounts earned under the contract or pledge agreement. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Promises to give are due within one year and considered to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Contracts with a Customer

The Organization has contracted with a customer to provide design, materials and advisory services surrounding the production of a Sacred Place. This is treated as an exchange transaction in the statement of activities and changes in net assets. There are no significant financing components as payment is received at or shortly after the performance obligations are met. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities in the statements of financial position. Any obligation for refund is not material and accordingly related disclosures are not provided. The Organization recognizes this revenue at a point in time when the promised services or good are delivered. No deferred contract liabilities or accounts receivable were recorded as of December 31, 2019.

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In-Kind Donations

The Organization records the value of donated services and materials at the fair market value on the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. During the years ended December 31, 2021 and 2020, the Organization received \$57,652 and \$43,000 of donated services, respectively.

Grants Made

The Organization recognizes grants made, including unconditional promises, as expenses in the period made. Conditional promises, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in expense until the conditions on which they depend have been substantially met.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a maturity date of three months or less on the date of acquisition.

Inventory

Inventory is recorded at the lower of cost or net realizable value. The Organization's inventory consists of published books and has a full valuation allowance against the inventory.

Investments

Investments in equity securities with readily determinable values are measured at fair value in the statements of financial position. Investments in debt securities are measured at amortized cost. Purchases and sales of securities are recorded on a trade date basis. Investments that are sold but not paid out by year end are stated in the receivable due from investment fund on the statements of financial position. Investment income or loss is included in net assets with no restrictions unless the income or loss is restricted by a donor or by law. Investment expenses incurred are net with investment return on the statements of activities and changes in net assets.

The Organization has certain investments in alternative investments. Most of these investments are established as limited partnerships which are not traded on any public exchange or market. Some of the alternative investments invest in various investment vehicles, including publicly traded equities and bonds traded in the United States and internationally, privately held companies, and closely held limited partnerships and investment companies and others represents investments in real estate. Investments in private equity and other funds are invested with investment companies and are investments without a readily determinable fair value measured at their net asset value in accordance with the fair value practical expedient. Investments in real estate funds are valued using the practical expedient to report the investments at cost less impairment, if any, plus or minus any changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Fair Value Measurements

The Organization applies fair value accounting for all financial assets and liabilities that are recognized at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair values should be based on the assumptions market participants use when pricing an asset.

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US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to the Organization's assumptions (unobservable inputs). The Organization groups assets at fair value in their levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Quoted market prices in active markets for identical assets and liabilities to the extent possible.

Level 2 - Other observable inputs, including quoted market prices of similar assets and liabilities in active and inactive markets, quoted prices for identical or similar assets in non-active markets, and other inputs.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

See Investments disclosure above for a description of the valuation methodologies used.

Promissory Note Receivable

The Organization made a promissory note receivable in 2019 with an unrelated third party. The note carries interest at 7% which is payable quarterly. The note was paid in full during the year ended December 31, 2021.

Property and Equipment

Property and equipment are recorded at cost, except for donated items, which are recorded at fair value on the date of donation. Repairs and maintenance expenditures are expensed in the statements of activities and changes in net assets. Donated property and equipment are recorded as restricted support when donors stipulate how long the assets must be used. In the absence of such stipulations, contributions of property and equipment are recorded as revenue without donor restrictions.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Furniture and fixtures	7
Computers and equipment	3-5
Leasehold improvements	Life of the lease

Valuation of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no impairment charge was required for the years presented in these financial statements.

Trademarks

Trademarks are recorded at cost and are not amortized.

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New Accounting Pronouncements Not Yet Effective

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842), which requires the recognition of a “right of use” asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for all the Organization’s lease obligations. The ASU is currently in effect for the fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact this pronouncement will have on its financial statements and related disclosures.

Gifts In-Kind

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Organization’s financial statements.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2021 and 2020, the Organization’s liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, fulfillment of pledge payables and grant making activities, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 2,980,940	\$ 1,963,853
Promises to give, net	50,000	-
Investments	<u>7,502,023</u>	<u>6,413,902</u>
Financial assets	10,532,963	8,377,755
Less: Net assets with restrictions	(1,726,922)	(1,938,611)
Less: Board designated net assets	<u>(6,942,075)</u>	<u>(5,399,693)</u>
	1,863,966	1,039,451
Board designated draw and time restricted net assets for release	<u>700,000</u>	<u>700,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,563,966</u>	<u>\$ 1,739,451</u>

The Organization withdraws funds from its investment account in accordance with its spending policy to cover operating expenses. The Organization maintains cash on hand to fund operations and initiatives and investments cash is not expected to be utilized. Additionally, the Organization has a board designated endowment of approximately \$7.5 million and \$6.4 million as of December 31, 2021 and 2020, respectively. Although the Organization does not intend to spend from its board designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

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4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization's investments and valuation of those investments were as follows at December 31, 2021:

	Investments Valued at Fair Value			Investments Valued at			Total
	Level 1	Level 2	Level 3	Amortized Cost	Practical Expedient	Net Asset Value	
US Treasury Notes	\$ -	\$ -	\$ -	\$ 1,357,646	\$ -	\$ -	\$ 1,357,646
Fixed income funds	1,990,785	-	-	-	-	-	1,990,785
Equity funds	2,421,675	-	-	-	-	-	2,421,675
Alternative investments							
Real estate funds	-	-	-	-	776,050	-	776,050
Private equity and other funds	-	-	-	-	-	955,867	955,867
	<u>\$ 4,412,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,357,646</u>	<u>\$ 776,050</u>	<u>\$ 955,867</u>	<u>\$ 7,502,023</u>

The Organization's investments and valuation of those investments were as follows at December 31, 2020:

	Investments Valued at Fair Value			Investments Valued at			Total
	Level 1	Level 2	Level 3	Amortized Cost	Practical Expedient	Net Asset Value	
US Treasury Notes	\$ -	\$ -	\$ -	\$ 1,375,511	\$ -	\$ -	\$ 1,375,511
Fixed income funds	1,875,937	-	-	-	-	-	1,875,937
Equity funds	1,535,427	-	-	-	-	-	1,535,427
Alternative investments							
Real estate funds	-	-	-	-	861,764	-	861,764
Private equity and other funds	-	-	-	-	-	765,263	765,263
	<u>\$ 3,411,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,375,511</u>	<u>\$ 861,764</u>	<u>\$ 765,263</u>	<u>\$ 6,413,902</u>

Investments Valued at Net Asset Value

The following table represents the unfunded commitments, redemption frequency and notice period for investments in entities that calculate fair value using net asset value per share or its equivalent at December 31:

	Number of Funds	Value at 12/31/21	Value at 12/31/20	Unfunded Commitment	Redemption Notice Period	Frequency
Private equity and other funds	9	\$ 955,867	\$ 765,263	\$ -	None	Daily

Investments Valued using Practical Expedient

The following table represents the investments valued using the practical expedient for cost plus or minus impairment and observable price changes at December 31:

	2021	2020
Value reported at beginning of year	\$ 861,764	\$ 861,764
Less: sales	(85,714)	-
Value reported at end of year	<u>\$ 776,050</u>	<u>\$ 861,764</u>

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5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 17,376	\$ 17,376
Computers and equipment	16,066	11,935
Leasehold improvements	<u>213,530</u>	<u>213,530</u>
	246,972	242,841
Less: Accumulated depreciation	<u>196,226</u>	<u>150,088</u>
Property and equipment, net	<u>\$ 50,746</u>	<u>\$ 92,753</u>

Depreciation expense was \$46,138 and \$45,267 for the years ending December 31, 2021 and 2020, respectively.

6. NET ASSETS

Restricted Net Assets

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2021</u>	<u>2020</u>
Purpose restricted		
Nature for wellness	\$ 309,232	\$ 125,000
Firesoul programming	-	13,611
Health economics white paper	13,417	-
Bench fund	25,000	-
Generations fund	<u>29,273</u>	<u>-</u>
	376,922	138,611
Time restricted	<u>1,350,000</u>	<u>1,800,000</u>
	<u>\$ 1,726,922</u>	<u>\$ 1,938,611</u>

Net assets with donor restrictions were released for the following purposes during the year ended December 31:

	<u>2021</u>	<u>2020</u>
Purpose restricted		
Nature for wellness	\$ 11,069	\$ -
Firesoul programming	13,964	-
Baltimore	60,000	-
Health economics white paper	4,583	-
Generations fund	8,700	-
Community healing initiative fund	7,500	-
Time restricted	<u>450,000</u>	<u>450,000</u>
	<u>\$ 555,816</u>	<u>\$ 450,000</u>

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Board Designated Endowment Fund

Fund Description

The Organization placed certain funds, at their discretion, in a dedicated investment account to establish a board designated endowment fund. The Organization's board of directors created the fund for the purpose of generating income in the future to support operations and provide a 5% annual payout to operations, calculated based upon a three-year trailing average investment balance. In addition to the annual operating distribution, the funds can be utilized with a 2/3 majority vote of the board of directors.

Investment Strategy

The Organization seeks to generate risk-adjusted returns from its reserves to enhance the Organization's ability to consistently provide resources for operating expenses. The investment objectives for its investment reserve funds include preservation of capital, liquidity, and optimized investment returns. The Organization invests in a diversified portfolio of investments which include cash and cash equivalents and fixed income funds to achieve these objectives.

The following represents the changes in the board designated fund:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 5,399,693	\$ -
Contributions	-	5,125,000
Investment income	1,792,382	399,693
Expenditures	<u>(250,000)</u>	<u>(125,000)</u>
Balance, end of year	<u>\$ 6,942,075</u>	<u>\$ 5,399,693</u>

7. COMMITMENTS AND CONTINGENCIES

Leases

The Organization has non-cancellable operating leases for office spaces and equipment which expire in 2022. Total rental expense amounted to approximately \$25,000 for each of the years ended December 31, 2021 and 2020.

Future payments under non-cancellable leases amounted to the following:

2022	<u>\$ 20,259</u>
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8. FEDERAL EXCISE TAX

The Organization is subject to a federal excise tax of 1.39% on net investment income, as defined by the Internal Revenue Code. The Organization is also required to make minimum distributions in accordance with a specific formula. The Organization made these required minimum distributions for the years covered in these financial statements. The current portion of excise tax expense was approximately \$5,000 and \$10,000 for the years ended December 31, 2021 and 2020, respectively.

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9. RISKS AND UNCERTAINTIES

Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk are cash and cash equivalents and investments.

Cash and Cash Equivalents

The Organization maintains cash balances at a U.S. bank and accounts are currently insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, cash balances in the Organization's accounts may exceed federally insured limits. All bank accounts exceeding FDIC insurable limits are with major financial institutions. The Organization has not experienced, and does not expect to experience, any losses in such accounts.

Investments

The Organization invests in conservative instruments which comprise equity funds, U.S. Treasury Notes and other low risk fixed income funds. The fair values reported in the financial statements are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities, including alternative investments, and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that amounts reported in the financial statements could change materially in the near term. The Organization mitigates risk by diversifying its portfolio among many instruments.

Revenue

For the year ended December 31, 2021, 58% of contributions was received from one donor. For the year ended December 31, 2020, 73% of contributions was received from one donor.

Receivables

Promises to give were due from 1 donor at December 31, 2021.

COVID-19

Management continues to evaluate the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position, and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty

10. RELATED PARTY TRANSACTIONS

Direct board member contributions totaled approximately \$44,000 and \$28,000 for the years ending December 31, 2021 and 2020, respectively. Additionally, certain board members made recommendations to corporations, foundations and donor advised funds which resulted in contributions of approximately \$169,000 and \$2,108,000 for the years ending December 31, 2021 and 2020, respectively.

During 2021 and 2020 two board members were employed at an investment advisory firm utilized by the Organization for investment advisory services. Total expenses paid to the investment advisory firm for investment advisory services amounted to approximately \$20,000 and \$22,000 for the years ended December 31, 2021 and 2020, respectively.

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11. SUBSEQUENT EVENTS

The Organization has evaluated events occurring through July 6, 2022 the date which the financial statements were available to be issued, for possible adjustment to or disclosure in the financial statements. Based on this evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in or adjustments to the financial statements.