Sustainable Conservation

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS REPORT

December 31, 2014 and 2013

CONTENTS

DZH PHILLIPS
Certified Public Accountants & Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sustainable Conservation
San Francisco, California

We have audited the accompanying financial statements of Sustainable Conservation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The management of Sustainable Conservation is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sustainable Conservation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

DZH Phillips LLP

Oakland, California
May 8, 2015

Sustainable Conservation

STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	$ 1,166,314	$ 1,808,141
Certificates of deposit	1,391,211	584,968
Contracts receivable	212,368	82,061
Pledges receivable (Notes 3 and 4)	270,952	113,000
Grants receivable (Notes 3 and 5)	1,365,000	1,087,000
Other receivables	914	1,639
Prepaid expenses	58,556	47,791
Total Current Assets	4,465,315	3,724,600
Pledge receivable beyond one year (Notes 3 and 4)	-	163,968
Grants receivable beyond one year (Notes 3 and 5)	931,277	1,660,395
Investments restricted for long-term purposes (Note 6)	1,279,434	1,215,650
Deposits	19,394	12,055
Property and equipment, net (Note 7)	3,784	5,676
TOTAL ASSETS	$ 6,699,204	$ 6,782,344
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$ 238,681	$ 69,284
Accrued compensated absences	119,835	100,092
Deferred support (Note 8)	139,609	140,109
Total Current Liabilities and Total Liabilities	498,125	309,485
NET ASSETS		
Unrestricted	1,668,408	1,773,229
Temporarily restricted (Note 9)	3,811,889	3,979,848
Permanently restricted (Note 10)	720,782	719,782
TOTAL NET ASSETS	6,201,079	6,472,859
TOTAL LIABILITIES AND NET ASSETS	$ 6,699,204	$ 6,782,344

The accompanying notes are an integral part of these statements.

Sustainable Conservation

STATEMENTS OF ACTIVITIES
Years ended December 31, 2014 and 2013

	Year Ended December 31, 2014				Year Ended December 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Government grants and contracts	$ 304,310	$ -	$ -	$ 304,310	$ 189,502	$ -	$ -	$ 189,502
Foundation and community grants	115,000	1,866,882	-	1,981,882	795,000	3,907,021	-	4,702,021
Contributions	1,474,479	115,604	1,000	1,591,083	1,454,529	141,870	3,200	1,599,599
In-kind contributions (Note 11)	73,389	-	-	73,389	38,811	-	-	38,811
Client services	37,685	-	-	37,685	61,301	-	-	61,301
Interest	5,198	-	-	5,198	1,452	-	-	1,452
Other income	4,025	-	-	4,025	3,450	-	-	3,450
Net assets released from restriction:								
Purpose was accomplished or time restriction expired	2,206,766	(2,206,766)	-	-	1,590,985	(1,590,985)	-	-
TOTAL SUPPORT AND REVENUE	4,220,852	(224,280)	1,000	3,997,572	4,135,030	2,457,906	3,200	6,596,136
EXPENSES								
Program services	3,240,039	-	-	3,240,039	2,651,867	-	-	2,651,867
Supporting services:								
Management and general	424,362	-	-	424,362	382,162	-	-	382,162
Fundraising	668,235	-	-	668,235	624,432	-	-	624,432
TOTAL EXPENSES	4,332,636	-	-	4,332,636	3,658,461	-	-	3,658,461
Change in net assets before income from long-term investments	(111,784)	(224,280)	1,000	(335,064)	476,569	2,457,906	3,200	2,937,675
Net income from long-term investments	6,963	56,321	-	63,284	20,906	160,476	-	181,382
Change in net assets	(104,821)	(167,959)	1,000	(271,780)	497,475	2,618,382	3,200	3,119,057
Net Assets - beginning of year	1,773,229	3,979,848	719,782	6,472,859	1,275,754	1,361,466	716,582	3,353,802
Net Assets - end of year	$ 1,668,408	$ 3,811,889	$ 720,782	$ 6,201,079	$ 1,773,229	$ 3,979,848	$ 719,782	$ 6,472,859

The accompanying notes are an integral part of these statements.

Sustainable Conservation

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2014

		Supporting Services			
	Program Services	Management and General	Fundraising	Common Costs	Total
Salaries	$ 1,555,623	$ 229,181	$ 370,423	$ 58,504	$ 2,213,731
Payroll taxes	116,457	16,889	31,567	5,695	170,608
Employee benefits (Note 12)	277,115	40,321	75,385	13,415	406,236
Professional fees	617,270	65,917	57,975	34,450	775,612
Occupancy	13,200	-	-	157,292	170,492
Travel	70,087	589	5,968	-	76,644
Conference & meetings	42,091	6,095	27,050	43	75,279
Supplies	161,259	810	3,652	18,032	183,753
Printing and reproduction	12,258	7,561	12,209	5,793	37,821
Legal fees	74,490	2,292	-	-	76,782
Telephone and internet	6,217	294	102	10,910	17,523
Dues, subscriptions and publications	5,549	190	4,961	723	11,423
Insurance	-	6,323	-	6,094	12,417
Recruitment and staff development	10,152	3,778	4,015	30	17,975
Bank charges	-	4,063	3,102	-	7,165
Postage and delivery	1,729	1,602	1,882	582	5,795
Equipment rental and maintenance	124	916	-	7,296	8,336
Depreciation	-	-	-	1,892	1,892
Licenses, fees and miscellaneous	63,152	-	-	-	63,152
Common cost allocation	213,266	37,541	69,944	(320,751)	-
Total	$ 3,240,039	$ 424,362	$ 668,235	$ -	$ 4,332,636

The accompanying notes are an integral part of these statements.

Sustainable Conservation

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2013

		Supporting Services			
	Program Services	Management and General	Fundraising	Common Costs	Total
Salaries	$ 1,368,079	$ 216,124	$ 376,253	$ 55,062	$ 2,015,518
Payroll taxes	104,117	16,290	31,120	5,510	157,037
Employee benefits (Note 12)	239,192	38,016	70,816	11,894	359,918
Professional fees	582,101	36,971	23,996	37,004	680,072
Occupancy	13,200	-	-	139,376	152,576
Travel	54,285	994	6,910	35	62,224
Legal fees	9,524	10,944	-	-	20,468
Supplies	13,843	1,150	1,823	23,430	40,246
Conference and meetings	37,994	4,789	18,751	-	61,534
Printing and reproduction	6,159	9,073	13,284	6,273	34,789
Telephone and internet	6,798	280	479	10,601	18,158
Insurance	-	4,454	-	5,596	10,050
Dues, subscriptions and publications	6,244	238	6,197	413	13,092
Recruitment and staff development	3,873	769	3,015	299	7,956
Postage and delivery	1,656	1,694	1,893	355	5,598
Bank charges	9	3,869	2,322	-	6,200
Equipment rental and maintenance	220	300	-	4,574	5,094
Depreciation	-	-	-	1,893	1,893
Licenses, fees and miscellaneous	600	-	-	5,438	6,038
Common cost allocation	203,973	36,207	67,573	(307,753)	-
Total	$ 2,651,867	$ 382,162	$ 624,432	$ -	$ 3,658,461

The accompanying notes are an integral part of these statements.

Sustainable Conservation

STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (271,780)	$ 3,119,057
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,892	1,893
Net (gains) losses from investments	316	(151,610)
Contributions restricted for long-term purposes	(500)	(1,600)
(Increase) decrease in operating assets:		
Receivables	327,552	(2,219,916)
Prepaids	(10,765)	(2,088)
Deposits	(7,339)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	189,140	(11,363)
Deferred revenue	(500)	(1,600)
Net cash provided by operating activities	228,016	732,773
Cash flows from investing activities:		
Purchase of securities	(66,195)	(229,654)
Net change in certificates of deposit	(806,243)	(235,603)
Sales and maturities of investments	2,095	198,152
Net cash used by investing activities	(870,343)	(267,105)
Cash flows provided from financing activities:		
Contributions restricted for long term purposes	500	1,600
Net cash provided by financing activities	500	1,600
Net increase (decrease) in cash and cash equivalents	(641,827)	467,268
Cash and cash equivalents - beginning of the year	1,808,141	1,340,873
Cash and cash equivalents - end of the year	$ 1,166,314	$ 1,808,141

The accompanying notes are an integral part of these statements.

Note 1 - Organization

Sustainable Conservation (the Organization) partners with business, agriculture, and government to find practical ways that the private sector can protect air and water, and ensure healthy ecosystems through collaboration and producing solutions to critical environmental problems. The Organization's work has spanned rural and urban environmental issues, ranging from improving water quality in dairy farming, to promoting the growing and selling of non-invasive plants in California's horticultural industry.

The Organization works with farmers to identify ways that producers can protect the environment, improve their bottom lines, and keep their land in production. The Organization also works to overcome the time, complexity, and cost associated with voluntary habitat restoration projects on private land. Lastly, the Organization works with businesses and regulatory agencies to ensure a more sustainable water supply for agriculture and communities.

The Organization has offices in San Francisco and Modesto, California and supports its activities primarily through public and private grants and contributions.

Note 2 – Summary of Significant Accounting Policies

Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

a. **Method of Accounting** – The financial statements of the Organization have been prepared using the accrual method of accounting, which involves the recognition of revenues and gains when earned and expenses and losses when incurred.

b. **Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

c. **Contracts Receivable** – Contracts receivable are uncollateralized customer obligations due under normal trade terms requiring payments per contracts. They are stated at the contractual amounts billed. The carrying amount of contracts receivable is reduced by an allowance for losses based on management's assessment of the customer's current creditworthiness. Receivables are written off and charged to allowance if management considers them worthless.

d. **Grants and Pledges Receivable** – Grants and pledges receivable include unconditional commitments from foundations and individuals that are recorded at the net realizable value. Grants and pledges that are expected to be received in future years are recorded at the present value of their estimated cash flows. Such promises are further discounted using a risk premium. The Organization provides an allowance for estimated uncollectible pledges. Pledges receivable that are restricted for investment in perpetuity are recorded as non-current assets.

e. **Investments** – The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets in the Statement of Financial Position. Investment advisory fees are netted against the realized and unrealized gains and losses and are included in the change in the appropriate net asset class in the statement of activities.

f. **Fixed Assets and Depreciation** – The Organization records acquisitions of items with a cost of $5,000 or more as fixed assets. Fixed assets are recorded at cost when purchased and fair value when received as a donation. Depreciation is provided over the estimated useful lives of respective assets, primarily three to five years, using the straight- line method of depreciation.

g. **Deferred Support** – Deferred support includes conditional contributed support received with unmet conditions.

h. **Income Tax Status** – The Organization is recognized as a public charity exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code sections of the California Revenue and Taxation Code, is subject to income tax. Management believes that all of the Organization’s activities were directly related to its exempt purpose, thus the accompanying financial statements do not include any provision for income taxes.

i. **Basis of Presentation** – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Program and/or the passage of time.

Permanently restricted net assets are restricted by the donor for investment in perpetuity. The income from the invested assets is available to support the operations of the Organization. The Organization reports such income as temporarily restricted net assets until the Board of Directors appropriates amounts for use in the operations of the Organization.

j. **Restricted Resources** – Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of fixed assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

k. **In-Kind Support** – The Organization records contributed professional services at the fair value of the services received, if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation.

l. **Allocation of Common Expenses** – Common costs, primarily related to operation and maintenance of the Organization's office facility and certain other expenses that benefit all activities of the organization are allocated to supporting and program activities based on employees' effort as reported by employees.

m. **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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates reflected in the Organization's financial statements include collectability and valuation of receivables, valuation of investments and the functional allocation expenses. Actual results may differ from those estimates.

Note 3 – Concentration of Credit Risk

Financial instruments that are exposed to concentrations of credit risk consist of cash and receivables. The Organization places its cash and cash equivalents in high-quality financial institutions where cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to a certain level. The uninsured cash and cash equivalent balance was $1,064,660 as of December 31, 2014. Approximately, 68% of grants receivable at December 31, 2014 were from one private foundation.

Note 4 – Pledges Receivable

Pledges receivable are expected to be received as follows:

	2014	2013
In one year or less	$ 270,952	$ 113,000
Between one year to five years	-	180,000
	270,952	293,000
Less: unamortized discount	-	(16,032)
Pledges receivable, net	$ 270,952	$ 276,968

Management expects to receive 100% of the pledge receivable and therefore the accompanying financial statements do not provide for allowance for doubtful pledges. Pledges receivable expected to be received within two to five years were discounted using discount rate between 4.15% and 5.41% at December 31, 2013.

Note 5 – Grants Receivable

Grants receivable are expected to be received as follows:

	2014	2013
In one year or less	$ 1,365,000	$ 1,087,000
Between one year to five years	1,050,000	1,900,000
	2,415,000	2,987,000
Less: unamortized discount	(118,723)	(239,605)
Grants receivable, net	$ 2,296,277	$ 2,747,395

Grants receivable expected to be received within two to five years were discounted using discount rates between 4.15% and 5.95% at December 31, 2014 and 2013, respectively.

Note 6 – Investments and Fair Value Measurements

Investments are the only assets that are stated at fair value on recurring basis. All investments are presented at unadjusted quoted prices for identical assets in active markets and therefore are considered level 1 in the fair value measurements hierarchy. Investments consisted of:

	12/31/14	12/31/13
Fixed income funds	$ 354,651	$ 344,924
Equity funds	924,275	869,120
Money market funds	508	1,606
Total investments	$ 1,279,434	$ 1,215,650

The components of total investment return by net assets classification are reflected below:

	Unrestricted	Restricted	Total
December 31, 2014			
Interest	$ 7,343	$ 59,954	$ 67,297
Net losses	(31)	(285)	(316)
Investment fees	(349)	(3,348)	(3,697)
Net investment income	$ 6,963	$ 56,321	$ 63,284
December 31, 2013			
Interest	$ 3,821	$ 29,330	$ 33,151
Net gains	17,474	134,136	151,610
Investment fees	(389)	(2,990)	(3,379)
Net investment income	$ 20,906	$ 160,476	$ 181,382

Note 7- Property and equipment

Property and equipment consisted of:

	12/31/14	12/31/13
Office equipment	$ 12,118	$ 12,118
Leasehold improvements	18,080	18,080
	30,198	30,198
Accumulated depreciation	(26,414)	(24,522)
Property and equipment, net	$ 3,784	$ 5,676

Note 8 – Deferred Support

In 2007, the Organization received conditional contributions towards its endowment fund in the amount of $500,000 that required matching funds. The unmet balance was $139,609 and $140,109 at December 31, 2014 and 2013, respectively.

Note 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

	12/31/14	12/31/13
Dairies	$ 705,225	$ 282,481
Simplified permitting for restroration	17,390	145,526
Agriculture water management	536,576	117,326
Ecosystem services	-	23,175
Organization capacity	115,825	280,649
Support of future period expenses	2,087,229	2,837,368
Un-appropriated endowment earnings	349,644	293,323
	$ 3,811,889	$ 3,979,848

Note 10 – Permanently Restricted Net Assets

Permanently restricted net assets consist of the Sustainable Conservation Endowment Fund (the Fund), whose purpose is to provide support in meeting the operating and program needs of the Organization.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance to UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

***Investment Return Objectives, Risk Parameters and Strategies* –** The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of up to 7%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

***Spending policy* –** The Organization has a policy of appropriating for distribution each year up to 7% of its endowment fund's average fair value of the prior twelve calendar quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. Until the Fund has been in existence for twelve calendar quarters, the annual amount shall be up to five percent of the average net fair value of the Fund's assets for as many complete calendar quarters as the Fund has been in existence. The Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effect of inflation.

The composition of the Organization's endowment by net asset class at the end of December 31, 2014 and 2013, in total and by type of endowment fund, follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted 12/31/2014	$ 209,508	$ 349,644	$ 720,282	$ 1,279,434
Donor restricted 12/31/2013	$ 202,545	$ 293,323	$ 719,782	$ 1,215,650

A reconciliation of the beginning and ending balance of the Organization's endowment follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended December 31, 2014:				
Endoment assets - beginning	$ 202,545	$ 293,323	$ 719,782	$ 1,215,650
Investment return:				
Investment income	7,343	59,954	-	67,297
Management fees	(349)	(3,348)	-	(3,697)
Net depreciation (realized & unrealized)	(31)	(285)	-	(316)
Total investment return	6,963	56,321	-	63,284
Contributions	-	-	500	500
Endowment assets - ending	$ 209,508	$ 349,644	$ 720,282	$ 1,279,434
Year ended December 31, 2013:				
Endoment assets - beginning	$ 183,107	$ 132,849	$ 716,582	$ 1,032,538
Investment return:				
Investment income	3,821	29,330	-	33,151
Management fees	(389)	(2,992)	-	(3,381)
Net appreciation (realized & unrealized)	16,006	134,136	-	150,142
Total investment return	19,438	160,474	-	179,912
Contributions	-	-	3,200	3,200
Endowment assets - ending	$ 202,545	$ 293,323	$ 719,782	$ 1,215,650

The unrestricted portion of the endowment assets includes deferred support in the amount of $139,609 and $140,109 at December 31, 2014 and 2013, respectively, and its accumulated earnings. Also at December 31, 2014, $500 of contributions towards the endowment had not been deposited into the endowment funds.

Note 11 – Contributed Services

The Organization recognizes certain voluntary services as explained in note 2(k) above. The Organization recorded the following services as income and expense on the statement of activities:

	12/31/14	12/31/13
Legal services - program services	$ 72,390	$ 9,073
Legal services - management and general	999	10,944
Data analysis - program services	-	12,500
Website support - program services	-	680
Donor event - fundraising	-	5,614
	$ 73,389	$ 38,811

Note 12 – Retirement Benefits

The Organization has a 401(k) retirement plan for eligible employees. Under the plan, the Organization provides 100% match up to 5% of compensation. Employer contributions were $85,682 and $75,417 for the years ended December 31, 2014 and 2013, respectively.

Note 13 – Commitments under Operating Leases

The Organization leases its office space and certain equipment under non-cancelable lease arrangements. The San Francisco facility lease provides for scheduled rent increases. Generally Accepted Accounting Principles (GAAP) requires that rental expense under such arrangements be recorded on a straight line basis. Management believes that the current method of recording rental expense based on amounts paid approximates GAAP. Total rent expense was $159,216 and $152,576 for the years ended December 31, 2014 and 2013, respectively.

The minimum future commitments under these arrangements are:

Year ending December 31, 2015	$ 240,381
Year ending December 31, 2016	241,835
Year ending December 31, 2017	246,347
Year ending December 31, 2018	252,817
Year ending December 31, 2019	259,296
Year ending December 31, 2020 and beyond	21,653
	$ 1,262,329

Note 14 – Line of Credit

The Organization has a secured line of credit in the amount of $250,000 with a financial institution. The line is secured primarily by accounts receivable, equipment and fixtures, and bears interest at prime plus 2%. The Organization did not use the line during the years ended December 31, 2014 and 2013 and there was no outstanding balance at December 31, 2014 or 2013.

Note 15 – Statement of Activities – Temporary Restricted Net Assets Changes

At the end of 2012, the Organization launched the Making Big Ideas Work (MBIW) campaign to double fund-raising over three years in order to pilot new approaches and implement lasting solutions to the challenges facing California's air, land, and water. In 2013, this campaign was the main factor driving the increase in temporarily restricted net assets before income from long-term investments of $2,457,906.

Beginning in 2013, the Organization has been supporting new program initiatives using assets accumulated during the MBIW campaign. As a result, in 2014 the temporarily restricted net assets before income from long-term investment decreased by $224,280. Management projects that this trend of decreasing temporarily restricted net assets will continue through 2017 as the MBIW campaign funds are spent as planned.

Note 16 – Subsequent Events

Management has evaluated subsequent events through May 8, 2015, the date on which the financial statements were available to be issued.