squarmilner

Certified Public Accountants
and Financial Advisors

SUSTAINABLE CONSERVATION
Financial Statements
December 31, 2017 and 2016

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sustainable Conservation

We have audited the accompanying financial statements of Sustainable Conservation (a nonprofit organization)(the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Organization'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 Organization'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 2017 financial statements referred to above present fairly, in all material respects, the financial position of Sustainable Conservation as of December 31, 2017, 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.

Prior Period Financial Statements

The financial statements of the Organization, as of and for the year ended December 31, 2016, were audited by DZH Phillips LLP, who merged with Squar Milner LLP as of January 1, 2018, and whose report dated June 7, 2017, expressed an unmodified opinion on those statements.

SQUAR MILNER LLP

Squar Milner LLP

San Francisco, California
May 23, 2018

SUSTAINABLE CONSERVATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$1,983,565	$2,300,359
Certificates of deposit	-	435,657
Contracts receivable	182,440	186,600
Pledges receivable	18,000	71,000
Grants receivable	596,000	1,232,360
Other receivables	1,216	2,742
Prepaid expenses	80,050	64,968
Total current assets	2,861,271	4,293,686
Other Assets		
Grants receivable beyond one year - net	89,714	223,391
Investments restricted for long-term purposes	1,525,069	1,381,431
Deposits	19,394	19,394
Property and equipment - net	107,393	29,142
TOTAL ASSETS	$4,602,841	$5,947,044
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 86,719	$ 318,177
Accrued compensated absences	180,310	154,688
Deferred rent liability	19,425	18,885
Total liabilities	286,454	491,750
Net Assets		
Unrestricted		
Undesignated	1,091,293	1,296,409
Board-designated	109,619	95,270
	1,200,912	1,391,679
Temporarily restricted	2,135,475	3,083,615
Permanently restricted	980,000	980,000
TOTAL NET ASSETS	4,316,387	5,455,294
TOTAL LIABILITIES AND NET ASSETS	$4,602,841	$5,947,044

 The accompanying notes are an integral part of these statements.

SUSTAINABLE CONSERVATION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Government grants and contracts	$ 745,310	$ -	$ -	$ 745,310	$ 319,875	$ -	$ -	$ 319,875
Foundation and community grants	122,869	1,932,173	-	2,055,042	101,076	2,550,492	-	2,651,568
Contributions	1,191,954	245,220	-	1,437,174	1,119,992	67,971	2,218	1,190,181
In-kind contributions	66,740	-	-	66,740	65,610	-	-	65,610
Client services	58	-	-	58	6,742	-	-	6,742
Interest	7,246	-	-	7,246	3,732	-	-	3,732
Other income	3,069	-	-	3,069	3,017	-	-	3,017
Net assets released from restriction:								
Purpose accomplished or time restriction expired	3,319,262	(3,319,262)	-	-	3,075,721	(3,075,721)	-	-
TOTAL SUPPORT AND REVENUE	5,456,508	(1,141,869)	-	4,314,639	4,695,765	(457,258)	2,218	4,240,725
EXPENSES								
Program services	4,184,421	-	-	4,184,421	3,698,602	-	-	3,698,602
Supporting services:								
Management and general	506,311	-	-	506,311	515,284	-	-	515,284
Fundraising	970,892	-	-	970,892	932,612	-	-	932,612
TOTAL EXPENSES	5,661,624	-	-	5,661,624	5,146,498	-	-	5,146,498
Change in net assets before income from long-term investments	(205,116)	(1,141,869)	-	(1,346,985)	(450,733)	(457,258)	2,218	(905,773)
Income from long-term investments	14,349	193,729	-	208,078	5,862	83,618	-	89,480
Change in net assets	(190,767)	(948,140)	-	(1,138,907)	(444,871)	(373,640)	2,218	(816,293)
Net Assets - beginning of year	1,391,679	3,083,615	980,000	5,455,294	1,836,550	3,457,255	977,782	6,271,587
Net Assets - end of year	$ 1,200,912	$ 2,135,475	$ 980,000	$ 4,316,387	$ 1,391,679	$ 3,083,615	$ 980,000	$ 5,455,294

The accompanying notes are an integral part of these statements.

SUSTAINABLE CONSERVATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries	$1,791,640	$ 294,937	$ 562,314	$2,648,891
Professional fees	1,104,056	62,321	109,468	1,275,845
Employee benefits	350,304	56,132	111,255	517,691
Supplies	431,628	3,997	7,876	443,501
Occupancy	171,163	31,016	63,614	265,793
Payroll taxes	136,164	21,736	43,081	200,981
Conferences and meetings	25,202	13,061	25,193	63,456
Travel	56,783	2,489	4,072	63,344
Legal fees	38,261	438	-	38,699
Telephone and internet	20,543	2,316	4,369	27,228
Printing and reproduction	5,666	386	15,998	22,050
Dues, subscriptions and publications	11,904	201	7,903	20,008
Depreciation and amortization	10,473	1,563	3,205	15,241
Grants to others	15,000	-	-	15,000
Insurance	3,961	8,122	1,595	13,678
Recruitment and staff development	8,427	1,794	3,080	13,301
Bank and other charges	-	4,296	3,879	8,175
Equipment rental and maintenance	2,753	1,303	1,031	5,087
Postage and delivery	493	203	2,959	3,655
Total	$4,184,421	$ 506,311	$ 970,892	$5,661,624

The accompanying notes are an integral part of these statements.

SUSTAINABLE CONSERVATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries	$1,636,103	$ 280,728	$ 539,335	$2,456,166
Professional fees	1,264,737	63,182	84,505	1,412,424
Employee benefits	294,014	51,713	106,130	451,857
Occupancy	163,757	33,035	70,465	267,257
Payroll taxes	121,311	21,279	44,233	186,823
Legal fees	51,054	32,997	-	84,051
Conferences and meetings	35,257	7,280	32,803	75,340
Travel	67,324	2,176	5,544	75,044
Supplies	19,165	3,435	7,246	29,846
Printing and reproduction	6,458	460	19,990	26,908
Telephone and internet	15,823	2,386	4,608	22,817
Insurance	3,686	8,050	1,725	13,461
Recruitment and staff development	7,911	885	2,996	11,792
Dues, subscriptions and publicatior	6,120	581	4,219	10,920
Bank and other charges	-	5,137	4,090	9,227
Equipment rental and maintenance	3,449	1,492	1,476	6,417
Postage and delivery	818	114	2,491	3,423
Depreciation and amortization	1,615	354	756	2,725
Total	$3,698,602	$ 515,284	$ 932,612	$5,146,498

The accompanying notes are an integral part of these statements.

SUSTAINABLE CONSERVATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$(1,138,907)	$ (816,293)
Adjustments to reconcile change in net assets to net cash from (to) operating activities:		
Depreciation and amortization	15,241	2,725
Net gains from investments	(142,779)	(48,124)
Contributions restricted for long-term purposes	-	(1,109)
(Increase) decrease in operating assets:		
Receivables	828,723	906,014
Prepaid expenses	(15,082)	1,132
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(231,458)	172,344
Accrued compensated absences	25,622	(2,561)
Deferred support	-	(1,109)
Deferred rent liability	540	7,014
Net cash (used in) provided by operating activities	(658,100)	220,033
Cash flows from investing activities:		
Purchases of securities	(72,703)	(45,469)
Purchases of certificates of deposit	-	(435,657)
Proceeds from redemption of certificates of deposit	435,657	251,862
Purchase of website development costs	(23,125)	(29,976)
Purchase of program equipment	(70,367)	-
Proceeds from sales and maturities of investments	71,844	63,788
Net cash provided by (used) in investing activities	341,306	(195,452)
Cash flows from financing activities:		
Contributions restricted for long term purposes	-	1,109
Net cash provided by financing activities	-	1,109
Net (decrease) increase in cash and cash equivalents	(316,794)	25,690
Cash and cash equivalents - beginning of the year	2,300,359	2,274,669
Cash and cash equivalents - end of the year	$ 1,983,565	$ 2,300,359

The accompanying notes are an integral part of these statements.

1. DESCRIPTION OF ORGANIZATION

Sustainable Conservation (the "Organization") helps California thrive by uniting people to solve the toughest challenges facing our land, air, and water. Every day, the Organization brings together businesses, landowners and the government to steward the resources that we all depend on in ways that make economic sense.

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 the nursery industry. The Organization collaborates with farmers to identify ways that producers can protect the environment, improve their bottom lines, and keep their land in production. The Organization also partners with 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting, which involves the recognition of revenues and gains when earned and expenses and losses when incurred.

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.

Certificates of Deposit

Certificates of deposit are carried at cost plus reinvested interest, which approximates fair value, and are classified as cash equivalents or short-term assets, depending on the initial maturity date.

Contracts Receivable

Contracts receivable include balances due from various government agencies for contract services and are stated at the amount management expects to collect. 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. Receivables are written off and charged to an allowance if management considers them worthless. At December 31, 2017 and 2016, the Organization believed all of its contracts receivable to be collectible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Pledges Receivable

Grants and pledges receivable include unconditional commitments from foundations and individuals that are recorded at 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.

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.

The Organization considers income from long-term investments to be available to support future operations.

Fair Market Value and Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization is required to consider the use of market-based information over entity-specific information in valuing its financial assets measured at fair value, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology include unadjusted quoted prices for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- *Level 3* inputs to the valuation methodology are unobservable and significant to the fair value measurement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Market Value and Measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Property, Equipment and Depreciation

Property and equipment in excess of $5,000 purchased with estimated useful lives in excess of one year are capitalized at cost. Donated assets are capitalized at the fair market value on the date of receipt. Major renewals are charged to the property accounts, while expenditures for replacements and maintenance and repairs, which do not improve or extend the respective lives of the assets, are charged to operations as incurred. The cost of leasehold improvements is depreciated over the lesser of the length of the related lease or the estimated useful lives of the assets. Website development costs related to developing applications and infrastructure are capitalized and amortized over their estimated useful life. Depreciation is provided over the estimated useful lives of respective assets, ranging from three to five years, using the straight-line method of depreciation.

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.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

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. Certain unrestricted net assets are designated for a board-designated endowment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization 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.

Contributions

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 property and equipment 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.

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. Donated materials are recorded at their fair market value.

Functional Allocation of Expenses

The cost of providing various programs and activities has been summarized on a functional basis. Shared 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' efforts as reported by employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Rent

The Organization's lease agreements provide for rent escalations during the lease term. The Organization records rent expense on a straight-line basis over the terms of the respective leases. Accordingly, deferred rent is recorded to the extent that rent expense exceeds actual rent payments.

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 of expenses. Actual results may differ from these estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

Subsequent Events

Management has evaluated subsequent events through May 23, 2018, the date on which the financial statements were available to be issued.

New Accounting Pronouncements

In August of 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows, ASU 2016-14 requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization is in the process of assessing the potential impact of this guidance on its financial statements.

3. CONCENTRATIONS

Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently $250,000 per depositor). The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Contributions

At December 31, 2017 and 2016, the Organization had two private foundations representing approximately 89% and 68% of grants receivable, respectively. During the year ended December 31, 2017, one of these private foundations represented approximately 34% of total of foundation and community grant revenue.

At December 31, 2017 and 2016, the Organization had one government grantor representing approximately 98% and 70% of contracts receivable, respectively. During the year ended December 31, 2017 and 2016, this same government grantor represented approximately 80% and 52% of government grants and contracts revenue, respectively.

4. PLEDGES RECEIVABLE

At December 31, 2017 and 2016, pledges receivable were $18,000 and $71,000 respectively. These pledges receivable were expected to be received in one year or less. Management expects to receive 100% of the pledge receivable, and therefore the accompanying financial statements do not provide for an allowance for doubtful pledges.

5. GRANTS RECEIVABLE

At December 31, 2017 and 2016, grants receivable are expected to be received as follows:

	2017	2016
In one year or less	$ 596,000	$ 1,232,360
Between one year and five years	98,000	250,000
	694,000	1,482,360
Less: unamortized discount	(8,286)	(26,609)
Grants receivable - net	$ 685,714	$ 1,455,751

Grants receivable expected to be received within two to five years were discounted using a discount rate of 5.92% and 5.64% for the years ended December 31, 2017, and 2016, respectively.

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are stated at fair value on a recurring basis. All investments are valued using unadjusted quoted prices for identical assets in active markets and therefore are considered Level 1 in the fair value measurements hierarchy. At December 31, 2017 and 2016, investments consisted of:

	2017	2016
Fixed income funds	$ 393,990	$ 386,653
Equity funds:		
Large cap value	295,074	257,619
Large cap growth	584,868	542,430
Large cap growth international	159,767	121,857
Small cap international	91,360	71,794
Money market funds	10	1,078
Total investments	$ 1,525,069	$ 1,381,431

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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

	Unrestricted	Temporarily Restricted	Total
December 31, 2017			
Interest and dividends	$ 5,252	$ 70,906	$ 76,158
Net gains (realized and unrealized)	9,846	132,933	142,779
Investment fees	(749)	(10,110)	(10,859)
Net investment income	$ 14,349	$ 193,729	$ 208,078
December 31, 2016			
Interest and dividends	$ 2,974	$ 42,420	$ 45,394
Net gains (realized and unrealized)	3,153	44,971	48,124
Investment fees	(265)	(3,773)	(4,038)
Net investment income	$ 5,862	$ 83,618	$ 89,480

7. PROPERTY AND EQUIPMENT

At December 31, 2017 and 2016, property and equipment consisted of:

	2017	2016
Office and program equipment	$ 81,265	$ 12,118
Website development costs	53,102	29,976
Leasehold improvements	18,080	18,080
	152,447	60,174
Accumulated depreciation and amortization	(45,054)	(31,032)
Property and equipment - net	$ 107,393	$ 29,142

8. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017 and 2016, temporarily restricted net assets were available for the following purposes:

	2017	2016
Dairies	$ 307,649	$ 799,943
Accelerating restoration	581,434	154,355
Agriculture water management	738,100	1,267,030
PlantRight	66,327	1,000
Organization capacity	6,515	10,735
Support of future period expenses	-	544,391
Unappropriated endowment earnings	435,450	306,161
	$ 2,135,475	$ 3,083,615

During the years ended December 31, 2017 and 2016, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by the donors as follows:

	2017	2016
Dairies	$ 607,294	$ 696,889
Accelerating restoration	629,635	424,914
Agriculture water management	1,389,400	751,818
PlantRight	11,273	50,550
Organization capacity	46,220	319,766
Support of future period expenses	571,000	771,000
Appropriated endowment earnings	64,440	60,784
	$ 3,319,262	$ 3,075,721

9. ENDOWMENT

The Organization's endowment (the "Fund") consists of two funds established for the purpose of supporting the mission of the Organization. The endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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 with 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. 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.

9. ENDOWMENT (continued)

The composition of the Organization's endowment by net asset class at the end of December 31, 2017 and 2016, in total and by type of endowment fund as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated - December 31, 2017	$ 109,619	$ -	$ -	$ 109,619
Donor restricted - December 31, 2017	-	435,450	980,000	1,415,450
Total endowments - December 31, 2017	$ 109,619	$ 435,450	$ 980,000	$ 1,525,069
Board-designated - December 31, 2016	$ 95,270	$ -	$ -	$ 95,270
Donor restricted - December 31, 2016	-	306,161	980,000	1,286,161
Total endowments - December 31, 2016	$ 95,270	$ 306,161	$ 980,000	$ 1,381,431

9. ENDOWMENT (continued)

A rollforward of the Organization's endowment follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets - January 1, 2016	$ 90,517	$ 283,327	$ 977,782	$1,351,626
Investment return:				
Interest and dividends	2,974	42,420	-	45,394
Net gains (realized and unrealized)	3,153	44,971	-	48,124
Investment fees	(265)	(3,773)	-	(4,038)
Total investment return	5,862	83,618	-	89,480
Appropriations	-	(60,784)	-	(60,784)
Matching requirements met	(1,109)	-	1,109	-
Contributions	-	-	1,109	1,109
Endowment assets - December 31, 2016	$ 95,270	$ 306,161	$ 980,000	$1,381,431
Endowment assets - January 1, 2017	$ 95,270	$ 306,161	$ 980,000	$1,381,431
Investment return:				
Interest and dividends	5,252	70,906	-	76,158
Net gains (realized and unrealized)	9,846	132,933	-	142,779
Investment fees	(749)	(10,110)	-	(10,859)
Total investment return	14,349	193,729	-	208,078
Appropriations	-	(64,440)	-	(64,440)
Endowment assets - December 31, 2017	$ 109,619	$ 435,450	$ 980,000	$1,525,069

In previous years, board designated amounts included advances on a conditional grant received. As the condition is met (matching requirement fulfilled), the amount is recorded as permanently restricted contributions. As of December 31, 2016, all conditions had been met.

10. IN-KIND CONTRIBUTIONS

The Organization recognizes certain voluntary services and donated materials (refer to Note 2). The Organization recorded the following services and materials as income and expense on the statement of activities:

	2017	2016
Legal services - program services	$ 38,261	$ 54,147
Legal services - management and general	-	6,081
Professional services- program services	11,513	-
Donor event - fundraising	16,966	5,382
	$ 66,740	$ 65,610

11. RETIREMENT BENEFITS

The Organization has a 401(k) retirement plan for eligible employees. Under the plan, the Organization provides a 100% match up to 5% of compensation. Employer contributions were $126,756 and $117,994 for the years ended December 31, 2017 and 2016, respectively.

12. COMMITMENTS UNDER OPERATING LEASES

The Organization leases its office space and certain equipment under non-cancelable lease arrangements. Total rent expense was $260,076 for each of the years ended December 31, 2017 and 2016.

The minimum future commitments under these arrangements are:

Year ending December 31,	
2018	$ 259,383
2019	262,718
2020	24,036
2021	1,192
	$ 547,329

13. LINE OF CREDIT

The Organization has a secured line of credit in the amount of $250,000 with a financial institution, which is automatically renewed on an annual basis. The line is secured primarily by equipment and fixtures, and bears interest at prime (4.50% at December 31, 2017) plus 2%. The Organization did not use the line of credit during both years and there was no outstanding balance at December 31, 2017 and 2016.

14. RELATED PARTY TRANSACTIONS

A board member of the Organization serves as Chief Executive Officer of a nonprofit organization (the "Affiliate") for which the Organization entered into a cost reimbursement award agreement during the year ended December 31, 2016. For the year ended December 31, 2016, the Affiliate billed the Organization $137,874 for expenses incurred under the agreement, of which $36,083 is included in accounts payable and accrued expenses on the Statements of Financial Position. For the year ended December 31, 2017, the Affiliate billed the Organization $142,126 for expenses incurred under the agreement.

15. CHANGE IN NET ASSETS

The Organization's changes in net assets for the last five years ended December 31, were as follows:

	2013	2014	2015	2016	2017
Unrestricted	$ 497,475	$ (104,821)	$ 168,142	$ (444,871)	$ (190,767)
Temporarily restricted	2,618,382	(167,959)	(354,634)	(373,640)	(948,140)
Permanently restricted	3,200	1,000	257,000	2,218	-
Total	$3,119,057	$ (271,780)	$ 70,508	$ (816,293)	$(1,138,907)

Starting in 2013, the Organization launched the Making Big Ideas Work (MBIW) campaign in order to increase revenue, support growth, and deepen programmatic impact. The funds for this campaign were raised primarily in 2013 but spanned through 2015.

These campaign funds were expended between 2013-2017, with the remaining MBIW campaign funds expended during the year ended December 31, 2017 as planned.