
SUSTAINABLE CONSERVATION

FINANCIAL STATEMENTS

December 31, 2019

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

SUSTAINABLE CONSERVATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sustainable Conservation
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Sustainable Conservation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses 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 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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Sustainable Conservation's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Oakland, California
May 11, 2020

SUSTAINABLE CONSERVATION

Statement of Financial Position December 31, 2019 (With Comparative Totals as of December 31, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 2,480,599	\$ 1,592,793
Investments (Note 3)	1,538,100	1,367,114
Contributions receivable, net (Note 5)	1,494,636	501,114
Accounts receivable	362,038	65,121
Prepaid expenses	81,090	66,817
Deposits	27,680	19,394
Property and equipment, net (Note 6)	<u>39,172</u>	<u>100,107</u>
Total Assets	<u>\$ 6,023,315</u>	<u>\$ 3,712,460</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 387,966	\$ 105,049
Accrued paid time off (Note 17)	148,489	152,293
Deferred revenue	7,500	-
Deferred rent liability	<u>1,079</u>	<u>13,490</u>
Total Liabilities	<u>545,034</u>	<u>270,832</u>
Net Assets		
Without donor restrictions	1,504,932	1,153,141
With donor restrictions (Note 9)	<u>3,973,349</u>	<u>2,288,487</u>
Total Net Assets	<u>5,478,281</u>	<u>3,441,628</u>
Total Liabilities and Net Assets	<u>\$ 6,023,315</u>	<u>\$ 3,712,460</u>

See Notes to the Financial Statements

SUSTAINABLE CONSERVATION

Statement of Activities For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support and Revenue				
Support				
Foundation and community	\$ 369,199	\$ 2,783,388	\$ 3,152,587	\$ 2,040,241
Contributions	1,464,921	1,367,000	2,831,921	1,478,141
Government	503,936		503,936	108,631
In-kind contributions (Note 14)	11,198		11,198	103,625
Total Support	<u>2,349,254</u>	<u>4,150,388</u>	<u>6,499,642</u>	<u>3,730,638</u>
Revenue				
Client services	225,139		225,139	50,000
Interest	10,403		10,403	9,962
Other income	5,277		5,277	5,838
Total Revenue	<u>240,819</u>	<u>-</u>	<u>240,819</u>	<u>65,800</u>
Support provided by expiring time and purpose restrictions	2,636,512	(2,636,512)	-	-
Endowment appropriation (Note 10)	70,812	(70,812)	-	-
Total Support and Revenue	<u>5,297,397</u>	<u>1,443,064</u>	<u>6,740,461</u>	<u>3,796,438</u>
Expenses				
Program	3,349,998		3,349,998	3,201,534
Management and general	579,796		579,796	500,349
Fundraising	1,015,812		1,015,812	878,993
Total Expenses	<u>4,945,606</u>	<u>-</u>	<u>4,945,606</u>	<u>4,580,876</u>
Change in Net Assets from operations	351,791	1,443,064	1,794,855	(784,438)
Investment activity, net (Note 3)		241,798	241,798	(90,321)
Change in Net Assets	<u>351,791</u>	<u>1,684,862</u>	<u>2,036,653</u>	<u>(874,759)</u>
Net Assets, beginning of year	<u>1,153,141</u>	<u>2,288,487</u>	<u>3,441,628</u>	<u>4,316,387</u>
Net Assets, end of year	<u>\$ 1,504,932</u>	<u>\$ 3,973,349</u>	<u>\$ 5,478,281</u>	<u>\$ 3,441,628</u>

See Notes to the Financial Statements

SUSTAINABLE CONSERVATION

Statement of Cash Flows For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 2,036,653	\$ (874,759)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	32,118	22,885
Loss on disposition of equipment	28,817	-
Investment activity, net	(241,798)	90,321
Change in assets and liabilities:		
Contributions receivable, net	(993,522)	202,600
Accounts receivable	(296,917)	118,535
Prepaid expenses	(14,273)	13,233
Deposits	(8,286)	-
Accounts payable and accrued expenses	282,917	18,330
Accrued paid time off	(3,804)	(28,017)
Deferred revenue	7,500	-
Deferred rent liability	(12,411)	(5,935)
Net cash provided (used) by operating activities	816,994	(442,807)
Cash flows from investing activities		
Proceeds from investments	70,812	67,634
Purchases of property and equipment	-	(15,599)
Net cash provided (used) by investing activities	70,812	52,035
Net change in cash and cash equivalents	887,806	(390,772)
Cash and cash equivalents, beginning of year	1,592,793	1,983,565
Cash and cash equivalents, end of year	\$ 2,480,599	\$ 1,592,793

See Notes to the Financial Statements

SUSTAINABLE CONSERVATION

**Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

	Program	Management and General	Fundraising	Total	
				2019	2018
Salaries	\$ 1,636,121	\$ 346,553	\$ 491,208	\$ 2,473,882	\$ 2,594,678
Retirement contributions	78,140	15,334	23,997	117,471	124,443
Other employee benefits	244,009	49,471	74,830	368,310	379,364
Payroll taxes	126,560	24,851	38,917	190,328	199,682
Total Personnel	<u>2,084,830</u>	<u>436,209</u>	<u>628,952</u>	<u>3,149,991</u>	<u>3,298,167</u>
Fees for service	862,852	60,624	215,939	1,139,415	678,780
Occupancy	177,653	43,026	68,256	288,935	275,755
Supplies and office expenses	41,770	11,031	33,599	86,400	91,124
Travel and meals	49,478	2,631	15,979	68,088	64,801
Information technology	30,764	7,964	17,635	56,363	57,783
Conferences and meetings	36,019	8,338	31,632	75,989	47,954
Advertising and promotion	5,805	-	-	5,805	29,836
Depreciation	28,385	1,443	2,290	32,118	22,885
Insurance	3,625	8,530	1,530	13,685	13,791
Loss on disposition of equipment	28,817	-	-	28,817	-
Total Expenses	<u>\$ 3,349,998</u>	<u>\$ 579,796</u>	<u>\$ 1,015,812</u>	<u>\$ 4,945,606</u>	<u>\$ 4,580,876</u>

See Notes to the Financial Statements

SUSTAINABLE CONSERVATION

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 1: NATURE OF ACTIVITIES

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

SUSTAINABLE CONSERVATION

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments, if any, increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Accounts Receivable

Accounts receivable consisted of contracts receivable and other minor receivables such as interest receivables and/or employee advanced. Such amounts are primarily unsecured non-interest bearing amounts due from grantors or other funders from cost reimbursement or performance grants or contracts. The Organization considers all accounts receivable to be fully collectible at December 31, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. The Organization considers all contributions receivable to be fully collectible at December 31, 2019. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of December 31, 2019 and is not aware of any significant uncertain tax positions for which a reserve would be necessary.

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with specialized skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents except for brokerage cash and money market fund balances held for investment purposes which are included in investments.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by monitoring the financial strength of the institutions holding such amounts.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on property and equipment as follows:

Furniture and equipment	3 - 5 years
Leasehold improvements	7 years
Website	3 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Deferred Revenue

Deferred revenue represents funds received in advance of related performance obligations which have not yet been completely fulfilled.

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on full time equivalent (FTE). The document source is the monthly timesheet prepared by every staff, which tracks in which functional area and programs they dedicated their time.

Occupancy, depreciation, and amortization are allocated on the basis of the quarterly average of FTE for each program and supporting activity.

Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee's full time equivalents for each program and supporting activity.

Management and general activities include the functions necessary to provide support for the organization's program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 3: INVESTMENTS

Investments are stated at fair value and consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ -	\$ 11
Mutual funds	<u>1,538,100</u>	<u>1,367,103</u>
Total	<u>\$ 1,538,100</u>	<u>\$ 1,367,114</u>

As of December 31, 2019 funds held in the investment account include the Organization's endowment funds which may not be available for immediate use.

Investment Activity

Investment activity consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 31,368	\$ 31,481
Realized and unrealized gain (loss), net	<u>210,430</u>	<u>(121,802)</u>
Total	<u>\$ 241,798</u>	<u>\$ (90,321)</u>

The Organization classifies investment activity as a non-operating activity as the activity relates to the Organization's endowment funds which are intended for long term use.

Investment Composition

The composition of investments was as follows as of December 31, 2019:

Fixed income funds and cash equivalents	\$ 496,156	32%
Equity funds	<u>1,041,944</u>	<u>68%</u>
Total	<u>\$ 1,538,100</u>	<u>100%</u>

Ratings for fixed income holdings were as follows as of December 31, 2019:

AAA	\$ 361,858	73%
AA / A	83,140	17%
BBB	35,502	7%
BB and other	<u>15,656</u>	<u>3%</u>
Total	<u>\$ 496,156</u>	<u>100%</u>

NOTE 4: FAIR VALUE MEASUREMENTS

The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

Fair value of investments measured on recurring basis were as follows as of December 31, 2019:

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**Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

	<u>Level 1</u>
Intermediate term bond fund	\$ 419,054
Large cap international growth fund	146,373
Large cap blend fund	593,075
Mid cap international growth funds	<u>379,598</u>
Total	<u>\$ 1,538,100</u>

NOTE 5: CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional pledges and grants. Contributions receivable that are expected to be collected after more than one year are recorded with a discount to present value at a rate of 3.59% (1.59% plus 2% risk premium) and an allowance for doubtful accounts if deemed appropriate. Contributions receivable are due as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 1,035,200	\$ 501,114
Between one and five years, net	<u>490,000</u>	<u>-</u>
Subtotal	1,525,200	501,114
Less discount to present value	<u>(30,564)</u>	<u>-</u>
Total	<u>\$ 1,494,636</u>	<u>\$ 501,114</u>

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 35,596	\$ 81,266
Leasehold improvements	18,080	18,080
Website	68,699	68,699
Less accumulated depreciation	<u>(83,203)</u>	<u>(67,938)</u>
Total	<u>\$ 39,172</u>	<u>\$ 100,107</u>

NOTE 7: COMMITMENTS

The Organization is party to a lease for office space in San Francisco which expires January 2027, with an option to renew for an additional five years at fair market value. The Organization also leases office equipment under a non-cancelable lease that expires June 2021. Future minimum lease payments were as follows for the years ending December 31:

2020	\$ 232,700
2021	287,040
2022	294,420
2023	303,229
2024	312,233
Thereafter	<u>680,764</u>
Total	<u>\$ 2,110,386</u>

Rent for the years ended December 31, 2019 and 2018 was \$260,488 and \$261,876, respectively.

SUSTAINABLE CONSERVATION

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 8: CONTINGENCIES

Compliance with Donor Restrictions

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Purpose restricted	\$ 1,985,249	\$ 916,373
Endowment	1,538,100	1,367,114
Time restricted	<u>450,000</u>	<u>5,000</u>
Total	<u>\$ 3,973,349</u>	<u>\$ 2,288,487</u>

NOTE 10: ENDOWMENT

The Organization's endowment (the Fund) was established for the purpose of supporting the mission of the Organization. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Funds established by donors, including any required match amounts are considered *donor-restricted endowment funds*. Funds, if any, established by the Board of Directors to function as endowments are referred to as *board-designated endowment funds*.

Interpretation of Relevant Law

The State of California's enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which establishes law for the management and investment of donor-restricted endowment funds. Donor-restricted endowment funds are subject to a time restriction imposed by UPMIFA until amounts are appropriated for expenditure by the Organization. UPMIFA permits the Organization to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as it determined is prudent for the uses, benefits, purposes and durations for which the endowment fund was established. In making these determinations the Organization must act in good faith and consider general economic conditions, effects of inflation and deflation, tax consequences, the role of each investment in the overall portfolio, expected total return from income and appreciation, the charity's other resources, and the needs of the charity and the fund to make distributions and preserve capital.

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

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

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 in 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.

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the original gift amount. There were no deficiencies of this nature as of December 31, 2019. In the event of such deficiencies the Organization may elect to reduce the amount appropriated for use until such deficiencies are eliminated.

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. An appropriation of 5% was approved for the year ended December 31, 2019. 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 and changes in the endowment were as follows for the year ended December 31, 2019:

	Investment Returns	Perpetual Endowment	Total
Beginning balance	\$ 367,114	\$ 1,000,000	\$ 1,367,114
Net investment gain (loss)	241,798	-	241,798
Appropriation for use	<u>(70,812)</u>	<u>-</u>	<u>(70,812)</u>
Ending balance	<u>\$ 538,100</u>	<u>\$ 1,000,000</u>	<u>\$ 1,538,100</u>

NOTE 11: CONCENTRATIONS

Contributions Receivable

Approximately 40% of contributions receivable were from two donors as of December 31, 2019.

Support

Two foundation funders provided approximately 24% of total support during the year ending December 31, 2019.

NOTE 12: RETIREMENT PLAN

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. Contributions by the Organization were \$117,471 and \$124,443 during the years ended December 31, 2019 and 2018, respectively.

NOTE 13: LINE OF CREDIT

The Organization has a secured line of credit with a bank for a total of \$250,000 to be drawn down upon as needed. The line is secured by the Organization's assets, and bears interest at prime (4.5%

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

at December 31, 2019) plus 2%. As of December 31, 2019 there was no balance outstanding on the line of credit.

NOTE 14: IN-KIND CONTRIBUTIONS

The Organization received the benefit of the following donated in-kind goods and services during the years ended December 31:

	<u>2019</u>	<u>2018</u>
Legal services	\$ 8,815	\$ 73,574
Advertising services	-	29,277
Event supplies	<u>2,383</u>	<u>774</u>
Total	<u>\$ 11,198</u>	<u>\$ 103,625</u>

Donated legal services consisted of services from firm and individual attorneys delivered as part of the Organization's programs. The Organization developed their estimate of the value of donated legal services based on approximately 21 hours of time valued at \$410 per hour.

NOTE 15: RELATED PARTY TRANSACTIONS

A Board member of the Organization serves as the Chief Executive Officer of a nonprofit organization (the "Partner") with which the Organization entered into program related cost reimbursement agreements. The Partner billed the Organization \$170,863 and \$40,473 for expenses incurred under the agreements during the years ended December 31, 2019 and 2018, respectively.

NOTE 16: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUNDRAISING APPEALS

The Organization produced an online annual report that included both a fundraising and management and general component. The costs of these activities were allocated as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Costs allocated to management and general activities	\$ 7,700	\$ 7,600
Costs allocated to fundraising activities	<u>2,300</u>	<u>2,400</u>
Total	<u>\$ 10,000</u>	<u>\$ 10,000</u>

NOTE 17: ACCRUED PAID TIME OFF

Accrued paid time off consisted of the following for the years ending December 31:

	<u>2019</u>	<u>2018</u>
Paid time off	\$ 125,031	\$ 152,293
Sabbatical	<u>23,458</u>	<u>-</u>
Total	<u>\$ 148,489</u>	<u>\$ 152,293</u>

Sabbatical Policy

The Organization offers eligible employees up to four weeks paid sabbatical leave after seven consecutive years of full-time employment, or 8 weeks after 10 years of service, provided they have not taken a prior sabbatical leave. Sabbatical benefits do not vest and leave is subject to the financial health and programmatic needs of the Organization. The Executive Director and the Board of Directors retain the discretion to grant or deny requests for sabbatical leave.

SUSTAINABLE CONSERVATION

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 18: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of May 11, 2020, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Public Health Order - Coronavirus

The Organization operates in an area which was affected by the COVID-19 coronavirus, and in March 2020 Oakland was subject to a public health order which affected activities of the Organization.

NOTE 19: RECENT ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred. Assessments of the probability of meeting conditions of conditional grant were eliminated as part of this update. The Adoption of this ASU increased the number of grant payments the Organization considered conditional.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to others in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

NOTE 20: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 are:

Cash and cash equivalents	\$ 2,480,599
Endowment and long-term investments	1,538,100
Contributions receivable	1,494,636
Accounts receivable	362,038
Less purpose-restricted net assets	(1,985,249)
Less donor-restricted endowment funds	(1,538,100)
Less time restricted contributions receivable, noncurrent	<u>(100,000)</u>
Total	<u>\$ 2,252,024</u>

Available liquid assets include both funds without donor restrictions and those with donor restrictions available for use within one year. Funds with either board designations or long-term donor restrictions are excluded because such amounts are considered illiquid.

The Organization's working capital and cash flows vary during the year based on the timing of grant awards and a concentration of contributions received near calendar year end. As part of the Organization's liquidity management plan, the Organization maintains a revolving line of credit to cover short-term cash needs.