
SUSTAINABLE CONSERVATION

FINANCIAL STATEMENTS

December 31, 2021

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2020)

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

Opinion

We have audited the accompanying financial statements of Sustainable Conservation (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, cash flows and functional expenses, for the year then ended, and the related notes to the financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sustainable Conservation as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we: Exercise professional judgment and maintain professional skepticism throughout the audit. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in dark ink that reads "Crody & Kaneda CPAs LLP". The signature is written in a cursive, flowing style.

Oakland, California

May 12, 2022

SUSTAINABLE CONSERVATION

Statement of Financial Position

December 31, 2021

(With Comparative Totals as of December 31, 2020)

	2021	2020
Assets		
Assets		
Cash and cash equivalents	\$ 1,500,763	\$ 1,023,281
Investments (Note 3)	1,798,641	1,980,718
Contributions receivable, net (Note 5)	719,013	863,636
Accounts receivable	147,028	148,229
Prepaid expenses and deposits	105,627	98,452
Property and equipment, net (Note 6)	679,604	28,486
Investments - endowment (Note 3)	1,831,411	1,642,331
Total Assets	<u>\$ 6,782,087</u>	<u>\$ 5,785,133</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 276,556	\$ 174,008
Accrued benefits and paid time off (Note 9)	224,774	183,892
Deferred revenue	15,000	20,000
Deferred rent liability	76,472	64,428
Total Liabilities	<u>592,802</u>	<u>442,328</u>
Net Assets		
Without donor restrictions	3,525,611	2,632,984
With donor restrictions (Note 10)	2,663,674	2,709,821
Total Net Assets	<u>6,189,285</u>	<u>5,342,805</u>
Total Liabilities and Net Assets	<u>\$ 6,782,087</u>	<u>\$ 5,785,133</u>

See Notes to the Financial Statements

SUSTAINABLE CONSERVATION

Statement of Activities For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Support and Revenue				
Support				
Foundation and community	\$ 214,486	\$ 615,625	\$ 830,111	\$ 2,049,253
Contributions	1,484,317	1,623,793	3,108,110	1,491,262
Government	182,967		182,967	283,998
Paycheck Protection Program (Note 12)	569,500		569,500	569,500
In-kind contributions (Note 13)	1,115		1,115	19,988
Total Support	<u>2,452,385</u>	<u>2,239,418</u>	<u>4,691,803</u>	<u>4,414,001</u>
Revenue				
Client services	332,032		332,032	164,807
Interest and other	2,182		2,182	14,606
Total Revenue	<u>334,214</u>	<u>-</u>	<u>334,214</u>	<u>179,413</u>
Support provided by expiring time and purpose restrictions	<u>2,474,645</u>	<u>(2,474,645)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>5,261,244</u>	<u>(235,227)</u>	<u>5,026,017</u>	<u>4,593,414</u>
Expenses				
Program	2,876,316		2,876,316	3,300,335
Management and general	582,116		582,116	600,467
Fundraising	911,495		911,495	1,007,461
Total Expenses	<u>4,369,927</u>	<u>-</u>	<u>4,369,927</u>	<u>4,908,263</u>
Change in Net Assets from operations	891,317	(235,227)	656,090	(314,849)
Investment activity, net (Note 3)	1,310	189,080	190,390	179,373
Change in Net Assets	<u>892,627</u>	<u>(46,147)</u>	<u>846,480</u>	<u>(135,476)</u>
Net Assets, beginning of year	<u>2,632,984</u>	<u>2,709,821</u>	<u>5,342,805</u>	<u>5,478,281</u>
Net Assets, end of year	<u>\$ 3,525,611</u>	<u>\$ 2,663,674</u>	<u>\$ 6,189,285</u>	<u>\$ 5,342,805</u>

See Notes to the Financial Statements

SUSTAINABLE CONSERVATION

Statement of Cash Flows For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 846,480	\$ (135,476)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	13,594	16,436
Investment activity, net	(190,390)	(179,373)
Donated stock	(85,613)	(69,413)
Change in assets and liabilities:		
Contributions receivable, net	144,623	631,000
Accounts receivable	1,201	213,809
Prepaid expenses and deposits	(7,175)	10,318
Accounts payable and accrued expenses	102,548	(213,958)
Accrued benefits and paid time off	40,882	35,403
Deferred revenue	(5,000)	12,500
Deferred rent liability	12,044	63,349
Net cash provided (used) by operating activities	<u>873,194</u>	<u>384,595</u>
Cash flows from investing activities		
Purchase of fixed assets	(664,712)	(5,750)
Proceeds from investments	269,500	70,000
Additions to investments	(500)	-
Net cash provided (used) by investing activities	<u>(395,712)</u>	<u>64,250</u>
Net change in cash and cash equivalents	477,482	448,845
Cash and cash equivalents, beginning of year	<u>1,023,281</u>	<u>574,436</u>
Cash and cash equivalents, end of year	<u>\$ 1,500,763</u>	<u>\$ 1,023,281</u>
Supplemental Information		
Donated stock	<u>\$ 85,613</u>	<u>\$ 69,413</u>

See Notes to the Financial Statements

SUSTAINABLE CONSERVATION

Statement of Functional Expenses For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

	Program	Management and General	Fundraising	Total 2021	2020
Salaries	\$ 1,656,550	\$ 370,300	\$ 574,810	\$ 2,601,660	\$ 2,503,293
Retirement contributions	90,486	14,888	29,683	135,057	115,009
Other employee benefits	244,409	49,779	87,375	381,563	359,756
Payroll taxes	127,257	25,062	45,978	198,297	184,402
Total Personnel	<u>2,118,702</u>	<u>460,029</u>	<u>737,846</u>	<u>3,316,577</u>	<u>3,162,460</u>
Technical and research consulting	308,875	-	-	308,875	952,996
Other fees for service	93,430	34,341	20,490	148,261	202,561
Advertising and promotion	3,614	-	90	3,704	1,418
Supplies and office expenses	78,267	9,863	37,080	125,210	87,306
Occupancy	201,991	43,798	80,052	325,841	341,523
Travel and meals	4,192	1,351	641	6,184	12,197
Information technology	34,004	21,089	31,050	86,143	91,254
Conferences and meetings	8,157	1,318	2,477	11,952	22,373
Depreciation	13,594	-	-	13,594	16,436
Insurance	11,490	10,327	1,769	23,586	17,739
Total Expenses	<u>\$ 2,876,316</u>	<u>\$ 582,116</u>	<u>\$ 911,495</u>	<u>\$ 4,369,927</u>	<u>\$ 4,908,263</u>

See Notes to the Financial Statements

SUSTAINABLE CONSERVATION

Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

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 are just and make economic sense.

The Organization currently drives collaborative solutions to meet the water needs of California's environment, people, and economy for current and future generations. The Organization currently focuses on advancing sustainable groundwater management, helping the California dairy industry address water quality and quantity concerns, and accelerating the stewardship of natural and working lands and waterways.

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, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

Accounts Receivable

Accounts receivable consists of contracts receivable and other minor receivables such as interest receivables and/or other. 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, 2021. 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, 2021. 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.

Accounting for Revenue

The Organization recognizes revenue as performance obligations are satisfied.

Revenue is recognized over time for cost reimbursement contracts as eligible expenses are incurred if other conditions of the contract are satisfied. Revenue from agreements that include milestones and milestone payments are recognized over time as milestones are reached. Revenue from agreements based on hourly rates are recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such progress. If the Organization's efforts are expended evenly throughout the performance period the Organization may recognize revenue on a straight-line basis over such a period.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met.

SUSTAINABLE CONSERVATION

Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

The Organization tracks contract assets representing earned amounts that are not yet receivable separately from accounts receivable, if any. As a practical expedient the Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

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. Net gains on endowment investments, if any, increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Client Services

Client services revenue consist primarily of activities carried out on a contracted fee for service basis. The Organization recognizes revenue and is paid as progress is made over time on the performance obligations, generally on a monthly basis. Contracts may include a cap on the amounts billable towards a performance obligation.

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, 2021 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. 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.

Accounting for Purchases and Sales of Securities

The Organization accounts for purchases and sales of securities on a settlement date basis. It is the policy of the Organization to immediately sell any donated securities received.

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 fund balances held for investment purposes which are included in investments. Certificates of deposit with any maturity held for investments are classified as certificates of deposits.

SUSTAINABLE CONSERVATION

Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

For statement of cash flow purposes, proceeds from investments reflect transfers from investment accounts to operating accounts, and additions to investment reflect transfers from operating accounts to investment accounts.

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 - 7 years
Leasehold improvements	5 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.

Deferred Rent Liability

Certain of the Organizations leases may include non-level payment terms or rent-free periods. The Organization recognizes rental expense for minimum lease payments from operating leases on a straight-line basis over the lease term, including any additional cancelable option periods where failure to exercise such options would result in an economic penalty. Consistent with this policy rent expense is recorded beginning at the start of the Organization's use of the property or build-out period during which time the Organization may not make rent payments.

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 based on employee's full-time equivalents for each program and supporting activity.

SUSTAINABLE CONSERVATION

Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

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. All expenses are reported as decreases in net assets without donor restrictions.

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, 2020, 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.

NOTE 3: INVESTMENTS

Investments consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
General investments	\$ 1,798,641	\$ 1,980,718
Endowment investments	<u>1,831,411</u>	<u>1,642,331</u>
Total	<u>\$ 3,630,052</u>	<u>\$ 3,623,049</u>

As of December 31, 2021, total investments include the Organization's endowment funds which may not be available for immediate use as described in Note 11.

Investment Activity

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 35,438	\$ 36,872
Realized and unrealized gain (loss), net	<u>154,952</u>	<u>142,501</u>
Total	<u>\$ 190,390</u>	<u>\$ 179,373</u>

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

SUSTAINABLE CONSERVATION

Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,093,660	\$ -	\$ 1,093,660
Mutual Funds/ETF's			
US treasury & government bond fund	127,909		127,909
Intermediate term bond fund	352,446	-	352,446
Large cap international growth fund	153,010	-	153,010
Large cap blend fund	759,739	-	759,739
Mid cap international growth funds	438,307	-	438,307
Certificates of deposit	-	704,981	704,981
Total	<u>\$ 2,925,071</u>	<u>\$ 704,981</u>	<u>\$ 3,630,052</u>

The Organization uses the following methods to determine the fair value of its investments with fair values based on level 2 inputs:

Certificates of deposit – Based on the values shown on the Organization's investment statements on the last trading day of the year. The Organization's broker reports such values based on pricing service inputs including inputs from third parties.

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, 2021:

Within one year	\$ 532,300
Between one and five years, net	200,000
Less discount to present value	<u>(13,287)</u>
Total	<u>\$ 719,013</u>

NOTE 6: PROPERTY AND EQUIPMENT

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

SUSTAINABLE CONSERVATION

Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 24,697	\$ 35,596
Leasehold improvements	-	18,080
Website	29,976	68,699
Work in progress – leasehold improvements	670,462	5,750
Less accumulated depreciation	<u>(45,531)</u>	<u>(99,639)</u>
Total	<u>\$ 679,604</u>	<u>\$ 28,486</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:

2022	\$ 294,424
2023	303,225
2024	312,331
2025	321,727
2026	331,356
Thereafter	<u>27,680</u>
Total	<u>\$ 1,590,743</u>

Rent for the years ended December 31, 2021 and 2020 was \$321,490 and \$309,539, respectively.

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 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.

PPP Loan Forgiveness

Guidance related to this program is evolving. The SBA reserves the right to audit any forgiveness granted, and such audit activity, if any, may result in changes to amounts forgiven or a requirement to return funds received.

NOTE 9: ACCRUED BENEFITS AND PAID TIME OFF

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

	<u>2021</u>	<u>2020</u>
Paid time off	\$ 162,191	\$ 157,517
Accrued sabbatical estimate	43,083	26,375
457b retirement plan liability	<u>19,500</u>	<u>-</u>
Total	<u>\$ 224,774</u>	<u>\$ 183,892</u>

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Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

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.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Purpose restricted	\$ 695,000	\$ 767,720
Endowment	1,831,411	1,642,331
Time restricted	<u>137,263</u>	<u>299,770</u>
Total	<u>\$ 2,663,674</u>	<u>\$ 2,709,821</u>

NOTE 11: 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 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

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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, 2021. 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. No appropriation was withdrawn for the year ended December 31, 2021. 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, 2021:

	Investment <u>Returns</u>	Perpetual <u>Endowment</u>	<u>Total</u>
Beginning balance	\$ 642,331	\$ 1,000,000	\$ 1,642,331
Net investment gain (loss)	189,080	-	189,080
Appropriation for use	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 831,411</u>	<u>\$ 1,000,000</u>	<u>\$ 1,831,411</u>

NOTE 12: PAYCHECK PROTECTION PROGRAM (PPP)

On February 6, 2021, the Organization received a Paycheck Protection Program (PPP) loan of \$569,500 bearing interest of 1% with a maturity date of February 2026. The Organization concludes that the loan represents, in substance, funding from a governmental assistance program. The Organization accounts for such funding in accordance with *FASB ASC 958-605* as conditional support based on compliance with program terms and allocation of eligible costs to this funding.

On November 3, 2021, the Organization received notice of forgiveness for the full amount of the PPP loan totaling \$569,500.

NOTE 13: IN-KIND CONTRIBUTIONS

The Organization received the benefit of donated legal services of \$1,115 and \$19,988 during the years ended December 31, 2021 and 2020, respectively.

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 2.5 hours of time valued at \$410 per hour.

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Notes to the Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for the Year Ended December 31, 2020)

NOTE 14: CONCENTRATIONS

Contributions Receivable

Approximately 68% of contributions receivable were from two donors as of December 31, 2021.

Support and Revenue

Two funders provided approximately 21% of total support and revenue during the year ending December 31, 2021.

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.

NOTE 15: RETIREMENT PLANS

401K

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 \$120,057 and \$115,009 during the years ended December 31, 2021 and 2020, respectively.

457b

The Organization offers a nonqualified deferred compensation 457b retirement to eligible employees. The assets of such a plan remain assets of the organization, and the organization records a liability for plan obligations. Plan assets may be available to Organization creditors. Contributions by the Organization were \$15,000 and \$0 during the years ended December 31, 2021 and 2020, respectively.

NOTE 16: LINE OF CREDIT

The Organization has a secured line of credit with a bank for a total of \$250,000 bearing a variable interest rate of 5.25% (prime plus 2%) as of December 31, 2021. As of December 31, 2021, there was no outstanding balance on the line of credit.

NOTE 17: 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 \$161,926 and \$66,557 for expenses incurred under the agreements during the years ended December 31, 2021 and 2020, respectively.

NOTE 18: 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, 2021, include the following:

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Cash and cash equivalents	\$ 1,500,763
Investments	1,798,641
Contributions receivable	719,013
Accounts receivable	147,028
Less purpose-restricted net assets	(695,000)
Less time restricted contributions receivable, noncurrent	<u>(200,000)</u>
Total	<u>\$ 3,270,445</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.

NOTE 19: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of May 12, 2022, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Coronavirus

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations and workforce.