

Center for Climate Protection

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2019

COOK &
COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

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COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Center for Climate Protection
Santa Rosa, California

We have audited the accompanying financial statements of Center for Climate Protection (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, the related statements of activities and changes in net assets, 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 of 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 an assessment of the risks of the 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 Center for Climate Protection as of June 30, 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.



A Professional Accountancy Corporation
December 20, 2019

Center for Climate Protection

Statement of Financial Position

June 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$	776,980
Beneficial interest in assets held by others (Note 2)		11,909
Pledges & accounts receivable (Note 3)		162,036
Prepaid expenses		5,292
Inventory		23,647
Total current assets		<u>979,864</u>
Property and equipment, net (Note 4)		4,950
Other assets		4,198
Total assets	\$	<u><u>989,012</u></u>

LIABILITIES & NET ASSETS

Current Liabilities

Accounts payable	\$	75,226
Accrued payroll		7,378
Accrued vacation		57,399
Total current liabilities		<u>140,003</u>
Deferred rent		12,895
Total liabilities		<u><u>152,898</u></u>

Net Assets

Without donor restrictions

Undesignated		344,056
Board-designated operating reserve		213,694
Total without donor restrictions		<u>557,750</u>

With donor restrictions (Note 5)

Total net assets		<u>836,114</u>
Total liabilities and net assets	\$	<u><u>989,012</u></u>

See accompanying notes to financial statements and independent auditor's report.

Center for Climate Protection

Statement of Activities & Changes in Net Assets for the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Grants	\$ 100,000	\$ 122,000	\$ 222,000
Contributions	260,514	48,106	308,620
Sponsorships	307,051		307,051
In-kind contributions	8,041		8,041
Contract fees	420,851		420,851
Other program fees	65,390		65,390
Other income	12,800		12,800
Net assets released from restrictions	333,634	(333,634)	-
Total revenue and support	<u>1,508,281</u>	<u>(163,528)</u>	<u>1,344,753</u>
Expenses			
Program services expense	1,028,843		1,028,843
Management and general	147,109	-	147,109
Fundraising / development	139,040	-	139,040
Total expenses	<u>1,314,992</u>	<u>-</u>	<u>1,314,992</u>
Change in Net Assets	193,289	(163,528)	29,761
Net Assets, Beginning of Year	<u>364,461</u>	<u>441,892</u>	<u>806,353</u>
Net Assets, End of Year	<u>\$ 557,750</u>	<u>\$ 278,364</u>	<u>\$ 836,114</u>

See accompanying notes to financial statements and independent auditor's report.

Center for Climate Protection

Statement of Functional Expenses for the Year Ended June 30, 2019

	Program Service	Management and General	Fundraising / Development	Total
Grants made	\$ 5,000	\$ -	\$ -	\$ 5,000
Compensation of key employees	139,798	28,577	31,922	200,297
Other salaries & wages	448,391	74,016	20,028	542,435
Other employee benefits	23,750	3,606	2,447	29,803
Payroll taxes	47,069	8,279	4,202	59,550
Legal fees	12,413	-	-	12,413
Accounting fees	-	10,264	-	10,264
Other professional services	234,943	3,550	48,582	287,075
Advertising and promotion	256	-	-	256
Office expenses	24,724	4,545	11,627	40,896
Information technology	6,722	1,729	2,050	10,501
Occupancy	34,966	6,071	3,119	44,156
Travel	24,858	23	5,373	30,254
Conferences & meetings	923	-	-	923
Depreciation & amortization	651	113	58	822
Insurance	3,440	2,020	188	5,648
Project materials	3,636	214	196	4,046
Other expenses	17,303	4,102	9,248	30,653
Total	<u>\$ 1,028,843</u>	<u>\$ 147,109</u>	<u>\$ 139,040</u>	<u>\$ 1,314,992</u>

See accompanying notes to financial statements and independent auditor's report.

Center for Climate Protection

Statement of Cash Flows for the Year Ended June 30, 2019

Cash flows from operating activities:	
Cash received from grantors/contributors	\$ 956,130
Cash received from payments of program fees	502,884
Cash generated from operating activities	<u>1,459,014</u>
Cash paid to, or for the benefit of, employees	(827,565)
Cash paid to contractors and suppliers	(494,867)
Cash disbursed for operating activities	<u>(1,322,432)</u>
Net cash flows generated from operating activities	136,582
Cash flows from investing activities:	
Purchases of fixed assets	(4,341)
Net cash flows from investing activities	<u>(4,341)</u>
NET INCREASE IN CASH	
	132,241
CASH & CASH EQUIVALENTS, beginning of year	644,739
CASH & CASH EQUIVALENTS, end of year	<u>\$ 776,980</u>

Supplemental information:

Reconciliation of change in net assets to cash flows generated from operating activities:

Change in net assets	\$ 29,761
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Change in value of beneficial interest	(1,074)
Depreciation expense	822
Changes in assets and liabilities:	
Pledges & accounts receivable	118,459
Prepaid expenses	(5,292)
Inventory	(5,041)
Other assets	(4,198)
Accounts payable	40,156
Accrued payroll	(1,459)
Accrued vacation	5,979
Deferred rent	12,895
Other current liabilities	(54,426)
Net cash flows generated from operating activities	<u>136,582</u>

See accompanying notes to financial statements and independent auditor's report.

Center for Climate Protection

Notes to Financial Statements for the Year Ended June 30, 2019

1. The Organization

Center for Climate Protection (CCP or the Organization) is a Santa Rosa-based nonprofit organization, whose mission is to inspire, align, and mobilize action in response to the climate crisis. CCP works with business, government, youth and the broader community to advance practical, science-based solutions for significant greenhouse gas emission reductions. Governed by a board of directors, the Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and section 23701(d) of the California Revenue and Taxation Code.

Funding

Major support is received in the form of donations from individuals, grants from foundations, and sponsorships from businesses. In addition, a substantial amount of funding is generated through various program service contracts with government agencies.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned and expenses are recognized when they are incurred.

Basis of Presentation

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

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue and support are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. All expenses, including those funded by restricted contributions, are reported as decreases in *net assets without donor restrictions*. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash & Cash Equivalents

Cash consists of funds held in bank checking and savings accounts.

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Center for Climate Protection

Notes to Financial Statements for the Year Ended June 30, 2019

(continued)

Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others consists of assets transferred by CCP to Community Foundation Sonoma County (CFSC) for investment purposes, with the understanding that the income pertaining to these assets would be distributed to CCP. This is a fully expendable fund whereby the principal can be also be distributed, upon request, if needed.

CFSC shall have the power to modify any restriction or condition of funds for any specified charitable purposes or to a specified organization, if, in the sole judgment of CFSC, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the needs of the community served by CFSC.

CCP values its investments at fair value on a recurring basis in accordance with FASB ASC #820, which establishes a fair value framework in accordance with generally accepted accounting principles. ASC #820 clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

There are three defined levels in the fair value hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e. supported by little or no market activity).

CCP's beneficial interest has been valued using a market approach and Level 2 inputs. The underlying pooled funds are invested in a blend of equities, fixed income securities, certificates of deposit and money market funds. Fair value is determined by the management of the investment funds held at CFSC.

Pledges & Accounts Receivable

Accounts receivable consist primarily of receivables from program service contracts reported at the amount that management expects to collect on balances outstanding at year-end.

Pledges receivable include amounts promised by donors prior to year-end. An allowance for doubtful accounts has been recorded based on management's judgment. All amounts are due within one year of the balance sheet date.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the short maturity of these instruments.

Property & Equipment

CCP has capitalized fixed assets with an initial cost in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets (5 to 15 years for fixed assets currently on the books).

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Center for Climate Protection

Notes to Financial Statements for the Year Ended June 30, 2019

(continued)

Deferred Rent Liability

The Organization's operating lease for its office contains a three-month rent abatement and staggered payment schedule. In accordance with generally accepted accounting principles, a liability has been recognized for the difference between the straight-lined rent expense and the rent payments made to date. The deferred rent liability will be fully amortized at the end of the lease term in fiscal year 2023-2024.

Functional Expenses

Expenses are allocated on a functional basis among the Organization's program and support services. Expenses that can be identified with a specific activity or support service are allocated directly. Expenses that are common to several functions are allocated based on formulas developed by management.

Income Taxes

As a public charity organized under Internal Revenue Code Section 501(c)(3), the Organization is exempt from income taxes, except on activities unrelated to its mission. As management believes that all of the Organization's revenue is exempt from federal and state income tax, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2016 through 2019 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2015 through 2019 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

These financial statements reflect the provisions of Accounting Standards Update No. 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which was issued by the Financial Accounting Standards Board (FASB) in August 2017 and effective for calendar years ending in 2018 and beyond.

This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return amongst not-for-profit entities. A key change required by ASU 2016-14 is the net asset class captions displayed in not-for-profit financial statements. Amounts previously reported as *unrestricted net assets* are now reported as *net assets without donor restrictions*, and amounts previously reported as *temporarily restricted net assets* and *permanently restricted net assets* are now reported as *net assets with donor restrictions*. A footnote on liquidity has also been added (Note 8).

Center for Climate Protection

Notes to Financial Statements for the Year Ended June 30, 2019

3. Pledges & Accounts Receivable

Accounts receivable	\$81,111
Pledges receivable	<u>80,925</u>
Total	\$162,036

4. Property & Equipment

Equipment	\$5,732
Leasehold improvements	4,341
Less: accumulated depreciation	<u>(5,123)</u>
Total	\$4,950

5. Net Assets with Donor Restrictions

The balance of net assets with donor restrictions consists of grants and contributions restricted for:

Climate action fellowship	\$124,679
General support for future periods	78,453
ECO2School program	63,505
California Community Choice Aggregation	<u>11,727</u>
Total	\$278,364

6. Operating Leases

The Organization rents its Santa Rosa office under a five-year operating lease expiring in fiscal year 2023-2024. The lease agreement calls for an initial monthly base rent of \$4,199, followed by annual increases of 3% per year. CCP also has one option to extend the lease for an additional five years with annual increases based on the Consumer Price Index. As of June 30, 2019, future minimum lease payments are as follows:

<u>Fiscal year ending June 30:</u>	
2020	\$51,144
2021	52,678
2022	54,258
2023	55,886
2024	<u>28,356</u>
Total	\$242,322

7. Contingencies – Satisfaction of Donor Requirements

The Organization receives grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the grantor. It is management's opinion that all donor conditions have been met for grants that have been released from temporarily restricted net assets or recorded directly to unrestricted net assets.

Center for Climate Protection

Notes to Financial Statements for the Year Ended June 30, 2019

8. Management's Liquidity Disclosure

Availability of Financial Assets and Liquidity:

CCP's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$776,980
Investments	11,909
Accounts Receivable	81,111
Pledges Receivable	<u>80,925</u>
Total financial assets	950,925
Donor Imposed Restrictions:	
Purpose Designated Funds	199,911
Internal Designation:	
Designated by the board (operating reserve)	<u>213,694</u>
Financial assets available to meet general expenditures over the next twelve months	\$537,320

CCP's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$335,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements. The Board can un-designate the Board designated funds and make them available for general operations.

CCP manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored bi-monthly in comparison to budgets. Adjustments are made to plan as needed to ensure adequate liquidity.

9. Management's Review of Subsequent Events

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through December 20, 2019, the date the financial statements were available to be issued.