

Sonoma Ecology Center

Financial Statements &

Independent Accountant's Review Report

for the Year Ended

December 31, 2022

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Accountant's Report

To the Board of Directors
Sonoma Ecology Center
Eldridge, California

We have reviewed the accompanying financial statements of Sonoma Ecology Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities & changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Center's personnel. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Sonoma Ecology Center and to meet our ethical responsibilities in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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Summarized Prior Year Information

The summarized prior year comparative information was derived from Sonoma Ecology Center's financial statements for the year ended December 31, 2021. In our report dated July 28, 2022, we stated that based on our procedures, we were not aware of any material modifications that should be made to the 2021 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information for it to be consistent with the reviewed financial statements from which it has been derived.

Cook & Company

A Professional Accountancy Corporation
San Francisco, California
June 5, 2023

Sonoma Ecology Center

Statement of Financial Position

December 31, 2022

with Comparative Totals for December 31, 2021

	<u>12/31/2022</u>	<u>12/31/2021</u> (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 402,554	\$ 611,221
Accounts & contributions receivable (Note 3)	781,187	419,579
Inventory	<u>15,967</u>	<u>13,604</u>
Total current assets	1,199,708	1,044,404
Deposits	15,000	15,000
Property and equipment, net (Note 4)	<u>153,957</u>	<u>103,712</u>
TOTAL ASSETS	<u><u>\$ 1,368,665</u></u>	<u><u>\$ 1,163,116</u></u>
LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts payable & accrued expenses	\$ 274,058	\$ 140,080
Accrued vacation pay	50,819	62,686
Deferred revenue	2,804	9,990
Grant advance	<u>9,783</u>	<u>-</u>
TOTAL LIABILITIES	337,464	212,756
Net Assets		
Without donor restrictions	648,442	638,444
With donor restrictions (Note 5)	<u>382,759</u>	<u>311,916</u>
TOTAL NET ASSETS	<u><u>1,031,201</u></u>	<u><u>950,360</u></u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 1,368,665</u></u>	<u><u>\$ 1,163,116</u></u>

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

Sonoma Ecology Center

Statement of Activities & Changes in Net Assets for the Year Ended December 31, 2022 with Comparative Totals for the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total (Note 2)
SUPPORT & REVENUE				
Support				
Program service contracts	\$ 1,185,394	\$ -	\$ 1,185,394	\$ 1,229,587
Contributions	472,704	9,113	481,817	468,279
Grants	-	444,722	444,722	364,398
Net assets released from restriction	382,998	(382,998)	-	-
Total support	2,041,096	70,837	2,111,933	2,062,264
Revenue				
Fees for restoration, education & related services	617,277	-	617,277	357,881
Park entrance, camping & related fees	649,430	-	649,430	605,319
Sales of merchandise	118,342	-	118,342	113,780
Cost of goods sold	(54,163)	-	(54,163)	(51,298)
Other income	66,646	6	66,652	43,165
Total revenue	1,397,532	6	1,397,538	1,068,847
TOTAL SUPPORT & REVENUE	3,438,628	70,843	3,509,471	3,131,111
EXPENSES				
Program services	2,561,227	-	2,561,227	2,189,281
Management and general	558,553	-	558,553	709,031
Fundraising	308,850	-	308,850	272,412
TOTAL EXPENSES	3,428,630	-	3,428,630	3,170,724
CHANGE IN NET ASSETS	9,998	70,843	80,841	(39,613)
NET ASSETS, Beginning of Year	638,444	311,916	950,360	989,973
NET ASSETS, End of Year	\$ 648,442	\$ 382,759	\$ 1,031,201	\$ 950,360

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

Sonoma Ecology Center

Statement of Functional Expenses for the Year Ended December 31, 2022 with Comparative Totals for the year ended December 31, 2021

	Program Services	Management and General	Fundraising	2022 Total	2021 Total (Note 2)
Salaries	\$ 1,181,728	\$ 314,361	\$ 244,222	\$ 1,740,311	\$ 1,681,803
Payroll taxes	98,885	25,930	19,868	144,683	140,600
Employee benefits	124,544	30,492	17,669	172,705	147,110
Subcontractors	466,714	-	-	466,714	130,733
Outside services	137,713	58,296	-	196,009	189,402
Advertising	8,520	149	14,134	22,803	21,737
Telephone & internet	12,332	28,363	-	40,695	35,964
Office expenses	8,626	833	389	9,848	4,728
Information technology	6,187	13,765	1,232	21,184	34,644
Occupancy	75,643	9,741	2,081	87,465	138,842
Repairs & maintenance	71,251	3,448	-	74,699	103,674
Materials & supplies	229,723	2,540	694	232,957	411,794
Travel	46,367	912	777	48,056	15,378
Meetings & conferences	5,752	1,944	1,550	9,246	6,458
Depreciation expense	9,270	12,917	-	22,187	23,728
Insurance	9,615	28,116	-	37,731	40,114
Other expenses	68,357	26,746	6,234	101,337	44,015
Total Expenses	<u>\$ 2,561,227</u>	<u>\$ 558,553</u>	<u>\$ 308,850</u>	<u>\$ 3,428,630</u>	<u>\$ 3,170,724</u>

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

Sonoma Ecology Center

Statement of Cash Flows for the Year Ended December 31, 2022 with Comparative Totals for the year ended December 31, 2021

	2022	2021 (Note 2)
Cash flows from operating activities:		
Cash received from contributors and customers	\$ 3,137,971	\$ 3,422,109
Cash received from other sources	66,652	43,165
Cash generated from operating activities	3,204,623	3,465,274
Cash paid to, or for the benefit of, employees	(2,069,566)	(1,958,662)
Cash paid to contractors and suppliers	(1,271,292)	(1,288,841)
Cash disbursed for operating activities	(3,340,858)	(3,247,503)
Net cash flows generated/(used) from operating activities	(136,235)	217,771
 Cash flows from investing activities:		
Purchases of fixed assets	(72,432)	4,968
Net cash flows from investing activities	(72,432)	4,968
 NET INCREASE IN CASH	(208,667)	222,739
CASH & CASH EQUIVALENTS, beginning of year	611,221	388,482
CASH & CASH EQUIVALENTS, end of year	\$ 402,554	\$ 611,221

Supplemental information:

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

Change in net assets	\$ 80,841	\$ (39,613)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation expense	22,187	23,728
Other reconciliation items	-	(14,565)
Changes in assets and liabilities:		
Accounts receivable	(361,608)	331,031
Inventory	(2,363)	4,332
Accounts payable	133,978	(87,061)
Accrued vacation	(11,867)	10,851
Deferred revenue	(7,186)	(10,932)
Grant advance	9,783	-
Net cash flows generated from operating activities	\$ (136,235)	\$ 217,771

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

Sonoma Ecology Center

Notes to Financial Statements December 31, 2022

1. The Center

Nature of Activities

Sonoma Ecology Center (SEC or the Center) is a nonprofit organization whose mission is to work with the local community to identify and lead actions that achieve and sustain ecological health in Sonoma Valley by working to address challenges related to water supply and quality, open space, rural character, biodiversity, energy, climate change, and a better quality of life for all residents.

The Center's current programs include:

- **Research** to understand the condition of Sonoma Valley and the Sonoma Creek watershed, which informs projects and priorities for the ecological health of the region.
- **Education** to support sustainable practices and create future leadership for Sonoma Valley.
- **Restoration** to repair damage to waterways, natural habitats, and publicly accessible open spaces.
- **Preservation** to protect our natural heritage and public lands.
- **Data & Mapping (GIS) Services** using technology to manage and share environmental information for greater efficacy and impact.

In addition, SEC serves as fiscal sponsor and operator of Sugarloaf Ridge State Park, California's only community run and supported State Park. The Center also manages the 163-acre Van Hoosear Wildflower Preserve through a partnership with the landowner.

Major Funding

The Center receives support in the form of program service contracts with state and local government agencies, contributions from individuals and grants from foundations. In addition, fee revenue is generated from providing restoration services to organizations and individuals, and from park entrance and camping fees.

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 realizable, and expenses are recognized when they are incurred.

Cash

Cash includes deposits held in bank checking and money market accounts.

Contributions & Accounts Receivable

Contributions and accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Since all amounts are due within one year of the balance

Sonoma Ecology Center

Notes to Financial Statements December 31, 2022

sheet date, there is no present value discount reflected in these financial statements. An allowance for doubtful accounts has been recorded based on management's judgment.

Fair Value of Financial Instruments

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

Inventory

Merchandise inventory is recorded at the lower of cost or net realizable value.

Property & Equipment

The Center's fixed assets consist of leasehold facility and site improvements, vehicles, scientific equipment, and office furnishings and equipment. Items with an initial cost (or fair value if donated) of at least \$1,000 are capitalized, while items not meeting this threshold are expensed when placed into service. Capitalized items are depreciated over their estimated useful lives, which range from 3 to 7 years for most of the Center's assets.

Beneficial Interest in Assets Held by Marin Community Foundation

In 2015, two donors contributed to the Marin Community Foundation (the Foundation) for the purpose of establishing two funds to support the Van Hoosear Wildflower Preserve (the Preserve).

The *Van Hoosear Wildflower Preserve Expendable Fund of the Marin Community Foundation* is a designated beneficiary fund established to accept contributions and make grants to support the Preserve. As the current custodian of the Preserve, SEC may apply for such grants. However, such grants shall be made solely at the Foundation's discretion.

The *Van Hoosear Wildflower Preserve Endowment Fund of the Marin Community Foundation* is a designated beneficiary fund established to accept contributions and make an annual grant in accordance with the Foundation's spending rule to support the Preserve.

SEC treats these grants as revenue when awarded by the Foundation.

The Foundation shall have variance power to unilaterally modify any restriction or condition of these funds in the event such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the needs of the community served by the Foundation. Accordingly, these funds are considered assets of the Foundation and not recognized as assets of the Center in the financial statements.

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center 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.

Sonoma Ecology Center

Notes to Financial Statements December 31, 2022

Recognition of Support and Revenue

The Center recognizes support and revenue in accordance with the provisions of ASC 958 and ASC 606, respectively. Amounts received are generally considered contributed support recognizable under ASC 958 when the funding sources do not receive direct commensurate value in exchange for their payments (i.e., when funding from an institutional funding source is used to provide services that benefit the general public). Conversely, amounts received from a funding source to provide services directly to the resource provider are considered revenue from contracts with customers recognizable under ASC 606.

Contributions

Contributions are presented on the *statement of activities and changes in net assets* according to the various sources of the support. These include program service contracts with state and local government agencies, grants from foundations, and contributions from individuals and businesses. The Center recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. 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.

Conditional Contributions

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Center's program service contracts from government agencies are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2022, conditional contributions approximating \$2.8 million, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Contracts with Customers

Revenues from contracts with customers (as defined by FASB ASC 606) are presented under the *fees for restoration, education & related services, park entrance, camping & related fees, and sales of merchandise* captions of the *statement of activities and changes in net assets*. Such revenues are recognizable at the point when services or goods are provided to the customer.

Revenues from restoration services are typically earned on an hourly basis. Such revenues and the associated accounts receivable are recognized monthly as invoices are issued for work completed to date. Payments are typically collected within 30-45 days.

Deferred revenue represents cash amounts received from customers before the associated contract performance obligations have been satisfied. In addition, billable fees for land restoration and related services approximating \$211,000 have been excluded from current year revenue because the associated performance obligations have not been met (i.e., services have not yet been performed). Such revenues will be recognized when the underlying performance obligations are provided.

Functional Expenses

The Center presents its expenses by function and natural category. *Program services* include the direct conduct and direct supervision of specific program activities. *Fundraising* includes efforts

Sonoma Ecology Center

Notes to Financial Statements December 31, 2022

to solicit monetary and nonmonetary contributions. *Management & general* includes general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

When expenses pertain to a single function, they are charged directly and entirely to that function.

Salaries are charged to functions based on employees' underlying job duties. Other shared expenses are allocated proportionately based on each function's share of the Center's overall time and effort using a full-time equivalent staff time methodology.

Advertising

All advertising costs are expensed as incurred.

Occupancy

SEC occupies office space "rent-free" on the site of the former Sonoma Developmental Center in Eldridge. In exchange for the free rent, SEC provides land restoration and related services to the property. The estimated fair value of the rent, which was approximately \$18,024 for 2022, is reflected as fee revenue and occupancy expense in these financial statements. In addition, SEC is responsible for its share of utilities at the site, which are also reflected in the financial statements.

Income Taxes

As a public charity, the Center is exempt from income taxes under Internal Revenue Code Section 501(c)(3), except on activities unrelated to its mission. Since management believes that all of the Center's activities are directly related to its mission, no provision has been made for income tax expense. The Center's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2020 through 2022 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Center's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2019 through 2022 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

The financial statements for the year ended December 31, 2022, reflect the enactment of Accounting Standards Update No. 2016-02—*Leases* (Topic 842) (ASU 2016-02), which the Financial Accounting Standards Board issued in February 2016. The standard was originally set to be effective for nonpublic entities (including nonprofit organizations) for years ending December 31, 2019, and later, with early adoption permitted. The effective date for nonpublic entities was subsequently postponed to years ending December 31, 2022, and later, with early adoption permitted. ASU 2016-02 requires that organizations present operating leases and finance leases as assets and liabilities on the statement of financial position. Previously, organizations were required to present capital leases, but not operating leases, on their statement of financial position. The standard also requires certain quantitative and qualitative disclosures regarding an organization's leases.

Sonoma Ecology Center

Notes to Financial Statements December 31, 2022

Because SEC does not currently hold any material leases, the enactment of this pronouncement had no effect on the Center's financial statements.

Prior Year Totals

Prior year totals are presented for comparative purposes only. In addition, certain amounts from the 2021 financial statements have been reclassified to conform to the 2022 financial statement presentation. For a full presentation of 2021, please refer to the prior year financial statements.

3. Contributions & Accounts Receivable

Program service contracts (contributions receivable)	\$546,532
Fees for restoration & related services (accounts receivable)	221,061
Other	19,670
Less: allowance for bad debt	<u>(6,076)</u>
Total	\$781,187

4. Property & Equipment

Leasehold improvements	\$101,808
Vehicles	122,346
Scientific equipment	67,272
Office furnishings & equipment	<u>50,751</u>
Total property & equipment – at cost	342,177
Less: accumulated depreciation	<u>(188,220)</u>
Property & equipment – net book value	\$153,957

5. Net Assets with Donor Restrictions

The balance of net assets with donor restrictions at December 31, 2022, consists of unspent awards restricted to the following activities:

To develop a handbook of principles and practices for vegetation management in Sonoma County	\$106,700
Education	90,471
Sonoma Valley Collaboration	35,829
Sugarloaf Ridge State Park	34,722
Research	22,505
Sonoma Overlook Trail	10,945
Sonoma Garden Park	6,455
Other activities	<u>75,132</u>
Total	\$382,759

Sonoma Ecology Center

Notes to Financial Statements December 31, 2022

6. Lease

The Center rents a copier for \$531 per month under a 60-month lease expiring in April 2023. As of December 31, 2022, future minimum lease payments are \$2,124 for 2023.

7. Line of Credit

The Center has available a bank line of credit with a limit of \$300,000, none of which was drawn as of December 31, 2022. The line accrues interest on unpaid balances at an annual rate equal to the greater of 7.75% or the Prime Rate plus 2.25%. The line matures in August 2023.

8. Contingencies, Risks & Uncertainties

Funding Source Requirements

The Center receives contributions and 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 donor. It is management's opinion that all donor conditions have been met for grants and contributions that have either been recorded as unrestricted or for which donor restrictions have been released.

Cash Deposits in Excess of FDIC Insurance Limits

As of December 31, 2022, the Center held cash deposits of approximately \$376,000 in one bank, exceeding federal insurance limits by approximately \$126,000.

9. Management's Liquidity Disclosure

The Center has approximately \$800,982 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$402,554 and accounts and contributions receivable of \$781,187 which is expected to be collected within one year. Fiscal sponsor funds are not in the financial control of the Center and therefore cannot be used for general expenditures. Because restricted donor funds require resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities to its donors. The Center also has a line of credit of \$300,000 to meet liquidity needs during the year.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Cash & equivalents	\$402,554
Accounts & contributions receivable	<u>781,187</u>
Total financial assets at year-end	\$1,183,741
Less: funds unavailable for general expenditures within one year, due to:	
Fiscal project funds	(10,945)
Other net assets with donor restrictions	<u>(371,814)</u>
Financial assets available to meet operating needs	\$800,982

Sonoma Ecology Center

Notes to Financial Statements December 31, 2022

10. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 5, 2023, the date the financial statements were available to be issued.