

Sonoma Ecology Center

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2023

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Sonoma Ecology Center
Eldridge, California

Opinion

We have audited the financial statements of Sonoma Ecology Center ("SEC" or "the Organization"), which comprise the statement of financial position as of December 31, 2023, and 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SEC as of December 31, 2023, the changes in its net assets, its functional expenses, 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 (GAAS). 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.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allocation of Expenses to Functional Groupings in the Financial Statements

We believe that the allocation of natural expense categories to functional groupings (i.e., *program services, management & general, and fundraising*) is a key audit matter. This area of accounting is discussed in Note 2 of the financial statements.

This area is considered a key audit matter because certain charity rating services and some institutional funding sources may evaluate nonprofit organizations according to the overall proportion of expenses allocated to program services. Furthermore, because the expense allocations are based on year-end time-and-effort estimates rather than factual data (e.g., timesheets), they require the Organization's management and accounting personnel to exercise significant judgment.

This matter was addressed during the current audit through analysis of the design and execution of the Organization's cost allocation methodology. We assessed the methodology's consistency with GAAP, reviewed the underlying employee time-and-effort estimates for reasonableness and consistency with job titles, and verified through reperformance certain allocation calculations as part of forming our opinion on the financial statements as a whole.

Recognition and Classification of Revenue and Support in the Financial Statements

We believe that the recognition and classification of revenue and support, which is discussed in Note 2 of the accompanying financial statements, is a key audit matter. Provisions of this area of accounting require the Organization to record contributions and revenues to the financial statements for the correct year. They also require categorizing revenue and support to the appropriate category based on its reciprocal or nonreciprocal nature as well as the absence or existence of donor restrictions and/or conditions. In addition, this area requires that the Organization reliably determine when performance obligations to customers are satisfied, when donor conditions are met, and when restricted amounts should be released from restriction. This area of accounting also requires the Organization to exercise significant judgment in its application of accounting standards, which have undergone changes recently.

This matter is considered a key audit matter because the Organization has multiple funding streams, and the recognition and classification of revenue from these funding streams has an effect on various aspects of the Organization's financial statements, including its changes in net assets, total current assets, and composition amongst *net assets without donor restrictions* and *net assets with donor restrictions*.

This matter was addressed in the current audit through the examination of documentary evidence that supports the recognition and classification of contributed support and contracts with customers. These procedures were instrumental in forming our opinion on the financial statements as a whole.

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, and have communicated, 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.

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Independent Auditor's Report
February 19, 2025
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Report on Summarized Comparative Information

We have previously audited Sonoma Ecology Center's 2022 financial statements and we expressed unmodified audit opinion on those financial statements in our report dated August 14, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Cook & Company".

A Professional Accountancy Corporation
San Francisco, California
February 19, 2025

Sonoma Ecology Center

Statement of Financial Position

December 31, 2023

with Comparative Totals for December 31, 2022

	<u>12/31/2023</u>	<u>12/31/2022</u> (Note 2)
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 999,525	\$ 402,554
Contributions receivable (Note 3)	596,106	546,532
Accounts receivable (Note 4)	217,594	234,655
Inventory	17,416	15,967
Total current assets	<u>1,830,641</u>	<u>1,199,708</u>
Deposits	20,560	15,000
Right-of-use assets	310,356	-
Property and equipment, net (Note 5)	<u>194,823</u>	<u>153,957</u>
TOTAL ASSETS	<u><u>\$ 2,356,380</u></u>	<u><u>\$ 1,368,665</u></u>
LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts payable & accrued expenses	\$ 391,976	\$ 274,058
Accrued payroll	35,795	-
Accrued vacation pay	67,682	50,819
Operating lease liabilities, current (Note 6)	59,298	-
Deferred revenue	-	2,804
Conditional grant advances	524,293	9,783
Total current liabilities	<u>1,079,044</u>	<u>337,464</u>
Operating lease liabilities, long-term (Note 6)	<u>259,058</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,338,102</u>	<u>337,464</u>
Net Assets		
Without donor restrictions	514,363	648,442
With donor restrictions (Note 7)	<u>503,915</u>	<u>382,759</u>
TOTAL NET ASSETS	<u>1,018,278</u>	<u>1,031,201</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 2,356,380</u></u>	<u><u>\$ 1,368,665</u></u>

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

Sonoma Ecology Center

Statement of Activities & Changes in Net Assets for the Year Ended December 31, 2023 with Comparative Totals for the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total (Note 2)
SUPPORT & REVENUE				
Support				
Program service contracts	\$ 1,180,211	\$ -	\$ 1,180,211	\$ 1,185,394
Contributions	398,485	5,438	403,923	481,817
Grants	-	575,707	575,707	469,722
Net assets released from restriction	462,256	(462,256)	-	-
Total support	2,040,952	118,889	2,159,841	2,136,933
Revenue				
Fees for restoration, education & related services	397,071	-	397,071	617,277
Park entrance, camping & related fees	654,383	-	654,383	649,430
Sales of merchandise	122,307	2,267	124,574	118,342
Cost of goods sold	(56,213)	-	(56,213)	(54,163)
Legal settlement (Note 8)	233,780	-	233,780	-
Other income	29,122	-	29,122	41,652
Total revenue	1,380,450	2,267	1,382,717	1,372,538
TOTAL SUPPORT & REVENUE	3,421,402	121,156	3,542,558	3,509,471
EXPENSES				
Program services	2,752,447	-	2,752,447	2,561,227
Management and general	454,857	-	454,857	558,553
Fundraising	348,177	-	348,177	308,850
TOTAL EXPENSES	3,555,481	-	3,555,481	3,428,630
CHANGE IN NET ASSETS	(134,079)	121,156	(12,923)	80,841
NET ASSETS, Beginning of Year	648,442	382,759	1,031,201	950,360
NET ASSETS, End of Year	\$ 514,363	\$ 503,915	\$ 1,018,278	\$ 1,031,201

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

Sonoma Ecology Center

Statement of Functional Expenses for the Year Ended December 31, 2023 with Comparative Totals for the year ended December 31, 2022

	Program Services	Management and General	Fundraising	2023 Total	2022 Total (Note 2)
Salaries	\$ 1,407,459	\$ 256,982	\$ 244,672	\$ 1,909,113	\$ 1,740,311
Payroll taxes	114,122	20,665	19,675	154,462	144,683
Employee benefits	149,964	28,889	23,526	202,379	172,705
Subcontractors	541,159	-	-	541,159	466,714
Outside services	38,833	78,483	-	117,316	196,009
Advertising	7,702	-	13,063	20,765	22,803
Telephone & internet	26,256	5,075	4,832	36,163	40,695
Office expenses	12,132	383	365	12,880	9,848
Information technology	4,303	21,914	518	26,735	21,184
Rent	37,529	9,278	8,834	55,641	18,025
Other occupancy costs	58,273	5,419	5,160	68,852	69,440
Repairs & maintenance	37,612	4,985	855	43,452	74,699
Materials & supplies	124,871	1,198	1,141	127,210	232,957
Travel	43,674	492	159	44,325	48,056
Meetings & conferences	6,598	3,283	7,028	16,909	9,246
Depreciation expense	32,133	5,738	5,463	43,334	22,187
Insurance	36,977	4,607	4,386	45,970	37,731
Other expenses	72,850	7,466	8,500	88,816	101,337
Total Expenses	\$ 2,752,447	\$ 454,857	\$ 348,177	\$ 3,555,481	\$ 3,428,630

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

Sonoma Ecology Center

Statement of Cash Flows for the Year Ended December 31, 2023 with Comparative Totals for the year ended December 31, 2022

	2023	2022 (Note 2)
Cash flows from operating activities:		
Cash received from contributors and customers	\$ 3,815,062	\$ 3,162,971
Cash received from other sources	262,902	41,652
Cash generated from operating activities	4,077,964	3,204,623
Cash paid to, or for the benefit of, employees	(2,213,296)	(2,069,566)
Cash paid to contractors and suppliers	(1,174,808)	(1,271,292)
Cash disbursed for operating activities	(3,388,104)	(3,340,858)
Net cash flows generated/(used) from operating activities	689,860	(136,235)
Cash flows from investing activities:		
Purchases of fixed assets	(92,889)	(72,432)
Net cash flows from investing activities	(92,889)	(72,432)
NET INCREASE IN CASH	596,971	(208,667)
CASH & CASH EQUIVALENTS, beginning of year	402,554	611,221
CASH & CASH EQUIVALENTS, end of year	\$ 999,525	\$ 402,554

Supplemental information:

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

Change in net assets	\$ (12,923)	\$ 80,841
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation expense	43,334	22,187
Other reconciliation items	3,129	-
Changes in assets and liabilities:		
Contributions receivable	(49,574)	(266,783)
Accounts receivable	17,061	(94,825)
Inventory	(1,449)	(2,363)
Operating lease assets and liabilities	8,000	-
Accounts payable	117,918	133,978
Accrued payroll	35,795	-
Accrued vacation	16,863	(11,867)
Deferred revenue	(2,804)	(7,186)
Conditional grant advance	514,510	9,783
Net cash flows generated from operating activities	\$ 689,860	\$ (136,235)

Supplemental cash flow information related to leases:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ (43,909)	\$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 354,070	\$ -

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

Sonoma Ecology Center

Notes to Financial Statements December 31, 2023

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 Equivalents

Cash includes deposits held in bank checking accounts, as well as money market funds held with an investment brokerage firm.

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, 2023

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 consisting of books, gifts, toys, and snacks, souvenir clothing, camping supplies, sundries, and related items, is recorded at the lower of estimated net realizable value or cost in accordance with first-in first-out (FIFO) accounting.

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.

Leases

Leases with an initial term of at least 12 months are capitalized as a right-of-use asset with a corresponding lease liability in accordance with FASB ASC 842. Currently, the Center holds two operating leases for its Sonoma office and copier, and these leases are reflected on the Center's statement of financial position as an asset and a liability. The Center does not hold any "finance leases" as defined by ASC 842.

The Center has elected the practical expedient of using risk-free discount rates to discount future cash flows of its leases. Accordingly, the future lease payments have been discounted to present value using an annual rate of 3.71% and 3.46% for the office and copier leases, respectively.

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.

Sonoma Ecology Center

Notes to Financial Statements December 31, 2023

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.

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 other 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 an irrevocable 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, 2023, conditional contributions approximating \$5.7 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.

Sonoma Ecology Center

Notes to Financial Statements December 31, 2023

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 to 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 \$223,000 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 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 management's estimate of staff time and effort. The Center's shared expenses are allocated based on each function's proportionate share of the salaries expense.

Advertising

All advertising costs are expensed as incurred.

Barter 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 \$7,641 for 2023, 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 2021 through 2023 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 2020 through 2023 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.

Sonoma Ecology Center

Notes to Financial Statements December 31, 2023

Recent Accounting Pronouncements

These financial statements reflect the adoption of the following recent accounting pronouncements.

Leases

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02—*Leases* (Topic 842) (ASU 2016-02) 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.

In implementing this standard, the Center has elected the package of implementation practical expedients to 1) not reassess whether any expired or existing contracts are or contain leases, 2) not reassess the lease classification (i.e., operating or finance) for any expired or existing leases, and 3) not reassess initial direct costs for any existing leases. As a result, the Center will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize as a right-of-use asset and a lease liability all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The Center has also elected the practical expedients available under ASC 842 to exclude leases with a term of 12 months or less from the statement of financial position, and to use a risk-free rate of return in discounting future lease payments to present value.

Contributed Nonfinancial Assets

FASB issued Accounting Standards Update No. 2020-07—*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07) in September 2020. The standard, which is effective for years ending June 30, 2022, and later, was designed to enhance transparency regarding the recognition and disclosure of contributed nonfinancial assets (i.e., in-kind support). Under ASU 2020-07, nonprofit organizations are required to report in-kind contributions as a separate line item on the *statement of activities and changes in net assets*, provide a disaggregation of the amount of in-kind contributions recognized, and disclose qualitative information about how the contributions were used or whether they were sold. If applicable, organizations are also required to disclose if they have a policy on monetizing rather than using in-kind contributions. In addition, nonprofits are required to disclose any donor-imposed restrictions on in-kind contributions. Lastly, organizations are required to describe the valuation techniques used in determining the fair value of in-kind contributions. Since SEC does not typically receive in-kind support, this pronouncement did not have a significant impact on the Center's financial statements.

Sonoma Ecology Center

Notes to Financial Statements December 31, 2023

Contracts with Customers

FASB issued Accounting Standards Update No. 2014-09— *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) in May 2014 with an effective date for nonpublic entities in calendar years ending in 2020 and beyond. This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Contributions

Accounting Standards Update No. 2018-08—*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08) was enacted in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations. This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. This pronouncement was effective for calendar years ending in 2019 and beyond.

Comparative Data

The financial statement information for the year ended December 31, 2022, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statement for that fiscal year. Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 financial statement presentation.

3. Contributions Receivable

Program service contracts (contributions receivable)	\$566,106
Grants	<u>30,000</u>
Total	\$596,106

4. Accounts Receivable

Fees for restoration & related services (accounts receivable)	\$205,126
Other	18,544
Less: allowance for bad debt	<u>(6,076)</u>
Total	\$217,594

Sonoma Ecology Center

Notes to Financial Statements December 31, 2023

5. Property & Equipment

Leasehold improvements	\$139,455
Vehicles	126,772
Office furnishings & equipment	85,193
Scientific equipment	<u>69,643</u>
Total property & equipment – at cost	421,063
Less: accumulated depreciation	<u>(226,240)</u>
Property & equipment – net book value	\$194,823

6. Operating Lease Liability

Leases presented on the statement of financial position include two operating leases: a Sonoma office and a copier.

The office lease commenced in May 2023 and has an April 2028 expiration date. The lease agreement established an initial monthly rent of \$5,000 with a \$500 increase in each year.

The copier is leased under a five-year agreement expiring in April 2028. Monthly rent in effect as of December 31, 2023, was \$489.

The total cost for the two leases for the year ended December 31, 2023, was \$51,909. The weighted-average remaining lease term is 52 months and the weighted-average discount rate is 3.69%.

Future maturities of lease liabilities are as follows:

Fiscal year ending December 31:

2024	\$69,864
2025	75,864
2026	81,864
2027	87,864
2028	<u>29,954</u>
Total lease payments	345,410
Less: Unamortized discount	<u>(27,054)</u>
Total lease liabilities	318,356
Less: amount presented as current	<u>(59,298)</u>
Total long-term lease liabilities	\$259,058

Sonoma Ecology Center

Notes to Financial Statements December 31, 2023

7. Net Assets with Donor Restrictions

The balance of net assets with donor restrictions at December 31, 2023, consists of unspent awards restricted to the following activities:

Vegetation management	\$150,595
Environmental education	127,786
General support through 2024	60,000
Sonoma Overlook Trail	42,132
To develop a handbook of principles and practices for vegetation management in Sonoma County	32,000
To maintain Van Hoosear Wildflower Preserve	31,114
Sonoma Garden Park	23,083
Sonoma Valley Collaboration	13,160
Other activities	<u>24,045</u>
Total	\$503,915

8. Legal Settlement

In 2017, Sugarloaf Ridge State Park, which is managed by Sonoma Ecology Center, was significantly damaged during the North Bay wildfires. Fire attributable to faulty utility equipment destroyed much of the park's infrastructure, including trails, bridges, and buildings.

SEC filed a claim with the Fire Victim Trust, which was established in 2020 from the bankruptcy of Pacific Gas & Electric Company to offer a claim review process to compensate victims of these and other wildfires.

In 2023, after a period of significant uncertainty regarding the compensation amount, the Organization received a final determination approving a claim amount of \$549,699, reduced to a 60% Pro Rata Distribution totaling \$329,819. After deducting \$65,964 in attorney fees and \$30,075 in case expenses, SEC's net allocation was \$233,780.

9. 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, 2023. The line accrues interest on unpaid balances at an annual rate equal to the greater of 10.75% or the Prime Rate plus 2.25%. The line specifies a maturity date of August 2024.

10. Related Party Transactions

During 2023, SEC compensated its board chair approximately \$5,000 for program consulting services.

Additionally, two board members each received travel stipends of \$300 each.

Sonoma Ecology Center

Notes to Financial Statements December 31, 2023

11. 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 requirements 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, 2023, the Center held cash deposits of approximately \$1 million in one bank, exceeding federal insurance limits by approximately \$750,000.

12. Management's Liquidity Disclosure

The Center has approximately \$1,369,310 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures (net of donor-restricted funds of \$443,915) consisting of cash of \$999,525 and accounts and contributions receivable of \$813,700 which are expected to be collected within one year. 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	\$999,525
Contributions receivable	596,106
Accounts receivable	<u>217,594</u>
Total financial assets at year-end	\$1,813,225
Less: funds unavailable for general expenditures within one year, due to donor restrictions	<u>(443,915)*</u>
Financial assets available to meet operating needs	\$1,369,310

*The amount presented as unavailable due to donor restrictions does not include \$60,000 in amounts that are time-restricted but not purpose-restricted since these are amounts are deemed available for general activities.

13. Subsequent Events – Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 19, 2025, the date the financial statements were available to be issued.