SAVE THE BAY

SAVE THE BAY
ACTION FUND

# Combined
# Financial Statements

**For the years ended**
**September 30, 2019 and 2018**

With Independent Auditors' Report Thereon

(California Not-for-Profit Corporations)

## About Us

Save The Bay protects and restores San Francisco Bay for people and wildlife. For 60 years, we've been the voice of the Bay, mobilizing the region to make the bay cleaner, healthier, and accessible for everyone to enjoy. Save The Bay Action Fund helps residents advocate and vote for initiatives to make the Bay Area sustainable for future generations.

## History

For more than half a century, Save The Bay has mobilized Bay Area residents to protect our region's greatest natural treasure, improving our environment, quality of life and economy. In 1961, San Francisco Bay was choked with sewage and industrial pollution, ringed with garbage dumps, and the public could only access six miles of its shoreline was accessible to the public. Filling and diking of the shallow Bay had destroyed 90 percent of its wetlands and shrunk its size by one-third, and every city had plans to grow by filling in more of the Bay.

Three courageous women founded Save The Bay to halt the destruction, and engaged thousands of people to force a moratorium on filling. Our movement won new state and federal laws to protect the Bay, control shoreline development, clean up pollution and increase public access. With many partners, we increased wetlands habitat for endangered wildlife and created a necklace of shoreline parks linked by hundreds of miles of Bay Trail. We've educated tens of thousands of Bay Area students to understand the Bay and participate in its stewardship.

Save The Bay Action Fund was created in 2014 and has helped voters to pass billions of dollars of investment in restored wetlands, improved transit and affordable housing.

Now, as climate change and pollution threaten the Bay, we're shaping the region's development to create Bay Smart Communities, where nature grows and people thrive. We're leading efforts to make the Bay Area resilient to floods, drought, sea level rise and other climate impacts, so the region is sustainable for future generations. And we engage thousands of volunteers every year to replant the Bay shoreline with critical habitat for fish and wildlife.

## Management's Discussion and Analysis of Financial Information

Save The Bay experienced an unanticipated decline in total support and revenue of $530,671 in fiscal 2019. This was largely attributable to three family foundations that chose not to renew annual support during the fiscal year. Each of these foundations attributed their decision to internal factors, not to any dissatisfaction with Save The Bay's program or performance.

Save The Bay's conservative fiscal planning has created significant reserves to cushion operations from unanticipated fluctuations in fundraising. As a result, the organization was able to continue to pursue its programmatic work throughout the year. Nonetheless, in order to mitigate this decline in revenue, management took actions to reduce expenditures including reducing some staff positions along with other expenses. The result was a net deficit of $496,727 for the fiscal year.

While this one-year deficit was significant, Save The Bay retained net assets of more than $1.7 million at the close of fiscal 2019. These reserves are equivalent to six months of operating expenses without additional income, providing the organization with continued flexibility going forward.

(California Not-for-Profit Corporations)

## Additional Background Information

### Save the Bay Board of Directors

| Name | Office |
|---|---|
| Christopher Hockett | Chair |
| Lynda Sullivan | Vice Chair for Governance |
| Andy Williams | Vice Chair for Internal Affairs |
| Ron Gonzales | Vice Chair for External Affairs |
| Nancy Fee | Director |
| Donnie Fowler | Director |
| Dean Meniktas | Director |
| Jay Pierrepont | Director |
| Juliana Park | Director |
| Kathy Tsay | Director |
| Lauren Swezey | Director |
| Rhiannon Bailard | Director |
| Samuel Luoma | Director |
| Suresh Raman | Director |

**Executive Director**
David Lewis
**Chief Financial Officer**
Robin Erickson

### Save the Bay Action Fund Board of Directors

| Name | Office |
|---|---|
| Don Weden | Chair |
| David Lewis | Secretary, Treasurer |
| Donnie Fowler | Director |
| Felicia Madsen | Director |
| Paul Peters | Director |

(California Not-for-Profit Corporations)

# CONTENTS




**Save The Bay Office**
300 Frank Ogawa Plaza, Suite 280
Oakland, California 94612
(510)463-6850, AAX (510)463-6851
Email: info@saveSFbay.org
Web Site Address: www.savesfbay.org

R&A CPA
Regalia& Associates
OFFICE: 925.314.0390
WEB: WWW.MRCPA.COM

CERTIFIED PUBLIC ACCOUNTANTS
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526

DOUGLAS REGALIA, CPA
LISA PARKER, CPA [inactive]
JEANNINE REGALIA, CPA
LISA CLOVEN, CPA
JENNY SO, CPA
JENNIFER JENSEN
ANITA EVANS

DANA CHAVARRIA, CPA
TRICIA WILSON
VALERIE REGALIA, CPA
WENDY THOMAS, CPA
SUSAN REGALIA, CPA
RACHEL BERGER, CPA
ROELEEN JOOSTE, CPA

# INDEPENDENT AUDITORS' REPORT

**The Board of Directors**
**Save The Bay and Save The Bay Action Fund**

We have audited the accompanying combined financial statements of Save The Bay and Save The Bay Action Fund (separate nonprofit organizations) which comprise the combined statement of financial position as of September 30, 2019 and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the combined financial statements.

***Management's Responsibility for the Combined Financial Statements***
Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Save The Bay and Save The Bay Action Fund as of September 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.

***Other Matters***
We have previously audited Save The Bay and Save The Bay Action Fund's September 30, 2018 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated January 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Regalia & Associates

*Danville, California*
*February 5, 2020*

## Combined Statements of Financial Position
### September 30, 2019 and 2018

### ASSETS

| | 2019 | 2018 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 417,783 | $ 790,841 |
| Investments | 797,692 | 695,624 |
| Contracts receivable | 164,334 | 165,600 |
| Grants receivable | 19,408 | 659,146 |
| Accounts and donations receivable | 476,514 | 21,514 |
| Prepaid expenses and other assets | 24,922 | 27,368 |
| Total current assets | 1,900,653 | 2,360,093 |
| Noncurrent assets: | | |
| Deposits | 51,039 | 18,874 |
| Right of use asset: premises | 1,324,027 | - |
| Property and equipment, net | 96,570 | 71,039 |
| Total noncurrent assets | 1,471,636 | 89,913 |
| Total assets | $ 3,372,289 | $ 2,450,006 |

### LIABILITIES AND NET ASSETS

| | 2019 | 2018 |
|---|---|---|
| Current liabilities: | | |
| Accounts payable | $ 48,787 | $ 78,977 |
| Refundable advance | 88,550 | - |
| Accrued payroll liabilities | 165,544 | 128,921 |
| Operating lease payable - current portion | 96,680 | - |
| Total current liabilities | 399,561 | 207,898 |
| Noncurrent liabilities: | | |
| Operating lease payable - noncurrent portion | 1,227,347 | - |
| Total liabilities | 1,626,908 | 207,898 |
| Net assets: | | |
| Without donor restrictions | 1,274,940 | 1,830,636 |
| With donor restrictions | 470,441 | 411,472 |
| Total net assets | 1,745,381 | 2,242,108 |
| Total liabilities and net assets | $ 3,372,289 | $ 2,450,006 |

## Combined Statement of Activities and Changes in Net Assets
### Year Ended September 30, 2019
*(With Comparative Totals for the Year Ended September 30, 2018)*

| | Net Assets | | | |
|---|---|---|---|---|
| *Changes in net assets:* | Without Donor Restrictions | With Donor Restrictions | 2019 Total | 2018 Total |
| Support: | | | | |
| Government | $ 394,053 | $ - | **$ 394,053** | $ 189,572 |
| Foundation and corporate | 202,523 | 805,000 | **1,007,523** | 1,450,249 |
| Membership and individual | 1,042,112 | 5,000 | **1,047,112** | 1,348,951 |
| Bequests and memorials | 298,818 | - | **298,818** | 237,107 |
| In-kind contributions | 124,804 | - | **124,804** | 128,528 |
| Net assets released from restriction | 761,361 | (761,361) | **-** | - |
| Total support | 2,823,671 | 48,639 | **2,872,310** | 3,354,407 |
| Revenue: | | | | |
| Rental income | - | - | **-** | 42,000 |
| Events | 97,670 | 10,330 | **108,000** | 123,400 |
| Investment income | 20,137 | - | **20,137** | 14,693 |
| Unrealized investment gains (losses) | 2,483 | - | **2,483** | (1,979) |
| Other | (108) | - | **(108)** | 972 |
| Total revenue | 120,182 | 10,330 | **130,512** | 179,086 |
| Total support and revenue | 2,943,853 | 58,969 | **3,002,822** | 3,533,493 |
| Expenses: | | | | |
| Program | 1,987,603 | - | **1,987,603** | 2,223,049 |
| Management and general | 805,597 | - | **805,597** | 632,266 |
| Fundraising | 706,349 | - | **706,349** | 712,460 |
| Total expenses | 3,499,549 | - | **3,499,549** | 3,567,775 |
| Increase (decrease) in net assets | (555,696) | 58,969 | **(496,727)** | (34,282) |
| Net assets at beginning of year | 1,830,636 | 411,472 | **2,242,108** | 2,276,390 |
| Net assets at end of year | **$ 1,274,940** | **$ 470,441** | **$ 1,745,381** | $ 2,242,108 |

## Combined Statements of Cash Flows
## Years Ended September 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| *Operating activities:* | | | | |
| Decrease in net assets | **$** | **(496,727)** | $ | (34,282) |
| Adjustments to reconcile to cash (used for) operating activities: | | | | |
| Depreciation | | **14,003** | | 6,932 |
| Unrealized investment losses (gains) | | **(2,483)** | | 1,979 |
| Changes in: | | | | |
| Contracts receivable | | **1,266** | | (135,380) |
| Grants receivable | | **639,738** | | 157,894 |
| Accounts receivable | | **(455,000)** | | (3,515) |
| Prepaid expenses and other assets | | **2,446** | | (3,742) |
| Deposits | | **(32,165)** | | (2,000) |
| Accounts payable and accrued expenses | | **(30,190)** | | (9,957) |
| Accrued payroll liabilities | | **36,623** | | 146 |
| Refundable advance | | **88,550** | | - |
| Cash used for operating activities | | **(233,939)** | | (21,925) |
| *Investing activities:* | | | | |
| Acquisition of property and equipment | | **(39,534)** | | - |
| Proceeds from (purchases and reinvestment of) investments | | **42,920** | | (2,199) |
| Net (increase) decrease in certificates of deposit | | **(142,505)** | | 345,963 |
| Cash (used for) provided by investing activities | | **(139,119)** | | 343,764 |
| Increase (decrease) in cash and cash equivalents | | **(373,058)** | | 321,839 |
| Cash and cash equivalents at beginning of year | | **790,841** | | 469,002 |
| Cash and cash equivalents at end of year | **$** | **417,783** | $ | 790,841 |
| *Additional cash flow information:* | | | | |
| Taxes paid to Registry of Charitable Trusts | **$** | **150** | $ | 150 |
| Interest paid | **$** | **-** | $ | - |

## Combined Statement of Functional Expenses
### Year Ended September 30, 2019
*(With Comparative Totals for the Year Ended September 30, 2018)*

| | Program Services | | | | Supporting Services | | Totals | Totals |
|---|---|---|---|---|---|---|---|---|
| | Restore Bay Habitat | Bay Smart Communities | Education and Outreach | Total Program | Management and General | Fundraising | Sept 30 2019 | Sept 30 2018 |
| Salaries | $ 514,437 | $ 222,207 | $ 364,376 | $ 1,101,020 | $ 386,808 | $ 315,095 | **$ 1,802,923** | $ 1,801,766 |
| Payroll taxes | 41,074 | 17,375 | 28,751 | 87,200 | 30,565 | 25,061 | **142,826** | 145,028 |
| Other employee benefits | 53,766 | 23,748 | 38,167 | 115,681 | 40,624 | 32,895 | **189,200** | 164,908 |
| Total salaries and related expenses | 609,277 | 263,330 | 431,294 | 1,303,901 | 457,997 | 373,051 | **2,134,949** | 2,111,702 |
| Grants | 5,000 | 1,350 | - | 6,350 | - | - | **6,350** | 26,000 |
| Professional services- legal | - | - | - | - | 6,155 | - | **6,155** | 31,883 |
| Professional services- accounting | - | - | - | - | 44,579 | - | **44,579** | 40,321 |
| Professional services- fundraising | - | 650 | 13,899 | 14,549 | - | 92,397 | **106,946** | - |
| Professional services- other | 79,922 | 26,514 | 68,768 | 175,204 | 27,888 | 15,391 | **218,483** | 428,230 |
| Advertising and promotion | 500 | - | 22,925 | 23,425 | - | 309 | **23,734** | 67,063 |
| Supplies | 60,063 | 1,436 | 2,839 | 64,338 | 2,493 | 2,253 | **69,084** | 77,106 |
| Telephone | 1,714 | 462 | 692 | 2,868 | 738 | 603 | **4,209** | 4,088 |
| Postage | 459 | 7,410 | 361 | 8,230 | 364 | 8,123 | **16,717** | 24,763 |
| Equipment rental/maintenance | 2,685 | 1,156 | 1,884 | 5,725 | 2,007 | 1,640 | **9,372** | 9,976 |
| Bank fees | 98 | 42 | 68 | 208 | 15,010 | 1,542 | **16,760** | 17,846 |
| Occupancy | 90,553 | 38,977 | 63,512 | 193,042 | 67,686 | 55,305 | **316,033** | 252,317 |
| Printing and publications | 8,125 | 162 | 1,886 | 10,173 | - | 95,530 | **105,703** | 127,257 |
| Information technology | 28,130 | 12,055 | 23,593 | 63,778 | 20,934 | 28,745 | **113,457** | 112,957 |
| Travel and meals | 41,386 | 2,800 | 3,397 | 47,583 | 356 | 805 | **48,744** | 47,618 |
| Conferences and meetings | (942) | 2,318 | 310 | 1,686 | 3,959 | 1,067 | **6,712** | 3,420 |
| Depreciation | 13,208 | 137 | 224 | 13,569 | 239 | 195 | **14,003** | 6,932 |
| Insurance | 9,133 | 1,040 | 1,694 | 11,867 | 10,210 | 1,476 | **23,553** | 20,211 |
| Dues, licenses, service fees | 14,243 | 5,271 | 4,304 | 23,818 | 11,538 | 5,503 | **40,859** | 26,283 |
| In-kind professional services | - | - | - | - | 121,179 | - | **121,179** | 57,703 |
| Miscellaneous expense | 8,623 | 1,668 | 6,998 | 17,289 | 12,265 | 22,414 | **51,968** | 74,099 |
| | **$ 972,177** | **$ 366,778** | **$ 648,648** | **$ 1,987,603** | **$ 805,597** | **$ 706,349** | **$ 3,499,549** | $ 3,567,775 |

Notes to Financial Statements
September 30, 2019 and 2018

## 1. Organization

Save the Bay is a California nonprofit public benefit corporation founded in 1961 to preserve, restore, and protect the San Francisco Bay and Sacramento/San Joaquin River Delta Estuary as a healthy and biologically diverse ecosystem that is valued as essential to the well-being of the human community it sustains. The combined financial statements include the combined financial information of Save the Bay and Save the Bay Action Fund (collectively "STB"), a related 501(c)(4) nonprofit organization created in May 2014.

Program services of STB include restoring bay habitat, creating bay smart communities, and public education and outreach. STB's office is located in Oakland California and its primary sources of income are public and private grants and contributions.

## 2. Summary of Significant Accounting Policies

**Basis of Accounting** – The combined financial statements of STB have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

**Measure of Operations** – The combined statements of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to STB's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

**Cash and Cash Equivalents** – STB's cash consists of cash on deposit with banks. Cash equivalents represent savings, cash deposits and money market accounts with maturity dates of three months or less from the date of inception.

**Concentrations of Credit Risk** – Financial instruments that potentially subject STB to concentrations of credit risk consist principally of cash and cash equivalents and deposits. STB maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. STB manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, STB has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of STB's mission.

**Receivables and Credit Policies** – STB determined that no allowance for doubtful uncollectible accounts receivable is needed based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the policy of the organization to periodically assess receivables to determine proper carrying value.

*(continued)*

## 2. Summary of Significant Accounting Policies (*continued*)

**Grants, Contracts, Accounts and Donations Receivable** – STB records grants, contracts, accounts and donations receivable which are expected to be collected within one year at net realizable value. When material, receivables expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue on the combined statement of activities and changes in net assets. The allowance for uncollectible receivables is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible.

**Investments** – STB follows the provisions of *ASC 958.320, Not-for-Profit Entities — Investments — Debt and Equity Securities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that STB could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of September 30, 2019 and 2018. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented, especially in light of the impact on financial markets as a result of COVID-19 (see Note 16 Subsequent Events).

Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the combined statement of activities and changes in net assets. In accordance with ASC 958.320, the recorded amounts of all investments are adjusted annually to reflect current market values.

**Property and Equipment** - Property and equipment purchased by STB are stated at cost or, if donated, at estimated fair value as of the date of the gift. The costs of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated over the estimated useful lives of the assets (between 3 and 35 years) utilizing the straight-line method.

**Functional Expenses** - The costs of providing program and other activities have been summarized on a functional basis in the combined statement of activities and changes in net assets. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, rent and utilities, insurance, and other overhead) have been allocated based on time and effort using STB's payroll allocations. Other expenses (such as professional services and other direct costs) have been allocated in accordance with the specific services received from vendors.

*(continued)*

**2. Summary of Significant Accounting Policies** (*continued*)

**Fair Value Measurements** – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). STB groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1
Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2
Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3
Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

**Revenue and Revenue Recognition** - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

*(continued)*

## 2. Summary of Significant Accounting Policies (*continued*)

**Estimates** - The preparation of combined financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Income Taxes** – STB is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. STB has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. STB has determined that there are no material uncertain tax positions that require recognition or disclosure in the combined financial statements.

STB Fund has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

**Net Assets** - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

<u>Net Assets Without Donor Restrictions</u>
Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, and it has opted not to do so as of September 30, 2019.

<u>Net Assets With Donor Restrictions</u>
Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Comparative Financial Information** - The accompanying combined financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited combined financial statements for the year ended September 30, 2018, from which the summarized information was derived.

**2. Summary of Significant Accounting Policies** (*continued*)

**Donated Services and In-Kind Contributions** – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying combined statement of activities and changes in net assets and the combined statement of functional expenses.

**Reclassifications** – Certain reclassifications of amounts previously reported have been made to the accompanying combined financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Recent and Relevant Accounting Pronouncements** – The following pronouncements became effective for fiscal years beginning subsequent to December 15, 2017:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Combined Financial Statements of Not-for-Profit Entities*. The 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. STB has adjusted the presentation of these combined statements accordingly.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01*, *ASU No. 2018-10*, and *ASU No. 2018-11*. This new pronouncement is effective for fiscal years beginning after December 15, 2020, but STB has elected early implementation.

The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the combined statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the combined statement of activities and changes in net assets.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Combined Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the combined financial statements are issued (or within one year after the date that the combined financial statements are available to be issued, when applicable).

As of February 5, 2020 (the date of the Independent Auditors' Report), STB management has made this evaluation and has determined that STB has the ability to continue as a going concern.

## 2. Summary of Significant Accounting Policies *(continued)*

### Recent and Relevant Accounting Pronouncements *(continued)*

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, the Organization has incorporated these clarifying standards within the audited combined financial statements.

## 3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at September 30:

| | 2019 | 2018 |
|---|---|---|
| Checking and other noninterest-bearing accounts | **$ 62,851** | $ 535,605 |
| Savings accounts (bearing interest rates ranging from 0.3% to 0.4%) | **354,932** | 255,236 |
| Total cash and cash equivalents | **$ 417,783** | $ 790,841 |

Cash and cash equivalents include all funds in banks (checking, savings and money market) with maturity dates of three months or less. From time to time, certain deposits may exceed balances insured by the Federal Deposit Insurance Corporation. Management attempts to limit its risk and exposure by only using highly rated financial institutions.

## 4. Receivables

Receivables consist of the following at September 30:

| | 2019 | 2018 |
|---|---|---|
| Contracts receivable | **$ 164,334** | $ 165,600 |
| Grants receivable | **19,408** | 659,146 |
| Donations receivable | **476,514** | 21,514 |
| Total receivables | **$ 660,256** | $ 846,260 |

Receivables represent amounts due from various sources, including foundations, federal and state agencies, individuals, and others. Receivables are stated at net realizable value. STB uses the direct write-off method with regards to receivables deemed uncollectible. Bad debt expenses amounted to $235 for the year ended September 30, 2019 and are included with miscellaneous expense on the combined statement of functional expenses. There was no bad debt expense for the year ended September 30, 2018. Management has evaluated the receivables as of September 30, 2019 and determined that such amounts are fully collectible (based on the financial strength of the payees) and therefore no reserve for uncollectible amounts has been established.

## 5. Investments

Investments consist of the following at September 30:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Certificates of deposit | $ | **703,823** | $ | 606,965 |
| Mutual funds: Investment grade short-term bond fund | | **93,869** | | 88,659 |
| Total investments | $ | **797,692** | $ | 695,624 |

During the years ended September 30, 2019 and 2018, investment earnings amounted to $20,137 and $14,693, respectively. During the year ended September 30, 2019, unrealized gains amounted to $2,483. During the year ended September 30, 2018, unrealized losses amounted to $1,979. Investments in mutual funds with readily determinable fair values are reported at fair value or amounts that approximate fair value. STB's management is responsible for routinely overseeing investment performance.

## 6. Fair Value Measurements

Composition of assets utilizing fair value measurements at September 30, 2019 is as follows:

| | | Totals | | Level 1 | | Level 2 | | Level 3 |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ | 417,783 | $ | 417,783 | $ | - | $ | - |
| Certificates of deposit | | 703,823 | | 703,823 | | - | | - |
| Mutual funds | | 93,869 | | 93,869 | | - | | - |
| Receivables | | 660,256 | | - | | 660,256 | | - |
| Totals | $ | 1,875,731 | $ | 1,215,475 | $ | 660,255 | $ | - |

Composition of assets utilizing fair value measurements at September 30, 2018 is as follows:

| | | Totals | | Level 1 | | Level 2 | | Level 3 |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ | 790,841 | $ | 790,841 | $ | - | $ | - |
| Certificates of deposit | | 606,965 | | 606,965 | | - | | - |
| Mutual funds | | 88,659 | | 88,659 | | - | | - |
| Receivable | | 846,260 | | - | | 846,260 | | - |
| Totals | $ | 2,332,725 | $ | 1,486,465 | $ | 846,260 | $ | - |

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. STB had no assets classified as Level 3 at September 30, 2019 and 2018.

## 7. Liquidity

STB regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. STB has various sources of liquidity at its disposal, including cash and equivalents, receivables, and other sources (including the future collection of grants and contributions receivable).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, STB considers all expenditures related to its ongoing activities in support of community initiatives to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 417,783 |
| Investments | | 797,692 |
| Receivables | | 660,256 |
| Total financial assets | | 1,875,731 |
| Less: amounts not available to be used within one year: | | |
| Net assets with donor restrictions for programs | | (117,500) |
| Financial assets available to meet general expenditures over the next year | $ | 1,758,231 |

STB receives a certain level of support in the form of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, STB must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As part of STB's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

## 8. Property and Equipment

Property and equipment consist of the following at September 30, 2019 and 2018:

| | | **2019** | | 2018 |
|---|---|---|---|---|
| Office furniture and equipment | **$** | **124,638** | $ | 85,104 |
| Buildings | | **99,633** | | 99,633 |
| Less accumulated depreciation | | **(127,701)** | | (113,698) |
| Total property and equipment (net) | **$** | **96,570** | $ | 71,039 |

Total depreciation expense amounted to $14,003 and $6,932 for the years ended September 30, 2019 and 2018, respectively, and is reflected on the combined statement of functional expenses. During the year ended September 30, 2018, STB disposed of $11,169 in fully depreciated equipment. There were no disposals of fixed assets during the year ended September 30, 2019.

## 9. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, STB is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the combined financial statements as an accrued liability based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to $165,544 and $128,921 at September 30, 2019 and 2018, respectively, and are included with accrued liabilities on the combined statements of financial position.

## 10. Right of Use Asset and Leases

In accordance with *ASU 2016-02, Leases*, STB is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a “Right of Use” asset and a corresponding lease liability. Accordingly, STB has recorded a total lease liability in the amount of $1,324,027 for its facilities and other equipment lease contracts (split between current amount of $96,680 and noncurrent amount of $1,227,347) and a corresponding right of use asset for the premises in the amount of $1,324,027. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of September 30, 2019 was 4.0%.

As of September 30, 2019, STB leases its corporate office space at 1330 Broadway in Oakland under a multi-year operating lease with an effective date of July 31, 2016 and expiring October 31, 2019. The agreement specifies a monthly rental payment of $25,000 as of September 30, 2019.

STB also entered into an agreement to lease its corporate office space at 300 Frank Ogawa Plaza in Oakland on August 29, 2019. This multi-year operating lease has an effective date of November 1, 2019 and expiring April 30, 2025. The agreement has abated rent for the initial six months and initial monthly rental payment of $22,000 starting May 1, 2020.

Future minimum lease payments representing the amortized principal balance of the lease liability as of September 30, 2019 are as follows: Year ending September 30, 2020: $144,206; Year ending September 30, 2021: $279,377; Year ending September 30, 2022: $284,200; Year ending September 30, 2023: $294,800, Year ending September 30, 2024: $305,591; thereafter $184,325.

## 11. Retirement Plan

STB offers a defined contribution plan qualified under Section 403(b) of the Internal Revenue Code Section. All employees who work at least 1,000 hours per year are eligible for participation in the Plan after one full year of employment, and become fully vested at that time. There were no contributions made by STB for the years ended September 30, 2019 and 2018.

## 12. Net Assets

Net Assets With Donor Restrictions

STB recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at September 30:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Equity Action Network | **$** | **12,000** | $ | - |
| Estuary Restoration and Education | | **80,500** | | 283,972 |
| Time restrictions | | **352,941** | | - |
| Bay Day | | **12,500** | | - |
| Bay Smart Communities | | **12,500** | | 127,500 |
| Total net assets with donor restrictions | **$** | **470,441** | $ | 411,472 |

During the years ended September 30, 2019 and 2018, STB received donor restricted contributions of $820,330 and $1,116,000, respectively. Net assets released from restrictions amounted to $761,361 and $1,270,288 for the years ended September 30, 2019 and 2018, respectively.

Net Assets Without Donor Restrictions
Net assets without donor restrictions (previously unrestricted net assets) of $1,274,940 and $1,830,636 at September 30, 2019 and 2018, respectively, represents the cumulative retained deficits of STB since its inception.

## 13. In-Kind Contributions

In-kind contributions were valued as follows for the years ended September 30:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| In-kind services | **$** | **121,179** | $ | 99,823 |
| Equipment and vehicles | | **3,625** | | 28,705 |
| Total in-kind contributions | **$** | **124,804** | $ | 128,528 |

Volunteer Services: In addition to receiving specialized in-kind services, STB was also the beneficiary of volunteer work parties organized to carry out restoration projects removing 41,890 pounds of invasive species growing in San Francisco Bay, collecting seeds from native plants, and planting more than 42,106 seedlings to restore the bio-diversity and health of the bay. Although not recorded in the combined financial statements (because such volunteer efforts are not susceptible to objective measurement or valuation under *ASC 958.605.30-11 Revenue Recognition of Not-For-Profit Entities*), the value of these services was estimated at $579,533 and $594,716 for the years ended September 30, 2019 and 2018, respectively. A portion of the donated services was used to meet the matching requirement of certain grants from various federal and state agencies.

## 14. Related Party Transactions

Contributions from certain individuals on staff and members of the Board of Directors amounted to $117,039 and $106,652 during the years ended September 30, 2019 and 2018 respectively.

## 15. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future funding agreements, which are not reflected in the combined financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate STB to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond STB's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, including executive officers of the organization, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts (including current and prior costs) are subject to adjustment upon review and final acceptance by the granting agency. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the combined financial statements.

STB receives a portion of its support from federal, state, and local government agencies (amounting to 13.11% and 5.37% of total contributed support for the years ended September 30, 2019 and 2018, respectively). A significant reduction in the level of this support, if it were to occur, could have an impact on STB's ability to fund certain programs and activities.

Management has evaluated all such events and believes that such commitments, contingencies and risks will not have a material adverse effect on the combined financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies. Management is of the opinion that STB has complied with all material terms of the various grants and contracts.

## 16. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, STB has evaluated subsequent events through February 5, 2020, the date the combined financial statements were available to be issued. Subsequent to September 30, 2019 (STB's fiscal year), the novel coronavirus threat (which became widespread during February and March 2020) has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which STB conducts business. These combined financial statements do not contain any adjustments related to economic losses which may or may not be realized by STB as a result of these events. In the opinion of management, there are no other subsequent events which are required to be disclosed.