SAVE THE BAY

SAVE THE BAY
ACTION FUND

Combined
Financial Statements

For the years ended
September 30, 2020 and 2019
With Independent Auditors' Report Thereon

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.

(California Not-for-Profit Corporations)

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David Lewis	Secretary, Treasurer
Donnie Fowler	Director
Mark Kyle	Director
Felicia Madsen	Director

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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, 2020 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.

Auditors' 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 auditors' 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, 2020, 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, 2019 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated February 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Regalia & Associates

Danville, California
March 19, 2021

Combined Statements of Financial Position
September 30, 2020 and 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	**$ 1,112,690**	$ 417,783
Investments	**1,449,716**	797,692
Contracts receivable	**221,334**	164,334
Grants receivable	**120,000**	19,408
Accounts and donations receivable	**124,702**	476,514
Prepaid expenses and other assets	**19,851**	24,922
Total current assets	**3,048,293**	1,900,653
Noncurrent assets:		
Deposits	**7,267**	51,039
Right of use asset	**6,046**	1,324,027
Property and equipment, net	**119,215**	96,570
Total noncurrent assets	**132,528**	1,471,636
Total assets	**$ 3,180,821**	$ 3,372,289

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities:		
Accounts payable	**$ 143,573**	$ 48,787
Refundable advance	**52,912**	88,550
Accrued payroll liabilities	**155,095**	165,544
Operating lease payable - current portion	**6,046**	96,680
Total current liabilities	**357,626**	399,561
Noncurrent liabilities:		
Operating lease payable - noncurrent portion	**-**	1,227,347
Total liabilities	**357,626**	1,626,908
Net assets:		
Without donor restrictions	**2,470,195**	1,274,940
With donor restrictions	**353,000**	470,441
Total net assets	**2,823,195**	1,745,381
Total liabilities and net assets	**$ 3,180,821**	$ 3,372,289

Combined Statement of Activities and Changes in Net Assets
Year Ended September 30, 2020
(With Comparative Totals for the Year Ended September 30, 2019)

Changes in net assets:	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Total	2019 Total
Contributed Support:				
Government grant	$ 394,900	$ -	**$ 394,900**	$ -
Foundation and corporate	547,291	495,000	**1,042,291**	1,007,523
Membership and individual	1,262,598	5,000	**1,267,598**	1,047,112
Bequests and memorials	1,195,584	-	**1,195,584**	298,818
In-kind contributions	44,991	-	**44,991**	124,804
Net assets released from restriction	617,441	(617,441)	**-**	-
Total support	4,062,805	(117,441)	**3,945,364**	2,478,257
Earned Revenue:				
Government	368,178	-	**368,178**	394,053
Events	6,890	-	**6,890**	108,000
Investment income	13,645	-	**13,645**	20,137
Unrealized investment gains	3,181	-	**3,181**	2,483
Other	827	-	**827**	(108)
Total revenue	392,721	-	**392,721**	524,565
Total support and revenue	4,455,526	(117,441)	**4,338,085**	3,002,822
Expenses:				
Program	1,680,235	-	**1,680,235**	1,987,603
Management and general	755,557	-	**755,557**	805,597
Fundraising	824,479	-	**824,479**	706,349
Total expenses	3,260,271	-	**3,260,271**	3,499,549
Increase (decrease) in net assets	1,195,255	(117,441)	**1,077,814**	(496,727)
Net assets at beginning of year	1,274,940	470,441	**1,745,381**	2,242,108
Net assets at end of year	**$ 2,470,195**	**$ 353,000**	**$ 2,823,195**	$ 1,745,381

Combined Statements of Cash Flows
Years Ended September 30, 2020 and 2019

		2020		2019
Operating activities:				
Increase (decrease) in net assets	**$**	**1,077,814**	$	(496,727)
Adjustments to reconcile to cash provided by (used for) operating activities:				
Depreciation		**50,652**		14,003
Bad debt expense		**-**		235
Unrealized investment gains		**(3,181)**		(2,483)
Changes in:				
Contracts receivable		**(57,000)**		1,266
Grants receivable		**(100,592)**		639,503
Accounts and donations receivable		**351,812**		(455,000)
Prepaid expenses and other assets		**5,071**		2,446
Deposits		**43,772**		(32,165)
Accounts payable and accrued expenses		**94,786**		(30,190)
Accrued payroll liabilities		**(10,449)**		36,623
Refundable advance		**(35,638)**		88,550
Cash provided by (used for) operating activities		**1,417,047**		(233,939)
Investing activities:				
Acquisition of property and equipment		**(73,297)**		(39,534)
Proceeds from investments		**201,029**		42,920
Acquisition of investments		**(849,872)**		(142,505)
Cash used for investing activities		**(722,140)**		(139,119)
Increase (decrease) in cash and cash equivalents		**694,907**		(373,058)
Cash and cash equivalents at beginning of year		**417,783**		790,841
Cash and cash equivalents at end of year	**$**	**1,112,690**	$	417,783
Additional cash flow information:				
Taxes paid to Registry of Charitable Trusts	**$**	**150**	$	150
Interest paid	**$**	**-**	$	-

Combined Statement of Functional Expenses
Year Ended September 30, 2020
(With Comparative Totals for the Year Ended September 30, 2019)

	Program Services				Supporting Services		Totals	Totals
	Restore Bay Habitat	Bay Smart Communities	Education and Outreach	Total Program	Management and General	Fundraising	Sept 30 2020	Sept 30 2019
Salaries	$ 459,843	$ 279,696	$ 272,194	$ 1,011,733	$ 427,225	$ 407,357	**$ 1,846,315**	$ 1,802,923
Payroll taxes	32,696	19,711	19,934	72,341	30,466	28,215	**131,022**	142,826
Other employee benefits	39,222	23,808	23,329	86,359	38,681	34,727	**159,767**	189,200
Total salaries and related expenses	531,761	323,215	315,457	1,170,433	496,372	470,299	**2,137,104**	2,134,949
Grants	4,500	500	-	5,000	-	-	**5,000**	6,350
Professional services- legal	-	5,000	-	5,000	8,932	-	**13,932**	6,155
Professional services- accounting	-	-	-	-	22,270	19,259	**41,529**	44,579
Professional services- fundraising	-	-	269	269	-	26,252	**26,521**	106,946
Professional services- other	56,479	12,556	23,149	92,184	19,730	102,559	**214,473**	218,483
Advertising and promotion	-	-	14,780	14,780	88	217	**15,085**	23,734
Supplies	61,165	10,485	10,117	81,767	16,854	15,750	**114,371**	69,084
Telephone	3,603	858	828	5,289	1,379	1,287	**7,955**	4,209
Postage	372	226	385	983	509	7,447	**8,939**	16,717
Equipment rental/maintenance	2,407	1,442	1,392	5,241	2,318	2,163	**9,722**	9,372
Bank fees	289	173	167	629	19,293	259	**20,181**	16,760
Occupancy	71,183	42,682	35,223	149,088	68,042	61,429	**278,559**	316,033
Printing and publications	268	51	2,688	3,007	12	55,626	**58,645**	105,703
Information technology	18,565	11,114	13,029	42,708	23,450	27,929	**94,087**	113,457
Travel and meals	34,744	1,650	3,676	40,070	287	593	**40,950**	48,744
Conferences and meetings	1,111	656	3,684	5,451	2,082	8,333	**15,866**	6,712
Depreciation	22,366	5,707	5,489	33,562	8,559	8,531	**50,652**	14,003
Insurance	9,584	1,523	1,469	12,576	10,744	2,284	**25,604**	23,553
Dues, licenses, service fees	3,171	3,373	1,204	7,748	2,899	12,393	**23,040**	40,859
In-kind professional services	-	-	-	-	45,249	-	**45,249**	121,179
Miscellaneous expense	2,415	479	1,556	4,450	6,488	1,869	**12,807**	51,968
	$ 823,983	**$ 421,690**	**$ 434,562**	**$ 1,680,235**	**$ 755,557**	**$ 824,479**	**$ 3,260,271**	$ 3,499,549

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, 2020 and 2019. 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.

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.

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.

(continued)

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

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.

A portion of STB's revenue is derived from foundation grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, with limited discretion over spending decisions and right of return of any unused funds. Amounts received are recognized as revenue when STB has incurred expenditures in compliance with specific grant provisions.

Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the combined statements of financial position. STB has received conditional grants amounting to $117,658, that have not been recognized at September 30, 2020 and 2019 because qualifying expenditures have not yet been incurred, with advances payments of $52,912 and $88,550 recognized in combined statements of financial position as refundable advances at September 30, 2020 and 2019, respectively.

STB has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

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.

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.

(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.

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:

Net Assets Without Donor Restrictions
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, though it has opted not to do so as of September 30, 2020 and 2019.

Net Assets With Donor Restrictions
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.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

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.

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

Recent and Relevant Accounting Pronouncements (*continued*)

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*. The ASU increases transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. 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 March 19, 2021 (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.

3. Cash and Cash Equivalents

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

	2020	2019
Checking and other noninterest-bearing accounts	**$ 470,759**	$ 354,932
Savings accounts (bearing interest at 1.07%)	**641,931**	62,851
Total cash and cash equivalents	**$ 1,112,690**	$ 417,783

(continued)

3. Cash and Cash Equivalents *(continued)*

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:

	2020	2019
Contracts receivable	**$ 221,334**	$ 164,334
Grants receivable	**120,000**	19,408
Accounts and donations receivable	**124,702**	476,514
Total receivables	**$ 466,036**	$ 660,256

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 expense amounted to $235 for the year ended September 30, 2019 and is included with miscellaneous expense on the combined statement of functional expenses. There was no bad debt expense for the year ended September 30, 2020. Management has evaluated the receivables as of September 30, 2020 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:

	2020	2019
Certificates of deposit	**$ 1,201,176**	$ 703,823
Mutual funds: Investment grade short-term bond fund	**248,540**	93,869
Total investments	**$ 1,449,716**	$ 797,692

During the years ended September 30, 2020 and 2019, investment earnings amounted to $13,645 and $20,137, respectively. During the years ended September 30, 2020 and 2019, unrealized gains amounted to $3,181 and $2,483, respectively. 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. 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 receivables).

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:

	2020	2019
Cash and cash equivalents	**$ 1,112,690**	$ 417,783
Investments	**1,449,716**	797,692
Receivables	**466,036**	660,256
Total financial assets	**3,028,442**	1,875,731
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	**(153,000)**	(117,500)
Financial assets available to meet general expenditures over the next year	**$ 2,875,442**	$ 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.

7. Property and Equipment

Property and equipment consist of the following at September 30, 2020 and 2019:

	2020	2019
Office furniture and equipment	**$ 124,638**	$ 124,638
Tenant improvements	**73,297**	-
Buildings	**99,633**	99,633
Less: accumulated depreciation	**(178,353)**	(127,701)
Total property and equipment, net	**$ 119,215**	$ 96,570

Depreciation expense amounted to $50,652 and $14,003 for the years ended September 30, 2020 and 2019, respectively, and is reflected on the combined statement of functional expenses. There were no disposals of fixed assets during the years ended September 30, 2020 and 2019.

8. Fair Value Measurements

Composition of assets utilizing fair value measurements at September 30, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,112,690	$ 1,112,690	$ -	$ -
Investments:				
Certificates of deposit	1,201,176	1,201,176	-	-
Mutual funds	248,540	248,540	-	-
Receivables	466,036	-	466,036	-
Totals	$ 3,028,442	$ 2,562,406	$ 466,036	$ -

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	$ -	$ -
Investments:				
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	$ 660,256	$ -

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, 2020 and 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 $155,095 and $165,544 at September 30, 2020 and 2019, respectively, and are reflected as accrued payroll liabilities on the combined statements of financial position.

10. 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, 2020 and 2019.

11. Right of Use Asset and Leases

Through September 30, 2020, STB leased its corporate office space at 300 Frank Ogawa Plaza in Oakland under a multi-year operating lease agreement starting November 1, 2019 and expiring April 30, 2025. The agreement abated rent for the initial six months and mandated an initial monthly rental payment of $22,000 starting May 1, 2020. During the year ended September 30, 2020, STB was also obligated under an equipment lease agreement expiring June 1, 2021.

Due to shelter-in-place mandates that were put in place following the COVID-19 outbreak in March 2020, STB management recognized that the organization no longer required its large office space. As a result, STB entered into a different one-year lease agreement in February 2021 for a smaller office space, and STB was able to reach a buyout agreement with the landlord with regards to the larger office space.

As a result of the early lease termination negotiated with the landlord, STB removed the right of use asset and corresponding lease liability pertaining to this office space from the combined statements of financial position as of September 30, 2020. In addition, STB accrued the $67,800 lease buyout payment and this is reflected within accounts payable on the combined statements of financial position.

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. As of September 30, 2020, STB has recorded a total lease liability in the amount of $6,046 for its equipment lease contracts and a corresponding right of use asset for the equipment in the amount of $6,046. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of September 30, 2020 was 4.0%, which represents an estimate of STB's incremental borrowing rate.

As of September 30, 2019, STB had a total lease liability (including both its equipment leases and corporate office space) in the amount of $1,324,027 (split between current amount of $96,680 and noncurrent amount of $1,227,347) and a corresponding right of use asset for the premises and equipment lease contracts 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%, which represents an estimate of STB's incremental borrowing rate.

Future minimum lease payments for the lease buyout, the equipment, and the office space are as follows: *Year ending September 30, 2021: $85,547*; and *Year ending September 30, 2022: $22,900*.

12. In-Kind Contributions

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

	2020	2019
In-kind services	**$ 44,366**	$ 121,179
Equipment and vehicles	**625**	3,625
Total in-kind contributions	**$ 44,991**	$ 124,804

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 7,544 pounds of invasive species growing in San Francisco Bay, collecting seeds from native plants, and planting more than 116,101 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 $306,309 and $579,533 for the years ended September 30, 2020 and 2019, respectively. A portion of the donated services was used to meet the matching requirement of certain grants from various federal and state agencies.

13. 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:

	2020	2019
Equity Action Network	**$ 45,000**	$ 12,000
Estuary Restoration and Education	**91,500**	80,500
Time restrictions	**200,000**	352,941
Bay Day	**16,500**	12,500
Bay Smart Communities	**-**	12,500
Total net assets with donor restrictions	**$ 353,000**	$ 470,441

During the years ended September 30, 2020 and 2019, STB received donor restricted contributions of $500,000 and $820,330, respectively. Net assets released from restrictions amounted to $617,441 and $761,361 for the years ended September 30, 2020 and 2019, respectively.

Net Assets Without Donor Restrictions
Net assets without donor restrictions of $2,470,195 and $1,274,940 at September 30, 2020 and 2019, respectively, represents the cumulative retained surpluses of STB since its inception.

14. Related Party Transactions

Contributions from certain individuals on staff and members of the Board of Directors amounted to $126,546 and $117,039 during the years ended September 30, 2020 and 2019 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 17.59% and 13.12% of total support and revenue for the years ended September 30, 2020 and 2019, 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. SBA and Paycheck Protection Program

During May 2020, STB received $394,900 in a forgivable loan under the Small Business Administration Paycheck Protection Program ("PPP"). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA's 7(a) small business lending program to fund loans of up to $10 million per borrower that qualifying entities can spend to cover payroll, interest, rent, and utilities.

In November 2020, STB applied to the SBA for forgiveness of the PPP loan, and on March 1, 2021, STB received formal forgiveness documentation from the SBA. STB expended the funds and utilized the proceeds for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. As a result, the conditions for satisfying the terms of forgiveness were present at the end of the fiscal year. Accordingly, because the terms of the forgivable loan had been fully satisfied as of September 30, 2020, the loan balance of $394,900 has been reflected as a government grant on the combined statement of activities and changes in net assets in accordance with *ASU 2018-08*.

17. COVID-19

In late 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) which was characterized as a pandemic by the World Health Organization on March 11, 2020.

The novel coronavirus threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which STB conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

Management is carefully monitoring the situation and evaluating its options during this time. These 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.

18. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, STB has evaluated subsequent events through March 19, 2021, the date the combined financial statements were available to be issued.

Type I Subsequent Event

Based on the guidance in *FASB ASC 855-10-20, Subsequent Events,* there are two types of subsequent events. A "Type I" subsequent event is an event or transaction that provides additional evidence about conditions that existed at the balance sheet date. Such events affect the estimates inherent in the process of preparing financial statements. All information that becomes available prior to the issuance of the combined financial statements should be used by management in its evaluation of the conditions on which the estimates were based. The combined financial statements should be adjusted for any changes in estimates resulting from the use of such evidence. A "Type II" subsequent event is an event that provides evidence about conditions that arose after the balance sheet date but before the combined financial statements are issued and should not be recognized in the combined financial statements.

As disclosed in Note 11: Due to shelter-in-place mandates that were put in place following the COVID-19 outbreak in March 2020, STB management recognized that the organization no longer required its large office space. As a result, STB entered into a different one-year lease agreement in February 2021 for a smaller office space, and STB was able to reach a buyout agreement with the landlord with regards to the larger office space.

As a result of the early lease termination negotiated with the landlord, STB removed the right of use asset and corresponding lease liability pertaining to this office space from the combined statements of financial position as of September 30, 2020. In addition, STB accrued the $67,800 lease buyout payment and this is reflected within accounts payable on the combined statements of financial position.

In the opinion of management, there are no other subsequent events which are required to be disclosed.