

California Urban Forests Council
Financial Statements
with Independent Auditor's Report
December 31, 2018



• PAMELA A. MAININI •
CERTIFIED PUBLIC ACCOUNTANT

Specialist in Non-Profit Accounting, Audit and Tax

1105 Kennedy Place, Suite 2 • Davis, CA 95616 Website: www.npocpa.pro
Email: pam@npocpa.pro Office: (530) 758-3653 Cell: (530) 574-1327



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
California Urban Forests Council
Novato, California

I have audited the accompanying financial statements of California Urban Forests Council (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Urban Forests Council as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Pamela A. Mainini". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Pamela A. Mainini
Certified Public Accountant

Davis, California
November 6, 2019

California Urban Forests Council
Statement of Financial Position
December 31, 2018

The accompanying notes are an integral part of the financial statements.

ASSETS

Current Assets	
Cash and cash equivalents	\$ 64,850
Grants and contracts receivable	214,275
Prepaid insurance	<u>1,010</u>
Total current assets	<u>280,135</u>
Fixed Assets	
Furniture and Office equipment	2,643
Accumulated depreciation	<u>(925)</u>
Total fixed assets	<u>1,718</u>
Total Assets	<u>\$ 281,853</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	146,868
Accrued payroll expenses	<u>13,627</u>
Total current liabilities	<u>160,495</u>
Total liabilities	<u>160,495</u>
Net Assets	
Unrestricted net assets	111,777
Net assets with restrictions	<u>9,581</u>
Total net assets	<u>121,358</u>
Total Liabilities and Net Assets	<u>\$ 281,853</u>

California Urban Forests Council
Statement of Activities
For the Year Ended December 31, 2018

The accompanying notes are an integral part of the financial statements.

UNRESTRICTED NET ASSETS

Revenue	
Federal grants	\$ 180,450
State grants	794,127
Private grant support	64,882
Unrestricted Donations	29,531
Program fees	3,404
Investment income	1
Miscellaneous income	<u>1,997</u>
Net assets released from restrictions:	
Restrictions satisfied by payments	<u>250</u>
Total unrestricted support, revenue and gains	<u>1,074,642</u>
Expenses:	
Program Services	
Promotion and education	371,353
Tree planting and maintenance	620,646
Advocacy	<u>27,578</u>
Total program expenses	1,019,578
Supporting Services	
Management and general	33,031
Fundraising	<u>9,494</u>
Total supporting expenses	<u>42,524</u>
Total expenses	<u>1,062,102</u>
Increase in unrestricted net assets	<u>12,540</u>

NET ASSETS WITH RESTRICTIONS

Restrictions satisfied by payments	<u>(250)</u>
Decrease in net assets with restrictions	<u>(250)</u>
(DECREASE) INCREASE IN NET ASSETS	12,290
NET ASSETS AT BEGINNING OF YEAR	<u>109,068</u>
NET ASSETS AT END OF YEAR	<u>\$ 121,358</u>

California Urban Forests Council
Statement of Functional Expenses
For the Year Ended December 31, 2018

The accompanying notes are an integral part of the financial statements.

	Promotion and Education	Tree Planting & Maintenance	Advocacy	Management and General	Fundraising	Total
Salaries	\$ 151,489	\$ 494	\$ 3,082	\$ 22,578	\$ 7,526	\$ 185,169
Payroll taxes	12,149	38	331	2,029	677	15,224
Employee benefits	3,201	41	-	2,465	822	6,529
Trees and project supplies	62,571	562,539	-	-	-	625,110
Outside services	100,054	36,650	23,000	-	-	159,704
Accounting	-	-	-	1,259	-	1,259
Bank fees	-	-	-	350	103	453
Depreciation	-	-	-	529	-	529
Dues and subscriptions	1,132	-	-	85	-	1,217
Equipment rental and maintenance	-	378	-	52	-	430
Insurance	1,022	1,708	76	91	26	2,923
Meeting expense	15,950	591	-	268	-	16,809
Miscellaneous expense	-	-	-	24	-	24
Occupancy	2,401	4,013	178	214	61	6,867
Office supplies	3,097	5,176	230	275	79	8,857
Other contract fees	2,987	4,993	222	2,322	76	10,600
Postage	198	25	-	213	71	507
Printing	3,901	100	-	-	-	4,001
Tax and license	125	25	-	95	-	245
Telephone	2,045	3,418	152	182	52	5,849
Travel	9,031	458	307	-	-	9,796
Total Expenses	<u>\$ 371,353</u>	<u>\$ 620,646</u>	<u>\$ 27,578</u>	<u>\$ 33,031</u>	<u>\$ 9,494</u>	<u>\$ 1,062,102</u>
Percentage	34.96%	58.44%	2.60%	3.11%	0.89%	100.00%

California Urban Forests Council
Statement of Cash Flows
For the Year Ended December 31, 2018

The accompanying notes are an integral part of the financial statements.

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in net assets operating activities:	\$	12,290
Depreciation expense		529
(Increase) Decrease in operating assets:		
Grants and contracts receivable		(101,113)
Prepaid insurance		(1,010)
Increase (Decrease) in operating liabilities:		
Accounts payable		80,014
Accrued payroll expenses		<u>3,659</u>
Net cash used by operating activities		<u>(5,631)</u>
Net increase (decrease) in cash and cash equivalents		(5,631)
Cash, Beginning of year		<u>70,481</u>
Cash, End of year	\$	<u>64,850</u>
Non-cash transactions		none
taxes paid	\$	-
interest paid	\$	-

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

California Urban Forests Council, (CAUFC), a California public benefit corporation, was organized in 1980 for the purpose of education, promotion, and implementation of programs that develop responsive action among citizens centered on understanding the role of trees and forests in an urban setting for the improvement of the quality of life. CAUFC is primarily funded by government grants and contracts.

Program activity

Promotion and Education: CAUFC is active in conducting and sponsoring activities that will communicate the latest information and technologies available relating to climate change, environmental systems and protocols and social marketing as they relate to urban forestry in California to the general public and urban forest, air and water quality, and public policy makers.

Tree Planting and Maintenance: CAUFC coordinates with local and regional partners to plant trees in urban environments and then provide on-going maintenance to allow the trees to reach maturity and benefit the communities in which they were planted. During 2018 CAUFC coordinated with local governments and local volunteers to plant 1,669 trees in 11 cities in California.

Basis of accounting

The financial statements of CAUFC have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payable and other liabilities.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Contracts receivable

Contracts receivable consist primarily of the balance due on government cost-reimbursement contracts. These amounts are fully recoverable and we have estimated the allowance for uncollectible to be zero.

Property and equipment

We record property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Restricted and unrestricted revenue

Contributions received are recorded as increases in unrestricted or restricted net assets depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. 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.

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, 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.

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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Contributed services

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes

CAUFC is a California not-for-profit corporation that is exempt from income and franchise taxes under Section 501(c) (3) of the Internal Revenue Code. It is not obligated to pay federal or state corporate income taxes unless its unrelated business income, as defined by the Internal Revenue Service Code, exceeds \$1,000. CAUFC did not generate unrelated business income and is, therefore, not subject to federal or state corporate income taxes for the year ended December 31, 2018. In addition, CAUFC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified by the Internal Revenue Service as other than a private foundation under Section 509(a)(2).

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES –
(continued)**

Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Reclassifications

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

Subsequent Events

We have evaluated subsequent events through November 6, 2019, the date the financial statements were available to be issued.

California Urban Forests Council
Notes to Financial Statements
December 31, 2018

NOTE 2 – LIQUIDITY AND AVAILABILITY

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	\$ 64,850
Grants and contracts receivable	214,275
Prepaid insurance	<u>1,010</u>
Total	<u>\$ 280,135</u>

NOTE 3 – CONCENTRATION OF CONTRIBUTION REVENUE

The Organization receives contributions and grants from a variety of contributors. During the year ended December 31, 2018, there was one state government agency (CalFire) who contracted for goods and services of \$794,127: this amount represented 74.29% of the support for that year.

NOTE 4 – CONTINGENCIES-THIRD PARTY PAYERS-GOVERNMENT CONTRACTS

CAUFC has agreements with third-party payers that provide for payments to CAUF on a cost-reimbursement basis. Laws and regulations governing government contracts are extremely complex and subject to interpretation. CAUFC believes that it is in compliance with all applicable laws and regulations in all material respects and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material adverse effect on CAUFC financial position. While no such significant regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from Federal, State and Local government programs.

NOTE 5 – PROPERTY AND EQUIPMENT

Office equipment	2,643
Accumulated depreciation	<u>(925)</u>
Total	<u>\$ 1,718</u>

NOTE 6 – FAIR VALUE MEASUREMENT AND DISCLOSURES

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from

NOTE 6 – FAIR VALUE MEASUREMENT AND DISCLOSURES (Continued)

sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in

pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

A significant portion of our investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. We invest in CDs traded in the financial markets. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

CAUF has one Level 1 CD for \$758 that was closed in February 2019.

NOTE 7 – RELATED PARTIES/NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

Regional Councils have been formed to educate and develop regional advocacy coalitions. Their work is guided by the vision framework and strategic priorities of CAUFC. Regional Councils each have advisory boards and each council has a member on the CAUFC board. CAUFC provides fiscal and administrative support to each regional council as well as information and assistance in presenting programs and coordinating tree related activities. The seven regional councils each received \$1,500 from the Forest Service grant funds. These funds are restricted to local urban and community forestry and these funds were fully spent during 2018.

Other funds raised by the regional councils through fundraising and other activities are restricted to that specific council. The total balance of these funds available to all 7 regional councils at December 31, 2018 is \$9,581.