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# **The Regeneration Project**

## **FINANCIAL STATEMENTS**

**December 31, 2012**

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**CROSBY & KANEDA**  
Certified Public Accountants

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Dedicated to Nonprofit Organizations

# **The Regeneration Project**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
The Regeneration Project  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Regeneration Project, which comprise the balance sheet as of December 31, 2012, and the related statements of activity, cash flows and functional expenses 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these 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 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, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Regeneration Project as of December 31, 2012, and the results of its operations 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 cursive script that reads "Adele Kaneda".

Certified Public Accountants  
Oakland, California  
July 16, 2013

# **The Regeneration Project**

## **Statement of Financial Position**

**December 31, 2012**

### **Assets**

#### **Current Assets**

Cash and cash equivalents	\$ 710,959
Grants receivable	574,000
Accounts receivable	55,843
Inventory	26,626
Prepaid expenses	27,031
Total Current Assets	<u>1,394,459</u>

Property and equipment, net (Note 3) 4,542

Deposits 15,000

Total Assets \$ 1,414,001

### **Liabilities and Net Assets**

#### **Current Liabilities**

Accounts payable and accrued expenses	12,288
Accrued vacation	23,564
Grants payable	66,355
Total Liabilities	<u>102,207</u>

#### **Commitments and Contingencies (Notes 4 and 5)**

#### **Net Assets**

##### **Unrestricted**

Board-designated (Note 7)	332,000
Undesignated	292,913
Total Unrestricted	<u>624,913</u>
Temporarily restricted (Note 6)	686,881
Total Net Assets	<u>1,311,794</u>

Total Liabilities and Net Assets \$ 1,414,001

See Notes to the Financial Statements

## The Regeneration Project

### Statement of Activities For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
Contributions	\$ 166,993	\$	\$ 166,993
Foundation and corporate grants	708,000	899,000	1,607,000
Fees	9,498		9,498
Sales, net	10,374		10,374
Interest	973		973
Other	7,850		7,850
Net assets released from donor restriction (Note 6)	274,985	(274,985)	-
<b>Total Support and Revenue</b>	<u>1,178,673</u>	<u>624,015</u>	<u>1,802,688</u>
<b>Expenses</b>			
Program	1,588,499		1,588,499
General and administrative	117,568		117,568
Fundraising	133,424		133,424
<b>Total Expenses</b>	<u>1,839,491</u>	<u>-</u>	<u>1,839,491</u>
<b>Change in net assets</b>	<u>(660,818)</u>	<u>624,015</u>	<u>(36,803)</u>
<b>Net Assets, beginning of year</b>	<u>1,285,731</u>	<u>62,866</u>	<u>1,348,597</u>
<b>Net Assets, end of year</b>	<u>\$ 624,913</u>	<u>\$ 686,881</u>	<u>\$ 1,311,794</u>

See Notes to the Financial Statements

## **The Regeneration Project**

### **Statement of Cash Flows For the Year Ended December 31, 2012**

#### **Cash flows from operating activities:**

Change in net assets	\$ (36,803)
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:	
Depreciation	3,297
Change in assets and liabilities:	
Grants receivable	272,881
Accounts receivable	(55,843)
Inventory	3,286
Prepaid expenses	(6,150)
Deposits	(9,610)
Accounts payable and accrued expenses	2,473
Accrued vacation	1,636
Grants payable	18,742
Net cash provided by operating activities	<u>193,909</u>

#### **Cash flows from investing activities:**

Purchase of equipment	<u>(520)</u>
Net cash used by investing activities	<u>(520)</u>

Net change in cash and cash equivalents	193,389
Cash and cash equivalents, beginning of year	<u>517,570</u>
Cash and cash equivalents, end of year	<u>\$ 710,959</u>

See Notes to the Financial Statements

## The Regeneration Project

### Statement of Functional Expenses For the Year Ended December 31, 2012

	Program			Regrants	General and Administrative		Fundraising	Total
	CA IPL	National	Total Program					
Salaries	\$ 104,092	\$ 349,013	\$	\$ 453,105	\$ 41,013	\$ 80,004	\$ 574,122	
Payroll taxes	8,387	29,781		38,168	3,252	6,288	47,708	
Pension contribution	3,038	5,063		8,101	1,310	1,611	11,022	
Other employee benefits	9,425	26,846		36,271	4,764	6,840	47,875	
Total Personnel	124,942	410,703	-	535,645	50,339	94,743	680,727	
Grants		11,271	790,887	802,158	-	-	802,158	
Accounting fees					44,440	-	44,440	
Legal fees					2,072	-	2,072	
Conferences and events	2,951	72,041		74,992	-	1,556	76,548	
Contract services	1,505	8,090		9,595	8,545	15,147	33,287	
Insurance	698	1,574		2,272	185	361	2,818	
Occupancy	12,462	59,207		71,669	5,239	11,076	87,984	
Supplies	2,859	11,845		14,704	1,127	1,552	17,383	
Printing and publications	1,664	19,372		21,036	-	-	21,036	
Telephone and communications	1,611	4,657		6,268	547	1,067	7,882	
Postage	622	2,557		3,179	178	819	4,176	
Travel	2,722	2,893		5,615	33	2,516	8,164	
Depreciation	464	2,103		2,567	247	483	3,297	
Advertising and promotion		2,281		2,281	-	-	2,281	
Information technology	3,789	26,908		30,697	1,926	3,756	36,379	
Bank fees				-	390	-	390	
Dues, licenses, service fees	215	2,553		2,768	2,300	348	5,416	
Donated books		3,053		3,053	-	-	3,053	
Total Expenses	\$ 156,504	\$ 641,108	\$ 790,887	\$ 1,588,499	\$ 117,568	\$ 133,424	\$ 1,839,491	

See Notes to the Financial Statements



# THE REGENERATION PROJECT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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### NOTE 1: NATURE OF ACTIVITIES

The Regeneration Project (the Organization) is a California nonprofit public benefit corporation which is an interfaith ministry devoted to deepening the connection between ecology and faith. The Organization's goal is to help people of faith recognize and fulfill their responsibility for the stewardship of creation. The Organization provides educational programs for clergy and congregations that achieve tangible environmental results.

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### **Basis of Presentation**

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

*Unrestricted net assets* – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

*Temporarily restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

*Permanently restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of December 31, 2012.

#### **Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

# **THE REGENERATION PROJECT**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012**

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Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization considers all contributions to be fully collectible at December 31, 2012. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

### **Income Taxes**

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2012 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

### **Contributed Services**

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended December 31, 2012.

### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### **Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

### **Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the

# **THE REGENERATION PROJECT**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012**

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measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization had no assets or liabilities recorded at fair value on December 31, 2012.

### **Concentration of Credit Risk**

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

### **Inventory**

The Organization reports inventory at cost, computed on the first-in, first-out basis, and consists of books.

### **Property and Equipment**

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Computers and equipment	5 years
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Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

# THE REGENERATION PROJECT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

### Functional Allocation of Expenses

The costs of providing 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.

### Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of July 16, 2013 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

### NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2012:

Computers and equipment	\$ 16,484
Less accumulated depreciation	<u>(11,942)</u>
Total	<u>\$ 4,542</u>

### NOTE 4: COMMITMENTS

#### Operating Leases

The Organization entered into a new lease for office space in San Francisco which expires in August 2016. The new lease replaced a lease originally scheduled to expire January 2013.

The future minimum operating lease payments are as follows at December 31:

2013	\$ 94,645
2014	94,640
2015	97,275
2016	<u>65,875</u>
Total	<u>\$ 352,435</u>

Rent for the year ended December 31, 2012 was \$78,261.

### NOTE 5: CONTINGENCIES

#### Compliance with donor restrictions

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

# THE REGENERATION PROJECT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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### NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of December 31, 2012:

California Interfaith Power and Light	\$ 63,881
Time-restricted	<u>623,000</u>
Total	<u>\$ 686,881</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended December 31, 2012:

California Interfaith Power and Light	\$ 86,985
Other State Interfaith Power and Lights	36,000
Expiration of time restriction	<u>152,000</u>
Total	<u>\$ 274,985</u>

### NOTE 7: BOARD-DESIGNATED NET ASSETS

As of December 31, 2012, the Board of Directors designated net assets of \$332,000 for the 2013 cycle of conditional grants to state Interfaith Power and Lights affiliates.

### NOTE 8: PENSION

The Organization has a SIMPLE IRA retirement plan as established under Internal Revenue Code Section 408(k) (the Plan). All employees are eligible for participation and are immediately vested in the Plan if they choose to participate. For each Plan year, the Organization contributes 3% of the eligible salary to the Plan. Total contributions made by the Organization for 2012 were \$11,022.