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# The Regeneration Project

## FINANCIAL STATEMENTS

December 31, 2014

(With Comparative totals as of December 31, 2013)

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**CROSBY & KANEDA**  
Certified Public Accountants

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Dedicated to Nonprofit Organizations

# **The Regeneration Project**

## **Contents**

Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7-12

## **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 Statement of Financial Position as of December 31, 2014, 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, 2014, 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.

## **Report on Summarized Comparative Information**

We have previously audited The Regeneration Project's December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 8, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants  
Oakland, California  
June 18, 2015

## The Regeneration Project

### Statement of Financial Position December 31, 2014 (With Comparative Totals as of December 31, 2013)

	2014	2013
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 543,080	\$ 496,971
Certificates of deposit	-	150,000
Grants receivable	116,000	634,000
Accounts receivable	40,380	64,035
Inventory	14,709	17,385
Prepaid expenses	5,106	24,100
Total Current Assets	<u>719,275</u>	<u>1,386,491</u>
Property and equipment, net (Note 3)	5,596	4,053
Deposits	<u>15,000</u>	<u>15,000</u>
Total Assets	<u>\$ 739,871</u>	<u>\$ 1,405,544</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 19,394	\$ 24,270
Accrued vacation	31,956	31,746
Grants payable	51,667	48,274
Total Liabilities	<u>103,017</u>	<u>104,290</u>
Commitments and Contingencies (Notes 4 and 5)		
Net Assets		
Unrestricted	58,645	447,426
Temporarily restricted (Note 6)	578,209	853,828
Total Net Assets	<u>636,854</u>	<u>1,301,254</u>
Total Liabilities and Net Assets	<u>\$ 739,871</u>	<u>\$ 1,405,544</u>

See Notes to the Financial Statements

# The Regeneration Project

## Statement of Activities For the Year Ended December 31, 2014 (With Comparative Totals for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Total	
			2014	2013
<b>Support and Revenue</b>				
Contributions	\$ 326,801	\$ 26,250	\$ 353,051	\$ 273,983
Foundation and corporate grants	94,564	534,791	629,355	1,345,889
Fees	12,462		12,462	11,653
Sales, net	11,662		11,662	6,592
Honoraria and other	14,358		14,358	2,000
Interest	662		662	513
Net assets released from donor restriction (Note 6)	836,660	(836,660)	-	-
Total Support and Revenue	<u>1,297,169</u>	<u>(275,619)</u>	<u>1,021,550</u>	<u>1,640,630</u>
<b>Expenses</b>				
Program	1,331,333		1,331,333	1,373,667
General and administrative	131,925		131,925	149,547
Fundraising	222,692		222,692	127,956
Total Expenses	<u>1,685,950</u>	<u>-</u>	<u>1,685,950</u>	<u>1,651,170</u>
Change in net assets	<u>(388,781)</u>	<u>(275,619)</u>	<u>(664,400)</u>	<u>(10,540)</u>
Net Assets, beginning of year	<u>447,426</u>	<u>853,828</u>	<u>1,301,254</u>	<u>1,311,794</u>
Net Assets, end of year	<u>\$ 58,645</u>	<u>\$ 578,209</u>	<u>\$ 636,854</u>	<u>\$ 1,301,254</u>

See Notes to the Financial Statements

## The Regeneration Project

### Statement of Cash Flows For the Year Ended December 31, 2014 (With Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (664,400)	\$ (10,540)
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Depreciation	1,724	2,231
Change in assets and liabilities:		
Grants receivable	518,000	(60,000)
Accounts receivable	23,655	(8,192)
Inventory	2,676	9,241
Prepaid expenses	18,994	2,931
Accounts payable and accrued expenses	(4,876)	11,982
Accrued vacation	210	8,182
Grants payable	3,393	(18,081)
Net cash used by operating activities	<u>(100,624)</u>	<u>(62,246)</u>
<b>Cash flows from investing activities:</b>		
Certificates of deposit, net	150,000	(150,000)
Purchase of equipment	(3,267)	(1,742)
Net cash provided (used) by investing activities	<u>146,733</u>	<u>(151,742)</u>
Net change in cash and cash equivalents	<u>46,109</u>	<u>(213,988)</u>
Cash and cash equivalents, beginning of year	<u>496,971</u>	<u>710,959</u>
Cash and cash equivalents, end of year	<u><u>\$ 543,080</u></u>	<u><u>\$ 496,971</u></u>

See Notes to the Financial Statements

## The Regeneration Project

### Statement of Functional Expenses For the Year Ended December 31, 2014 (With Comparative Totals for the Year Ended December 31, 2013)

	Program			Total Program	General and administrative	Fundraising	Total	
	CA IPL	National	Regrants				2014	2013
Salaries	\$ 110,366	\$ 286,890	\$	\$ 397,256	\$ 52,169	\$ 72,491	\$ 521,916	\$ 562,783
Pension contribution	1,717	6,012		7,729	1,477	812	10,018	10,845
Other employee benefits	9,983	19,319		29,302	1,357	2,513	33,172	47,341
Payroll taxes	9,209	23,730		32,939	4,430	6,263	43,632	46,024
Total Personnel	131,275	335,951	-	467,226	59,433	82,079	608,738	666,993
Grants		4,607	498,886	503,493	-	-	503,493	574,395
Accounting fees				-	52,664	-	52,664	54,575
Conferences and events	3,325	80,335		83,660	-	2,211	85,871	83,275
Contract services	2,381	83,172		85,553	743	95,445	181,741	56,727
Insurance	222	2,581		2,803	158	219	3,180	3,276
Occupancy	14,355	55,753		70,108	11,130	7,612	88,850	79,292
Supplies	940	15,171		16,111	281	1,160	17,552	13,034
Printing and publications	4,340	6,218		10,558	-	4,331	14,889	12,752
Telephone and communications	1,937	4,878		6,815	835	1,160	8,810	8,386
Postage	359	1,432		1,791	230	2,076	4,097	14,483
Travel	5,044	6,462		11,506	-	876	12,382	10,856
Depreciation	260	1,020		1,280	186	258	1,724	2,231
Advertising and promotion		37,793		37,793	-	21,738	59,531	28,457
Information technology	3,713	20,102		23,815	2,326	3,232	29,373	32,678
Dues, licenses, service fees	145	6,548		6,693	3,939	295	10,927	7,070
Donated books		2,128		2,128	-	-	2,128	1,284
Miscellaneous				-	-	-	-	1,406
Total Expenses	\$ 168,296	\$ 664,151	\$ 498,886	\$ 1,331,333	\$ 131,925	\$ 222,692	\$ 1,685,950	\$ 1,651,170

See Notes to the Financial Statements



## THE REGENERATION PROJECT

### Notes to the Financial Statements For the Year Ended December 31, 2014 (With Comparative Totals for the Year Ended December 31, 2013)

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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, 2014.

##### **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, 2014 (With Comparative Totals for the Year Ended December 31, 2013)**

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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.

#### **Grants and Accounts Receivable**

The Organization considers all grants and accounts receivable to be fully collectible at December 31, 2014. 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, 2014 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, 2014.

#### **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.

## **THE REGENERATION PROJECT**

### **Notes to the Financial Statements For the Year Ended December 31, 2014 (With Comparative Totals for the Year Ended December 31, 2013)**

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#### **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 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.

The Organization had no assets or liabilities recorded at fair value on December 31, 2014.

#### **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 the lower of market or cost, computed on the average cost basis. Inventory consists entirely of books available for sale or used in the Organization's programs.

#### **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, 2014 (With Comparative Totals for the Year Ended December 31, 2013)

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#### 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.

#### Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

#### Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of June 18, 2015 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:

	<u>2014</u>	<u>2013</u>
Computers and equipment	\$ 21,495	\$ 18,227
Less accumulated depreciation	<u>(15,899)</u>	<u>(14,174)</u>
Total	<u>\$ 5,596</u>	<u>\$ 4,053</u>

#### NOTE 4: COMMITMENTS

##### Operating Leases

The Organization has a lease for office space in San Francisco which expires in August 2016. The future minimum operating lease payments are as follows at December 31:

2015	\$ 97,275
2016	<u>57,641</u>
Total	<u>\$ 154,916</u>

Rent for the years ended December 31, 2014 and 2013 was \$88,850 and \$88,448, respectively.

For the year ended December 31, 2014 rent expense was reduced by \$12,000 in sublease rental income.

## THE REGENERATION PROJECT

### Notes to the Financial Statements For the Year Ended December 31, 2014 (With Comparative Totals for the Year Ended December 31, 2013)

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#### Conditional Challenge Grants

Conditional challenge grants to State Interfaith Power and Light affiliates consisted of \$203,000 and \$367,000 as of December 31, 2014 and 2013 respectively. Such grants are recognized for financial statement purposes in the period in which the challenge grant conditions are met.

#### NOTE 5: CONTINGENCIES

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.

#### NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
California Interfaith Power and Light	\$ 84,500	\$ 52,060
Other State Interfaith Power and Light	-	9,000
Rapid Response Grants	20,000	25,000
Specific Campaigns	157,691	152,768
Time-restricted for future use	<u>316,018</u>	<u>615,000</u>
Total	<u>\$ 578,209</u>	<u>\$ 853,828</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:

	<u>2014</u>	<u>2013</u>
California Interfaith Power and Light	\$ 104,560	\$ 114,321
Other State Interfaith Power and Lights	107,000	63,000
Rapid Response Grants	30,000	115,000
Specific Campaigns	236,118	35,108
Expiration of time restriction	<u>358,982</u>	<u>373,000</u>
Total	<u>\$ 836,660</u>	<u>\$ 700,429</u>

#### NOTE 7: PENSION

The Organization has a SIMPLE IRA retirement plan as established under Internal Revenue Code Section 408(p) (the Plan). Employees are immediately vested in the Plan if they choose to participate. For each Plan year, the Organization matches contributions up to 3% of eligible salary to the Plan. Total contributions made by the Organization for 2014 and 2013 were \$10,018 and \$10,845, respectively.

# THE REGENERATION PROJECT

## Notes to the Financial Statements For the Year Ended December 31, 2014 (With Comparative Totals for the Year Ended December 31, 2013)

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### NOTE 8: CONCENTRATIONS

#### Grants Receivable

As of December 31, 2014 86% of grants receivable consisted of receivables from one funder. As of December 31, 2013 86% grants receivable consisted of receivables from two funders.

### NOTE 9: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUNDRAISING APPEALS

The Organizations engaged in a number of outreach and other activities including social media campaigns that included both program activity and a fundraising appeal. As a result, the costs of these activities were allocated between fundraising and program as follows for the year ended December 31, 2014:

Costs allocated to program activities	\$ 37,793
Costs allocated to fundraising activities	<u>21,738</u>
Total	<u>\$ 59,531</u>