

GRASSROOTS ECOLOGY
Financial Statements and
Independent Auditor's Report

June 30, 2020

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Board of Directors
Grassroots Ecology
Palo Alto, California

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of Grassroots Ecology, a not-for-profit organization, which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, statement of functional expenses, changes in net assets 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 audit. I conducted my audit 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 Grassroots Ecology as of June 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.

RP ACCOUNTANCY

RP Accountancy

San Jose, California
April 26, 2021

GRASSROOTS ECOLOGY

Statement of Financial Position

June 30, 2020

ASSETS

Current Assets:

Cash	\$ 724,031
Accounts receivables	184,455
Prepaid expenses	<u>1,770</u>
Total Current Assets	<u>910,256</u>

Property and Equipment, at Cost:

Nursery building	29,279
Vehicles	<u>25,027</u>
	54,306
Less accumulated depreciation	<u>(39,754)</u>
Property and Equipment, net	<u>14,552</u>

Total Assets \$ 924,808

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 14,924
Accrued vacation payable	61,581
Credit card liabilities	2,025
Sales tax payable	<u>1,221</u>
Total Current Liabilities	<u>79,751</u>

Long-term Liabilities:

Payroll Protection Program Loan	<u>185,095</u>
Total Long-term Liabilities	<u>185,095</u>
Total Liabilities	<u>264,846</u>

Net Assets:

Net assets without donor restrictions	572,962
Net assets with donor restrictions	<u>87,000</u>
Total Net Assets	<u>659,962</u>

Total Liabilities and Net Assets \$ 924,808

The accompanying notes are an integral part of this statement.

GRASSROOTS ECOLOGY

Statement of Activities

Year Ended June 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating revenues and support:			
Contributions	\$ 484,841	91,871	576,712
Government fees	-	1,047,510	1,047,510
Sales income	95,290	-	95,290
Program fees	-	6,212	6,212
In-kind contribution	7,319	-	7,319
Interest income	420	-	420
Miscellaneous income	597	-	597
Release from restrictions	<u>1,065,399</u>	<u>(1,065,399)</u>	<u>-</u>
Total operating revenues and support	<u>1,653,866</u>	<u>80,194</u>	<u>1,734,060</u>
Operating expenses:			
Program expenses:	1,430,698	-	1,430,698
Administrative expenses	96,124	-	96,124
Fundraising expenses	<u>179,060</u>	<u>-</u>	<u>179,060</u>
Total expenses	<u>1,705,882</u>	<u>-</u>	<u>1,705,882</u>
CHANGE IN NET ASSETS	<u>\$ (52,016)</u>	<u>80,194</u>	<u>28,178</u>

The accompanying notes are an integral part of this statement.

GRASSROOTS ECOLOGY

Statement of Functional Expenses

Year Ended June 30, 2020

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Salaries and wages expense	\$ 949,385	59,563	112,304	1,121,252
Payroll taxes and benefits	232,881	8,060	17,734	258,675
Consultants	163,331	13,344	26,123	202,798
Nursery utilities	1,069	27	-	1,096
Nursery supplies	11,111	386	-	11,497
Depreciation	1,607	-	-	1,607
Travel and meetings	10,765	13	164	10,942
Automobile expense	3,380	-	-	3,380
Payroll processing fees	3,530	386	201	4,117
Insurance expense	12,085	11,321	1,321	24,727
Credit card processing fee	394	-	846	1,240
Supplies	10,814	91	26	10,931
Online database	3,323	188	363	3,874
Printing and copying	1,686	92	6,337	8,115
Staff development	2,071	56	314	2,441
Food and refreshments	5,507	125	190	5,822
Telephone expense	919	52	100	1,071
Computer expense	2,898	115	1,203	4,216
Rent expense	12,437	1,716	1,465	15,618
Business expense	282	160	-	442
Dues and subscription	614	12	24	650
Marketing expense	343	20	1,191	1,554
Postage and mailing expense	169	-	1,830	1,999
Miscellaneous expense	97	397	5	499
In-kind expense	-	-	7,319	7,319
Total expenses	\$ 1,430,698	96,124	179,060	1,705,882

The accompanying notes are an integral part of this statement.

GRASSROOTS ECOLOGY

Statement of Changes in Net Assets

Year Ended June 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Net assets at June 30, 2019	\$ 625,698	6,086	631,784
Change in net assets for the year ended June 30, 2020:			
Changes in net assets	<u>(52,736)</u>	<u>80,914</u>	<u>28,178</u>
	<u>(52,736)</u>	<u>80,914</u>	<u>28,178</u>
Net assets at June 30, 2020	<u>\$ 572,962</u>	<u>87,000</u>	<u>659,962</u>

The accompanying notes are an integral part of this statement.

GRASSROOTS ECOLOGY

Statement of Cash Flows

Year Ended June 30, 2020

Increase (Decrease) in Cash

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Cash flows from operating activities:			
Change in net assets	<u>\$ (52,016)</u>	<u>80,194</u>	<u>28,178</u>
Adjustments to reconcile changes in net assets to cash provided (used) by operations:			
Items not providing cash:			
Depreciation	1,607	-	1,607
(Increase) decrease in:			
Accounts receivable	124,706	6,806	131,512
Other assets	(1,770)	-	(1,770)
Increase (decrease) in:			
Accounts payable	(8,959)	-	(8,959)
Sales tax payable	268	-	268
Credit card liabilities	(9,070)	-	(9,070)
Accrued vacation payable	<u>15,246</u>	<u>-</u>	<u>15,246</u>
Total adjustments	<u>122,028</u>	<u>6,806</u>	<u>128,834</u>
Cash Provided (Used) by Operating Activities	<u>70,012</u>	<u>87,000</u>	<u>157,012</u>
Cash flows from financing activities:			
Funds increase from PPP Loan	<u>185,095</u>	<u>-</u>	<u>185,095</u>
Cash (Used) by Financing Activities	<u>185,095</u>	<u>-</u>	<u>185,095</u>
Increase in Cash and Cash Equivalents	255,107	87,000	342,107
Cash and Cash Equivalents, beginning of year	<u>381,924</u>	<u>-</u>	<u>381,924</u>
Cash and Cash Equivalents, end of year	<u>\$ 637,031</u>	<u>87,000</u>	<u>724,031</u>

The accompanying notes are an integral part of this statement.

GRASSROOTS ECOLOGY

Notes to Financial Statements

Note A: Nature of Activities

Grassroots Ecology is a 501(c)(3) nonprofit organization incorporated in the State of California on July 1, 2016. The organization's mission is to engage and educate the public to restore local ecosystems and is dedicated to caring for public lands and waters across the San Francisco Bay Area's Silicon Valley. In collaboration with public landowners, governments, schools, corporations, and other nonprofits, Grassroots Ecology engages the community in hands-on education and service to improve our local environment. The core programs are Habitat Restoration, Community Science, Urban Ecology, Environmental Education, and a Native Plant Nursery. These programs engage thousands of people annually—across a broad spectrum of ages and backgrounds—to connect to their local outdoor spaces and take action to improve the natural world around them.

The organization's major revenue comes from contributions made from government agencies, individuals, corporations and foundations. The individual, corporation and foundation contributions account for more than 33% of total revenues for the year ended 2020. The organization also receive 60% of revenues from fees for services from government agencies.

Note B: Summary of Significant Accounting Policies

The significant accounting policies followed by the organization in their financial statement reporting are as follows:

1. Basis of Presentation

The financial statements of Grassroots Ecology have been prepared on the accrual basis of accounting.

2. Financial Statement Presentation

Generally accepted accounting principles requires the Organization to report information regarding its financial position and activities according to two classes of net assets.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donor and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds to be maintained in perpetuity. The Organization had \$87,000 net assets with donor restrictions as June 30, 2020.

3. Cash

For purposes of preparing the statement of cash flows, cash on hand and in banks, money market accounts and cash management investment accounts are considered cash.

GRASSROOTS ECOLOGY

Notes to Financial Statements

Note B: Summary of Significant Accounting Policies - continued

4. Contributions

All contributions and grants are considered to be without donor restrictions unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as reclassification of net assets.

5. Income taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2020.

The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization had filed Internal Revenue Service Form 990, Return of Organization Exempt Form Income Tax, as required.

The Organization follow the provisions of FASB ASC 740-10-25. The provisions prescribe a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in income tax returns and require that uncertain tax positions be evaluated in a two-step process. The Organization does not believe it has any material uncertain tax positions. As of and during the year ended June 30, 2020, the Organization did not have a liability for any unrecognized tax benefits. For the year ended June 30, 2020, there were no interest or penalties recorded or included in the statement of activities.

The Organization's 2018 tax year is open and subject to examination by the taxing authorities. However, the Organization is not currently under audit nor has the Organization been contacted by any of the taxing authorities.

6. Property and Equipment

Purchased and/or developed property is recorded at cost and depreciated over its estimated useful life using the straight-line method of depreciation. Furniture is depreciated over seven years. Equipment and vehicles are depreciated over an estimated useful life of five years. Buildings, improvements and betterments are being depreciated over lives ranging from ten to forty years. The Organization capitalizes fixed assets of \$2,500 and up. Depreciation charged to operating activities for the year ended 2020 was \$1,607.

7. Contributed Services

The Organization receives donated services from unpaid volunteers who perform a variety of tasks that support the Organization's activities. No amounts have been recognized for these services in the statement of activities since the criteria for recognition under FASB ASC 958-605, Revenue Recognition, have not been satisfied.

GRASSROOTS ECOLOGY

Notes to Financial Statements

Note B: Summary of Significant Accounting Policies - continued

8. Functional Allocation of Expenses

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

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

10. New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)-Presentation 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 provide about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

11. Accounts Receivable

Receivables are reported at net realizable value and are considered past due when payments have not been received within contractual terms, generally 60 to 90 days from the date of the invoice. Because of the nature of the contracts, a single customer can represent a significant portion of contract revenue at any point or period of time. Management believes its contract acceptance, as billing and collection policies are adequate to minimize potential credit risk. In reviewing aged receivables, management considers their knowledge of customers, historical losses, and current economic conditions in establishing the allowance for doubtful accounts. At June 30, 2020, the Organization considered accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was required.

12. Subsequent Events

The Organization's management has performed subsequent event procedures through April 26, 2021 which is the date of the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

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Notes to Financial Statements

Note C: Lease Commitment

As of July 1, 2018, the Organization leased office space for five years subject to annual renewal providing that all terms of this lease have been observed. The Organization shall use the property only to carry on activities whose purpose is conservation and environmental education and protection. The lease can be terminated at any time by either party with six months' notice. The expense for rental space under operating lease was \$15,618 for the year ended June 30, 2020. Future minimum annual rental commitments under the operating lease at June 30, 2020 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$13,680
2022	13,680
2023	<u>13,680</u>
	<u>\$41,040</u>

Note D: Payroll Protection Program Loan

On May 3, 2020, the Organization received \$185,095 from the United State Small Business Administration to help the Organization keep their workforce employed during the COVID-19 crisis. The promissory note had a fixed rate of one percent per annum and a six months deferment period. On December 18, 2020, the Small Business Administration forgave the loan.