
CLIMATE RESILIENT COMMUNITIES

FINANCIAL STATEMENTS

June 30, 2024

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

CLIMATE RESILIENT COMMUNITIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Climate Resilient Communities
Palo Alto, California

Opinion

We have audited the accompanying financial statements of Climate Resilient Communities (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, cash flows and functional expenses, for the year then ended, and the related notes to the financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Climate Resilient Communities as of June 30, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we: Exercise professional judgment and maintain professional skepticism throughout the audit. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Crosby + Kaneda CPAs LLP

Alameda, California

February 18, 2025

CLIMATE RESILIENT COMMUNITIES

Statement of Financial Position

June 30, 2024

Assets	
Assets	
Cash and cash equivalents	\$ 655,614
Accounts receivable	134,820
Contributions receivable	163,500
Government receivables	125,838
Prepaid expenses, supplies and other	13,994
Property, plant and equipment (Note 3)	63,049
Total Assets	<u>\$ 1,156,815</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	\$ 155,445
Accrued paid time off	21,280
Total Liabilities	<u>176,725</u>
Net Assets	
Without donor restrictions	544,007
With donor restrictions (Note 5)	436,083
Total Net Assets	<u>980,090</u>
Total Liabilities and Net Assets	<u>\$ 1,156,815</u>

See Notes to the Financial Statements

CLIMATE RESILIENT COMMUNITIES

Statement of Activities For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Individual	\$ 53,368	\$ 10,000	\$ 63,368
Foundation and corporate	595,787	488,500	1,084,287
Government	513,962		513,962
Total Support	1,163,117	498,500	1,661,617
Revenue			
Program service fees	320,879		320,879
Other revenue	1,343		1,343
Total Revenue	322,222	-	322,222
Support provided by expiring time and purpose restrictions	663,090	(663,090)	-
Total Support and Revenue	2,148,429	(164,590)	1,983,839
Expenses			
Program			
Adaptation	222,070		222,070
Homes	705,851		705,851
Education	134,362		134,362
Leadership	94,786		94,786
Disaster preparedness	105,248		105,248
Total Program	1,262,317		1,262,317
Management and general	276,294		276,294
Fundraising	229,041		229,041
Total Expenses	1,767,652	-	1,767,652
Change in Net Assets	380,777	(164,590)	216,187
Net Assets, beginning of year	163,230	600,673	763,903
Net Assets, end of year	\$ 544,007	\$ 436,083	\$ 980,090

See Notes to the Financial Statements

CLIMATE RESILIENT COMMUNITIES

Statement of Cash Flows For the Year Ended June 30, 2024

Cash flows from operating activities	
Change in net assets	\$ 216,187
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
Change in assets and liabilities:	
Accounts receivable	(64,198)
Contributions receivable	5,630
Government receivables	(49,519)
Prepaid expenses, supplies and other	225
Accounts payable and accrued expenses	99,781
Accrued paid time off	21,280
Net cash provided (used) by operating activities	<u>229,386</u>
Cash flows from investing activities	
Purchase of van	<u>(63,049)</u>
Net cash provided (used) by investing activities	<u>(63,049)</u>
Net change in cash and cash equivalents	166,337
Cash and cash equivalents, beginning of year	<u>489,277</u>
Cash and cash equivalents, end of year	<u>\$ 655,614</u>

See Notes to the Financial Statements

CLIMATE RESILIENT COMMUNITIES

Statement of Functional Expenses For the Year Ended June 30, 2024

	Program	Management and General	Fundraising	Total
Salaries	\$ 703,801	\$ 121,571	\$ 143,660	\$ 969,032
Retirement contributions	27,409	4,658	5,606	37,673
Other employee benefits	34,665	5,988	7,075	47,728
Payroll taxes	59,429	10,266	12,131	81,826
Total Personnel	825,304	142,483	168,472	1,136,259
Grants and awards	333	-	-	333
Fees for service	46,584	45,944	36,765	129,293
Advertising and promotion	433	8,069	5	8,507
Supplies and office expenses	9,022	24,812	3,560	37,394
Travel and meals	19,419	33,664	13,882	66,965
Occupancy	14,831	2,216	2,619	19,666
Events and meetings	165,055	1,172	3,738	169,965
Community partnerships	164,026	-	-	164,026
Insurance	-	9,842	-	9,842
Other expenses	17,310	8,092	-	25,402
Total Expenses	\$ 1,262,317	\$ 276,294	\$ 229,041	\$ 1,767,652

See Notes to the Financial Statements

CLIMATE RESILIENT COMMUNITIES

Notes to the Financial Statements For the Year Ended June 30, 2024

NOTE 1: NATURE OF ACTIVITIES

Climate Resilient Communities was first created as a program of the nonprofit Acterra, an organization with a 50-year history of building community-oriented solutions to environmental problems. At its inception, Climate Resilient Communities was a volunteer-driven commitment to helping residents reduce their energy costs, improve home health, and gain access to local resources like subsidized solar panels and home energy audits, and weatherization upgrades. “Our goal all along was to help build residents’ knowledge on conserving energy and water in the home, which makes both financial and environmental sense.”

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 financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor’s instructions.

The Organization’s unspent contributions are included in this class if the donor limited their use.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor-imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year.

CLIMATE RESILIENT COMMUNITIES

Notes to the Financial Statements For the Year Ended June 30, 2024

Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounting for Revenue

The Organization recognizes revenue as performance obligations are satisfied.

Revenue is recognized over time when any of the following conditions are met: The customer receives and consumes the benefits provided by the Organization's performance as the Organization performs; the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or the work does not create an asset with an alternative use to the Organization and the entity has a right to payment for performance completed to date.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met. Revenue from the sales of goods or merchandise is recognized at the point in time when the goods or merchandise are provided to the customer.

Accounts Receivable

Accounts receivable are unsecured non-interest bearing trade receivables. The Organization uses historical loss information adjusted for management's expectations about current and future economic conditions and the aging of receivables relative to expected payment dates as the basis to determine expected credit losses. If amounts become uncollectible, they are charged to the valuation allowance for credit losses if any, with any excess amounts charged to expense in the period in which that determination is made. The Organization considers all accounts receivable to be fully collectible at June 30, 2024. Accordingly, no allowance for doubtful accounts was deemed necessary. The Organization expects to collect all accounts receivable within one year.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization considers all contributions receivable to be fully collectible at June 30, 2024. 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.

Government Support and Receivables

A portion of the Organization's revenue is derived from cost-based agreements with governmental funders which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. The support from these agreements is classified as conditional and revenue and related receivables are recognized as the Organization incurs eligible expenditures. Funds received in advance of expenditure are reported as deferred revenue. The Organization had cost-reimbursable grants of approximately \$720,540 that have not been recognized as of June 30, 2024 because qualifying expenditures have not yet been incurred.

CLIMATE RESILIENT COMMUNITIES

Notes to the Financial Statements For the Year Ended June 30, 2024

Program Service Fees

Program service fees consisted of primarily fee for service contracts to provide habitat restoration, community engagement planning and support, project studies and other services. Payment schedules vary but are commonly on a net 30 basis following completion of related contract tasks though certain funders may take longer to pay. Where payments are tied to the completion of contracted tasks, program service fees are recognized upon completion of the related activities. Where payments are associated with general contract / project management and such payments may be recognized over the contract period by year if material.

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 IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of June 30, 2024 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 specialized skills, and would otherwise be purchased by the Organization.

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 and 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

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 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

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

Level 3 - Unobservable inputs for the assets or liability.

The Organization may use net asset values as a practical expedient to determine the fair value of investments which do not have readily determinable fair value or where detailed holding information is not available and which prepare their financial statements consistent with the

CLIMATE RESILIENT COMMUNITIES

Notes to the Financial Statements For the Year Ended June 30, 2024

measurement principles of an investment company or have the attributes of an investment company.

The Organization had no assets or liabilities recorded at fair value on June 30, 2024.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$2,500 straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Van	5 years
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Expenditures for major renewals and betterments that extend the useful lives of 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.

Leases

The Organization evaluates all contracts to determine if they contain a lease. For leases with terms greater than 12 months, the Organization records a right-of-use asset and lease obligation at the present value of lease payments over the term of the lease. The Organization expenses total lease costs on a straight-line basis over the related lease term. The Organization has elected to exclude leases that (a) have a lease term of 12 months or less and (b) do not contain a reasonably certain purchase option. The Organization has elected to combine non-lease components with related lease components unless non-lease components are billed separately. As the Organization's leases do not generally provide a readily determinable implicit interest rate, the Organization uses the risk-free rate commensurate with the respective terms of the leases to discount the lease payments. Total amounts paid on short-term leases of 12 months or less was \$16,680 for the year ended June 30, 2024.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Office expenses and supplies, insurance, and other expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred.

CLIMATE RESILIENT COMMUNITIES

Notes to the Financial Statements For the Year Ended June 30, 2024

All expenses and net losses are reported as decreases in net assets without donor restrictions.

Recent Accounting Pronouncements (CECL)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the probable incurred loss impairment methodology with a methodology that reflects expected credit losses on commitments to extend credit. The adoption of this update did not have a material impact on the Organization's financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of February 18, 2025, 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 van purchased at year end at a cost of \$63,049 with no material depreciation as of June 30, 2024.

NOTE 4: 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's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of June 30, 2024:

Resilient homes	\$ 22,500
Education	7,333
Time restricted	<u>406,250</u>
Total	<u>\$ 436,083</u>

NOTE 6: CONCENTRATIONS

Support and Revenue

During the year ended June 30, 2024, the Organization received approximately 26% of its support and revenue from three funders.

Contributions Receivable

Contributions receivable totaling 46% as of June 30, 2024 were due from a single foundation.

Concentration of Credit Risk – Bank Deposits

At times, the Organization had deposits in excess of federally insured limits of approximately \$405,614 as of June 30, 2024. The Organization may be subject to credit risk or delayed fund access for amounts in excess of insured limits in the event of bank failure.

CLIMATE RESILIENT COMMUNITIES

**Notes to the Financial Statements
For the Year Ended June 30, 2024**

NOTE 7: RETIREMENT PLAN

The Organization provides a 403(b) retirement plan upon hiring. The employees entered into the 403(b) with recommended 5% saving. The Organization will provide a match of 3% of employees' wages after the employee's introductory period. Contributions by the Organization were \$37,673 during the year ended June 30, 2024.

NOTE 8: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 include the following:

Cash and cash equivalents	\$ 655,614
Accounts receivable	134,820
Contributions receivable	163,500
Government receivables	125,838
Less purpose-restricted net assets	<u>(29,833)</u>
Total	<u>\$ 1,049,939</u>

The Organization's working capital and cash flows vary during the year based on the timing of grant awards and other factors. As part of the Organization's liquidity management plan, the Organization works to maintain cash sufficient to cover its operating needs.