THE REGENERATION PROJECT

FINANCIAL STATEMENTS

December 31, 2020

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2019)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

THE REGENERATION PROJECT

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Certified Public Accountants
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1970 Broadway Suite 930
Oakland, CA 94612
www.ckcpa.biz
510-835-2727

INDEPENDENT AUDITORS' 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, 2020, 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, 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.

Report on Summarized Comparative Information

We have previously audited The Regeneration Project's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby + Kaneda CPAs LLP

Oakland, California
June 29, 2021

THE REGENERATION PROJECT

Statement of Financial Position
December 31, 2020
(With Comparative Totals as of December 31, 2019)

	2020	2019
Assets		
Assets		
Cash and cash equivalents	$ 717,140	$ 728,902
Contributions receivable	152,521	301,358
Account receivable	3,583	-
Prepaid expenses and deposits	35,102	68,373
Property and equipment, net (Note 3)	1,773	3,486
Total Assets	$ 910,119	$ 1,102,119
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 54,181	$ 57,005
Grants payable	29,173	118,298
Accrued vacation	34,141	32,507
Total Liabilities	117,495	207,810
Net Assets		
Without donor restrictions	185,283	170,410
With donor restrictions (Note 6)	607,341	723,899
Total Net Assets	792,624	894,309
Total Liabilities and Net Assets	$ 910,119	$ 1,102,119

THE REGENERATION PROJECT

Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Support and Revenue				
Support				
Contributions	$ 269,686	$ 20,000	$ 289,686	$ 331,535
Foundation and corporate	35,000	890,000	925,000	1,209,800
Paycheck Protection Program (Note 9)		109,700	109,700	-
Government	21,774		21,774	184,559
Total Support	326,460	1,019,700	1,346,160	1,725,894
Revenue				
Program fees	1,439		1,439	10,052
Program materials	32,947		32,947	13,260
Sublet income, net (Note 4)	11,185		11,185	21,923
Interest and other	343		343	3,185
Total Revenue	45,914	-	45,914	48,420
Support provided by expiring time and purpose restrictions	1,136,258	(1,136,258)	-	-
Total Support and Revenue	1,508,632	(116,558)	1,392,074	1,774,314
Expenses				
Program	1,228,056		1,228,056	1,144,706
Management and general	116,473		116,473	112,959
Fundraising	149,230		149,230	132,818
Total Expenses	1,493,759	-	1,493,759	1,390,483
Change in net assets	14,873	(116,558)	(101,685)	383,831
Net Assets, beginning of year	170,410	723,899	894,309	510,478
Net Assets, end of year	$ 185,283	$ 607,341	$ 792,624	$ 894,309

THE REGENERATION PROJECT

Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (101,685)	$ 383,831
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	1,713	2,645
Change in assets and liabilities:		
Contributions receivable	148,837	67,539
Account receivable	(3,583)	
Prepaid expenses and deposits	33,271	(16,468)
Accounts payable and accrued expenses	(2,824)	34,140
Accrued vacation	1,634	(2,367)
Grants payable	(89,125)	11,333
Net cash provided (used) by operating activities	(11,762)	480,653
Net change in cash and cash equivalents	(11,762)	480,653
Cash and cash equivalents, beginning of year	728,902	248,249
Cash and cash equivalents, end of year	$ 717,140	$ 728,902

THE REGENERATION PROJECT

Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Program	Managerment and General	Fundraising	Total 2020	Total 2019
Salaries	$ 450,066	$ 17,513	$ 98,655	$ 566,234	$ 545,151
Retirement contribution	13,175	168	1,946	15,289	15,023
Other employee benefits	44,810	447	4,718	49,975	49,861
Payroll taxes	33,910	1,325	7,510	42,745	42,700
Total Personnel	541,961	19,453	112,829	674,243	652,735
Grants	261,665	-	-	261,665	275,806
Contract services	255,248	87,356	7,400	350,004	163,079
Insurance	3,109	51	285	3,445	2,824
Occupancy	77,104	4,334	13,004	94,442	135,744
Supplies and office expense	27,618	4,541	3,597	35,756	45,932
Printing and publications	19,449	-	8,347	27,796	9,740
Travel	2,400	-	-	2,400	24,625
Depreciation	1,362	53	298	1,713	2,645
Advertising and promotion	5,808	-	-	5,808	4,007
Information technology	25,980	685	3,440	30,105	26,079
Conferences and events	6,352	-	30	6,382	47,267
Expense by function	1,228,056	116,473	149,230	1,493,759	1,390,483
Expenses reported on a net basis on statement of activities					
Sublet occupancy expenses	-	106,047	-	106,047	59,124
Total Expenses	$ 1,228,056	$ 222,520	$ 149,230	$ 1,599,806	$ 1,449,607

See Notes to the Financial Statements

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).

Net Assets

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. There were no restrictions of this nature as of December 31, 2020.

The Organization's unspent contributions are included in this class if the donor limited their use, as are any donor-restricted endowment funds.

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 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. 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 over time for cost reimbursement contracts as eligible expenses are incurred if other conditions of the contract are satisfied. Revenue from agreements that include milestones and milestone payments are recognized over time as milestones are reached. Revenue from agreements based on hourly rates are recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such progress. If the Organization's efforts are expended evenly throughout the performance period the Organization may recognize revenue on a straight-line basis over such a period.

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 are recognized at the point in time when the goods or merchandise are provided to the customer.

The Organization tracks contract assets representing earned amounts that are not yet receivable separately from accounts receivable, if any. As a practical expedient the Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless related to a donor specified restriction for a particular purpose or future period.

Program Fees

Program fees consist of fees received from State IPL chapters for use of certain program resources including technology resources. The Organization recognizes revenue based on the related period of performance for services provided.

Program Materials

Revenue from program materials consists primarily of amounts received from the Organization's Shopify web store which sells a variety of items including seed kits, faith climate action week kits, books, DVDs and other items. The Organization recognizes revenue from the sales of such items at the point in time that the items are sold. Expenses for these materials are reported with other program expenses in the Organization's statement of functional expense.

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 December 31, 2020 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, 2020.

Contributions Receivable

Contributions 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 has evaluated the value of the discount and concluded that it was not material for recognition. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donor indicates that payment is merely postponed. The Organization considers all contributions receivable to be fully collectible at December 31, 2020. 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.

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 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.

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, 2020.

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; 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

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.

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 functional areas of responsibility for program staff, hourly tracking by functional area for support staff, and semi-annual time studies 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.

Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis salary expenditures 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. In the few cases in which it does, such as when the annual report or donor acknowledgments contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

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

Changes in Accounting Principles

The Organization adopted *ASU 2014-09 – Revenue from Contracts with Customers (Topic 606)* during the year ended December 31, 2020. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 did not result in a material change to timing of when revenue is recognized.

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, 2019, 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.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2020	2019
Computers and equipment	$ 27,809	$ 28,949
Less accumulated depreciation	(26,036)	(25,463)
Total	$ 1,773	$ 3,486

Notes to the Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

NOTE 4: COMMITMENTS

Operating Leases

The Organization leases office space in San Francisco and Oakland under leases which expire in August 2020 and July 2023, respectively. Minimum lease payments are as follows for the years ending December 31:

2021	$ 87,799
2022	90,433
2023	54,335
Total	$ 232,567

Rent for the years ended December 31, 2020 and 2019 was $94,442 and $135,745, respectively.

Sublease

Beginning in September 2019, the Organization leased its San Francisco office to a private business on a lease that ends in August 2020. For the year ended December 31, 2020 the Organization received sublease rental income as follows:

Other rental income	$ 117,232
Less expenses for other rental income	(106,047)
Total	$ 11,185

NOTE 5: CONTINGENCIES

Grant Awards

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.

Sabbatical

The Organization may offer at its discretion a 10-week sabbatical after 7 years of service to eligible staff. Given the small size of the Organization and the discretion management retains in approving a sabbatical no reasonable estimate of future sabbatical expenses is available.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31:

	2020	2019
Specific purposes	$ 34,841	$ 91,718
CA Interfaith Power & Light	35,000	78,014
Future operations	537,500	554,167
Total	$ 607,341	$ 723,899

NOTE 7: RETIREMENT PLAN

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 2020 and 2019 were $15,289 and $15,023, respectively.

NOTE 8: CONCENTRATIONS

Grants Receivable

As of December 31, 2020 46% of grants receivable consisted of a receivable from one funder.

Support and Revenue

Approximately 40% of total support and revenue received as of December 31, 2020 was from two foundations.

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.

NOTE 9: PAYCHECK PROTECTION LOAN (PPP)

The Organization received a $109,700 paycheck protection program (PPP) loan bearing interest of 1% with a maturity date of May 2022. The Organization expects to meet the PPP's eligibility criteria and concludes that the loan represents, in substance, funding from a governmental assistance program. The Organization accounts for such funding in accordance with *FASB ASC 958-605* as support based on compliance with program terms and allocation of eligible costs to this funding.

Guidance related to this program is evolving. The SBA reserves the right to audit any forgiveness granted, and such audit activity, if any, may result in changes to amounts forgiven or a requirement to return funds received under the program.

NOTE 10: AFFILIATES

The Organization collaborates with affiliates in states outside of California to assist the Organization in carrying out its programs. Affiliates are independent 501(c)3 Organizations with independent boards of directors. Two board members of the Organization serve in management positions with affiliates which may receive challenge grants or other support. The two board members do not serve on the grant committee.

NOTE 11: RELATED PARTY ACTIVITIES

The Organization entered into a contract with a board member of the Organization to provide speaking engagements. The Organization paid $3,000 and $10,000 for these services during the years ended December 31, 2020 and 2019, respectively.

Notes to the Financial Statements
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

NOTE 12: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 are:

Cash and cash equivalents	$ 717,140
Contributions receivable	152,521
Accounts receivable	3,583
Less purpose and CA IPL restricted net assets	(69,841)
Total	$ 803,403

The Organization's working capital and cash flows vary during the year based on the timing of grant awards. Available liquid assets include both funds without donor restrictions and those with donor time restrictions available for use within one year. As part of the Organization's liquidity management plan, the Organization invests cash in excess of immediate requirements in savings or money market accounts.

NOTE 13: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of June 29, 2021, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Public Health Order – Coronavirus

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic and the Organization and the area it operates in was subject to a public health order related to COVID-19 coronavirus which affected activities of the Organization. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations and workforce.

Paycheck Protection Program – Second Round

In March 2021, the Organization received an additional Paycheck Protection Program loan of $116,700. The Organization expects to apply for forgiveness of this loan balance once eligible costs have been incurred.