

CONSERVATION CORPS NORTH BAY, INC.

Financial Statements

Year ended June 30, 2018

with

Report of Independent Auditors



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Report of Independent Auditors

Board of Directors
Conservation Corps North Bay, Inc.

We have audited the accompanying financial statements of Conservation Corps North Bay, Inc. (CCNB) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Responsibility of Management for the Financial Statements

The management of CCNB 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.

Responsibility of the Auditor

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, we consider the internal control of CCNB relevant to the their preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal control of CCNB. 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 CCNB as of June 30, 2018, 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 financial statements of CCNB as of and for the year ended June 30, 2017, and we expressed an unmodified audit opinion on those financial statements in our report dated December 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which CCNB derived it.

WMB

WMB², LLP
Larkspur, CA
February 19, 2019

CONSERVATION CORPS NORTH BAY, INC.
Statements of Financial Position
June 30, 2018 and 2017

| Assets | 2018 | 2017 |
|---|--------------|--------------|
| Current assets | | |
| Cash | \$ 139,022 | \$ 67,120 |
| Government grants and contracts receivable | | |
| CA Department of Resources Recycling & Recovery | 274,644 | 472,545 |
| Other government grants and contracts | 104,971 | 24,750 |
| Fee for service contracts receivable | 321,251 | 374,027 |
| Other receivables | 26,234 | 35,346 |
| Prepaid expenses | 53,246 | 74,729 |
| Total current assets | 919,368 | 1,048,517 |
| Property and equipment, at cost | | |
| Land | 1,933,550 | 1,933,550 |
| Building and improvements | 4,280,224 | 4,280,224 |
| Furniture and equipment | 699,094 | 699,094 |
| Vehicles | 1,491,470 | 1,555,602 |
| | 8,404,338 | 8,468,470 |
| Accumulated depreciation | (3,951,699) | (3,754,131) |
| Property and equipment, net | 4,452,639 | 4,714,339 |
| Other assets | | |
| Deposits | 20,383 | 21,817 |
| Total assets | \$ 5,392,390 | \$ 5,784,673 |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Bank line of credit | \$ 600,000 | \$ 495,000 |
| Accounts payable | 266,327 | 127,559 |
| Accrued expenses | 215,632 | 243,419 |
| Grant advances | 212,424 | 226,304 |
| Deferred revenue | 2,363 | 1,864 |
| Notes payable due within one year | 59,427 | 56,782 |
| Total current liabilities | 1,356,173 | 1,150,928 |
| Notes payable | 1,395,603 | 1,453,751 |
| Total liabilities | 2,751,776 | 2,604,679 |
| Net assets | | |
| Unrestricted | 2,608,586 | 3,110,844 |
| Temporarily restricted | 32,028 | 69,150 |
| Total net assets | 2,640,614 | 3,179,994 |
| Total liabilities and net assets | \$ 5,392,390 | \$ 5,784,673 |

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.
Statement of Activities and Changes in Net Assets
Year ended June 30, 2018 with comparative totals only for the year ended June 30, 2017

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>2018 Totals</u> | <u>2017 Totals</u> |
|---|---------------------|-----------------------------------|------------------------|------------------------|
| Support and revenues | | | | |
| Government grants and contracts | | | | |
| CA Department of Resources Recycling & Recovery | \$ 1,724,777 | \$ - | \$ 1,724,777 | \$ 1,887,313 |
| Human Services Department, County of Sonoma | 618,434 | - | 618,434 | 334,945 |
| Other government grants and contracts | 595,678 | - | 595,678 | 533,914 |
| Fee for service contracts | 1,981,161 | - | 1,981,161 | 1,840,593 |
| General and other public assistance | 276,290 | 134,500 | 410,790 | 442,320 |
| Rental income | 40,590 | - | 40,590 | 59,277 |
| Interest and other income | 46,996 | - | 46,996 | 63,537 |
| Net assets released from donor restrictions | 171,622 | (171,622) | - | - |
| Total support and revenues | <u>5,455,548</u> | <u>(37,122)</u> | <u>5,418,426</u> | <u>5,161,899</u> |
| Expenses | | | | |
| Program services | 4,273,159 | - | 4,273,159 | 3,774,267 |
| General and administrative | 1,478,310 | - | 1,478,310 | 1,337,754 |
| Fundraising and development | 206,337 | - | 206,337 | 269,792 |
| Total expenses | <u>5,957,806</u> | <u>-</u> | <u>5,957,806</u> | <u>5,381,813</u> |
| Change in net assets | (502,258) | (37,122) | (539,380) | (219,914) |
| Net assets, beginning of year | <u>3,110,844</u> | <u>69,150</u> | <u>3,179,994</u> | <u>3,399,908</u> |
| Net assets, end of year | <u>\$ 2,608,586</u> | <u>\$ 32,028</u> | <u>\$ 2,640,614</u> | <u>\$ 3,179,994</u> |

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.

Statement of Functional Expenses

Year ended June 30, 2018 with comparative totals only for the year ended June 30, 2017

| | Program services | General and administrative | Fundraising and development | 2018 Totals | 2017 Totals |
|--|---------------------|-------------------------------|-----------------------------------|---------------------|---------------------|
| Salaries and wages | \$ 2,720,718 | \$ 752,200 | \$ 122,499 | \$ 3,595,417 | \$ 3,202,176 |
| Payroll taxes | 209,823 | 55,479 | 9,449 | 274,751 | 267,664 |
| Pension plan contributions | 20,854 | 8,404 | 1,755 | 31,013 | 29,716 |
| Other employee benefits | 420,770 | 100,113 | 7,741 | 528,624 | 508,979 |
| Computer expenses | 5,410 | 19,431 | 6,563 | 31,404 | 48,518 |
| Conferences, conventions, and meetings | 97 | 1,446 | - | 1,543 | 2,387 |
| Crew equipment and supplies | 209,954 | 2,635 | 41 | 212,630 | 173,302 |
| Dues and subscriptions | 250 | 26,754 | 393 | 27,397 | 27,906 |
| Equipment rental and maintenance | 8,123 | 3,892 | 310 | 12,325 | 11,834 |
| Fund development/community outreach | 1,499 | 262 | 30,382 | 32,143 | 67,567 |
| Instruction expenses | 22,600 | 30 | - | 22,630 | 20,187 |
| Insurance | - | 57,495 | - | 57,495 | 56,612 |
| Office equipment and supplies | 2,207 | 7,336 | 420 | 9,963 | 9,472 |
| Postage and shipping | 100 | 3,798 | 1,570 | 5,468 | 6,528 |
| Printing and publications | 652 | 1,891 | 137 | 2,680 | 2,911 |
| Professional services | 75,482 | 126,737 | 13,803 | 216,022 | 124,238 |
| Recruitment and staff development | 20,874 | 11,940 | 2,718 | 35,532 | 37,193 |
| Rent, utilities and maintenance | 133,039 | 53,666 | 3,783 | 190,488 | 152,480 |
| Taxes, licenses and fees | 1,817 | 1,449 | - | 3,266 | 3,814 |
| Telephone | 53,945 | 12,010 | 693 | 66,648 | 54,033 |
| Travel and transportation | 217,534 | 8,229 | 183 | 225,946 | 212,542 |
| Interest | 54,538 | 54,286 | 3,897 | 112,721 | 104,731 |
| Depreciation | 92,873 | 168,827 | - | 261,700 | 257,023 |
| Total expenses | <u>\$ 4,273,159</u> | <u>\$ 1,478,310</u> | <u>\$ 206,337</u> | <u>\$ 5,957,806</u> | <u>\$ 5,381,813</u> |

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.
Statements of Cash Flows
Year ended June 30, 2018 and 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (539,380) | \$ (219,914) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 261,700 | 257,023 |
| Gain on disposal of property and equipment | (17,200) | (9,323) |
| Changes in: | | |
| Grants and contracts receivable | 117,680 | 176,388 |
| Accounts and other receivables | 61,888 | (42,590) |
| Prepaid expenses and deposits | 22,917 | (61,398) |
| Accounts payable | 138,768 | 3,978 |
| Accrued liabilities | (27,787) | 26,924 |
| Grant advances | (13,880) | 190,173 |
| Deferred revenue | 499 | - |
| Net cash provided by operating activities | 5,205 | 321,261 |
| Cash flows from investing activities | | |
| Proceeds from disposal of property and equipment | 17,200 | 12,100 |
| Purchase of property and equipment | - | (206,264) |
| Net cash provided (used) by investing activities | 17,200 | (194,164) |
| Cash flows from financing activities | | |
| Advance from bank credit line | 675,000 | 437,659 |
| Principal payments on bank credit line | (570,000) | (591,321) |
| Principal payments on notes payable | (55,503) | (54,246) |
| Net cash provided (used) by financing activities | 49,497 | (207,908) |
| Increase (decrease) in cash | 71,902 | (80,811) |
| Cash, beginning of year | 67,120 | 147,931 |
| Cash, end of year | \$ 139,022 | \$ 67,120 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 92,146 | \$ 93,403 |

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2018

Note 1 – Nature of activities

Organization

Conservation Corps North Bay, Inc. (CCNB) is a non-profit California corporation formed in 1982 to provide employment, vocational training, job placement and career counseling to youth in Marin and Sonoma Counties through work projects designed to maintain and protect natural resources.

CCNB's mission is to develop youth and conserve natural resources for a strong, sustainable community.

CCNB achieves its mission by:

- Providing a diverse group of youth and young adults with opportunities to transform their lives through education, employability, civic engagement and leadership.
- Caring for our environment by conserving and restoring natural resources and by improving recreational and public areas.
- Creating the environmental leaders of the future by teaching environmental ethics and behaviors to children, teens and adults.
- Making communities safer by reducing hazards and by responding to public emergencies and disasters.

Note 2 – Summary of significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). CCNB records revenues when earned and expenses when incurring the related obligation. CCNB recognizes revenues from reimbursable cost contracts when incurring the related expenses.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2018

Note 2 – Summary of significant accounting policies (continued)

Basis of presentation

Certain support for the programs of CCNB may be directed by the donors to specific periods or programs. CCNB classifies such amounts as temporarily restricted revenues and net assets in the accompanying financial statements. When donor restrictions expire or are otherwise met, CCNB reclassifies temporarily restricted net assets as unrestricted net assets under the heading “net assets released from restrictions” in the statement of activities and changes in net assets.

Cash

Cash consist principally of amounts on deposit with a commercial bank, available on demand.

Receivables

Receivables, all due within one year, consist principally of amounts due from various cost-reimbursement government grants and contracts, various fee for service contracts and other receivables.

Allowance for uncollectible receivables

CCNB uses the allowance method to account for uncollectible receivables. Under this method, CCNB reviews all receivables for any problems with collectability. If CCNB feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. At June 30, 2018 and 2017, CCNB concluded that an allowance for doubtful accounts was not material to its financial position.

Property and equipment

Property and equipment with an initial cost of \$2,500 or more acquired by purchase are stated at cost. Property and equipment acquired by donation are stated at estimated value. Property and equipment additions of less than \$2,500 are expensed. CCNB calculates depreciation (except on land) using the straight-line method over the estimated useful lives of the property and equipment.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2018

Note 2 – Summary of significant accounting policies (continued)

Grants advances

Grants advances consist of amounts advanced or drawn down under cost reimbursement grants that exceed costs incurred.

Deferred revenue

Deferred revenue consists of amounts advanced or drawn down under fee-for service contracts that exceed revenue earned.

Revenue recognition

Government grants and contracts are conditional cost-reimbursement contracts. CCNB does not recognize support from these contracts until it fulfills the condition; generally, by expending costs and performing services to accomplish the requirements of the contracts.

Fee for service contracts are cost-reimbursement contracts. CCNB does not recognize revenue from these contracts until the job has been completed.

Income taxes

CCNB has been advised by governmental authorities that it is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue and Taxation Code of the State of California. CCNB has been classified as other than a private foundation under Internal Revenue Codes Section 509(a)(1). Accordingly, donors are entitled to the maximum charitable contribution allowed by law. The management of CCNB believes that no activities of CCNB jeopardized its exemption from income taxes or its classification as a "public charity." Consequently, CCNB provided no income tax provision herein.

The management of CCNB is required to report information regarding its exposure to various tax positions taken by CCNB and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold.

CONSERVATION CORPS NORTH BAY, INC.

Notes to Financial Statements

June 30, 2018

Note 2 – Summary of significant accounting policies (continued)

Income taxes (continued)

Management believes that the organization has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2014 to 2017 are open for examination by the Internal Revenue Service and years 2013 to 2017 by the California Franchise Tax Board.

Allocation of indirect costs

CCNB summarizes the costs of its activities on a functional basis. CCNB allocates direct costs of its various program and supporting services to the activity benefited. CCNB estimates the allocation on indirect costs on the basis total wages and benefit expenses.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Prior year summarized comparative information

The financial statements and certain notes include certain prior year summarized comparative information in total, but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S GAAP. Accordingly, such information should be read in conjunction with CCNB's financial statements for the year ended June 30, 2017, from which the summarized information was derived. CCNB reclassified prior year amounts to conform to the current year presentation.

Subsequent events

CCNB evaluated subsequent events for recognition and disclosure through February 19, 2019, the date financial statements were available for issuance.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2018

Note 3 – Bank line of credit

CCNB has available a revolving line of credit in the amount of \$600,000 from a commercial bank. Of the amount available, \$600,000 was due at June 30, 2018 and \$495,000 was due at June 30, 2017. The line of credit is secured by accounts receivable and a deed of trust on real property owned by CCNB. The credit line is subject to annual renewal by the bank. Interest on amounts borrowed is due monthly at the bank's index rate plus 1.75 percent (5.00 percent index rate at June 30, 2018). CCNB had a second line of credit that was paid off during the year ended June 30, 2018.

Note 4 – Employee benefit plan

CCNB offers a 401(k) plan (Plan) for the benefit of its employees. The Plan allows for employee elective contributions. After 1 year of employment of at least 1,000 hours, CCNB contributes the equivalent of 2% of employees' gross wages to the Plan. The employer contributions are vested at 20% after 1 year of employment, 50% after 2 years of employment, and 100% after 3 years of employment. CCNB incurred employer contributions expenses during the years ended June 30, 2018 and 2017, totaling \$31,013 and \$29,716, respectively.

Note 5 – Notes payable

CCNB has three mortgage notes payable to Bank of Marin in the amounts of \$345,637, \$931,133 and \$178,260. The notes are secured by deeds of trust on real property owned by CCNB. Interest on the second note is fixed at 4.5%. Interest on the first and third notes is based on the 5 year Treasury Constant Maturity published by the Federal Reserve plus 3.65 percent (2.63 percent 5 year Treasury Constant Maturity Rate at June 30, 2018). The first note requires monthly payments of \$2,668, including interest, with a lump sum final payment due on April 15, 2023. The second note requires monthly payments of \$6,330, including interest, with a lump sum final payment due on February 5, 2021. The third note requires monthly payments of \$1,379, including interest, with a lump sum final payment due on April 15, 2023.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2018

Note 5 – Notes payable (continued)

Scheduled principal payment under the notes payable for the years ending June 30 is as follows:

| | | |
|-----------|--|-------------------------|
| 2019 | | \$ 49,825 |
| 2020 | | 54,384 |
| 2021 | | 881,315 |
| 2022 | | 21,347 |
| 2023 | | <u>448,159</u> |
| Total | | <u>\$ 1,455,030</u> |

Note 6 – Risks, uncertainties and concentrations

At various times during the years ended June 30, 2018 and 2017, CCNB had deposits with a single commercial bank in excess of FDIC insured limits.

Accounts receivable are subject to collection risk. Collection risk is the probability that the financial condition or other circumstances of a donor or contractor may change, reducing or eliminating the subsequent collection of accounts receivable.

CCNB is primarily supported by government grants and contracts, which in the years ended June 30, 2018 and 2017, were approximately 54% and 53% respectively, of total revenue. The contracts are subject to annual renewal. A significant reduction in the level of contract support, if this were to occur without replacement from other revenues and support, could adversely affect the extent of CCNB's programs and activities.

CCNB has received support that may be subject to audit or review by the grantor agencies. Management believes that CCNB has complied with all aspects of grant and contract provisions and disallowed costs, if any, would be insignificant to its financial position.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2018

Note 7 – Temporarily restricted net assets

Temporarily restricted net assets consist of the following.

| | 2017 | Additions | Releases | 2018 |
|--|------------------|-------------------|---------------------|------------------|
| <u>Program Restrictions</u> | | | | |
| <u>Corpsmember Development</u> | | | | |
| Rockefeller Philanthropy Advisors | \$ - | \$ 45,000 | \$ (22,472) | \$ 22,528 |
| Marin Community Foundation (Buck Trust) | 8,854 | 75,000 | (83,854) | - |
| Mary M. Wiebusch | 1,000 | - | (1,000) | - |
| Speedway Children's Charities | - | 9,500 | - | 9,500 |
| Wells Fargo Foundation | 2,500 | - | (2,500) | - |
| Miscellaneous Small | 2,382 | - | (2,382) | - |
| <u>Indian Valley Organic Farm & Garden</u> | | | | |
| The Christensen Fund | 6,414 | - | (6,414) | - |
| The J.M. Long Foundation | 10,000 | - | (10,000) | - |
| <u>Natural Resource Projects & Equipment</u> | | | | |
| Sonoma County Wine | 10,000 | 5,000 | (15,000) | - |
| Miscellaneous Small | 3,000 | - | (3,000) | - |
| <u>Building Maintenance</u> | | | | |
| The Bothin Foundation | 25,000 | - | (25,000) | - |
| Total program restricted net assets | 69,150 | 134,500 | (171,622) | 32,028 |
| <u>Time Restrictions</u> | | | | |
| Total temporarily restricted net assets | \$ 69,150 | \$ 134,500 | \$ (171,622) | \$ 32,028 |

Note 8 – Rental income

CCNB rents classroom and educational space to John Muir Charter School in order to provide education to CCNB high school students. The lease agreement is subject to annual renewal. Required future minimum rental payment for the year ended June 30, 2019 is \$49,730.