

CONSERVATION CORPS NORTH BAY, INC.

Financial Statements

Year ended June 30, 2019

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, 2019, 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, 2019, 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, 2018, and we expressed an unmodified audit opinion on those financial statements in our report dated February 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which CCNB derived it.

WMA²

WMB², LLP
Larkspur, CA
January 28, 2020

CONSERVATION CORPS NORTH BAY, INC.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash	\$ 36,049	\$ 139,022
Government grants and contracts receivable		
CA Department of Resources Recycling & Recovery	310,837	274,644
California Conservation Corps	147,086	-
Human Services Department, County of Sonoma	85,383	-
Other government grants and contracts	-	104,971
Fee for service contracts receivable	456,997	321,251
Other receivables	128,296	26,234
Prepaid expenses	50,996	53,246
	1,215,644	919,368
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	1,455,363	1,491,470
	8,368,231	8,404,338
Accumulated depreciation	(4,107,161)	(3,951,699)
Property and equipment, net	4,261,070	4,452,639
Other assets		
Deposits	20,383	20,383
	20,383	20,383
Total assets	\$ 5,497,097	\$ 5,392,390
Liabilities and Net Assets		
Current liabilities		
Bank line of credit	\$ 300,000	\$ 600,000
Accounts payable	263,147	266,327
Accrued expenses	231,887	215,632
Grant advances	171,760	212,424
Deferred revenue	-	2,363
Notes payable due within one year	49,022	59,427
	1,015,816	1,356,173
Total current liabilities	1,015,816	1,356,173
Notes payable	1,764,635	1,395,603
Total liabilities	2,780,451	2,751,776
Net assets		
Without donor restrictions	2,594,405	2,608,586
With donor restrictions	122,241	32,028
	2,716,646	2,640,614
Total net assets	2,716,646	2,640,614
Total liabilities and net assets	\$ 5,497,097	\$ 5,392,390

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.
Statement of Activities and Changes in Net Assets
Year ended June 30, 2019 with comparative totals only for the year ended June 30, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
Support and revenues				
Government grants and contracts				
CA Department of Resources Recycling & Recovery	\$ 1,731,997	\$ -	\$ 1,731,997	\$ 1,724,777
Human Services Department, County of Sonoma	644,178	-	644,178	618,434
California Conservation Corps	337,638	-	337,638	50,646
Other government grants and contracts	172,623	-	172,623	545,032
Fee for service contracts	2,218,490	-	2,218,490	1,981,161
General and other public assistance	573,191	392,000	965,191	410,790
Rental income	64,040	-	64,040	40,590
Interest and other income	49,636	-	49,636	46,996
Net assets released from donor restrictions	<u>301,787</u>	<u>(301,787)</u>	<u>-</u>	<u>-</u>
Total support and revenues	6,093,580	90,213	6,183,793	5,418,426
Expenses				
Program services	4,245,524	-	4,245,524	4,273,159
General and administrative	1,625,647	-	1,625,647	1,478,310
Fundraising and development	<u>236,590</u>	<u>-</u>	<u>236,590</u>	<u>206,337</u>
Total expenses	<u>6,107,761</u>	<u>-</u>	<u>6,107,761</u>	<u>5,957,806</u>
Change in net assets	(14,181)	90,213	76,032	(539,380)
Net assets, beginning of year	<u>2,608,586</u>	<u>32,028</u>	<u>2,640,614</u>	<u>3,179,994</u>
Net assets, end of year	<u>\$ 2,594,405</u>	<u>\$ 122,241</u>	<u>\$ 2,716,646</u>	<u>\$ 2,640,614</u>

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.

Statement of Functional Expenses

Year ended June 30, 2019 with comparative totals only for the year ended June 30, 2018

	Program services	General and administrative	Fundraising and development	2019 Totals	2018 Totals
Salaries and wages	\$ 2,875,917	\$ 691,965	\$ 123,328	\$ 3,691,210	\$ 3,595,417
Payroll taxes	239,053	58,111	11,375	308,539	274,751
Pension plan contributions	28,893	10,230	1,539	40,662	31,013
Other employee benefits	376,563	74,850	3,110	454,523	528,624
Bad debt	3,000	-	-	3,000	-
Computer expenses	4,625	23,565	2,524	30,714	31,404
Conferences, conventions, and meetings	-	603	292	895	1,543
Crew equipment and supplies	175,668	-	-	175,668	212,630
Depreciation	100,708	169,210	-	269,918	261,700
Dues and subscriptions	530	20,929	1,327	22,786	27,397
Equipment rental and maintenance	6,743	5,192	270	12,205	12,325
Fund development/community outreach	3,355	175	41,423	44,953	32,143
Interest	-	133,677	-	133,677	112,721
Instruction expenses	30,209	4,083	367	34,659	22,630
Insurance	40,869	98,242	221	139,332	128,002
Office equipment and supplies	2,048	8,085	884	11,017	9,963
Postage and shipping	84	843	729	1,656	5,468
Printing and publications	-	535	3,996	4,531	2,680
Professional services	53,188	108,082	36,913	198,183	216,022
Recruitment and staff development	21,623	19,691	2,018	43,332	35,532
Staff travel	10,814	1,230	267	12,311	15,675
Taxes, licenses and fees	-	7,444	-	7,444	3,266
Telephone	2,730	68,535	1,700	72,965	66,648
Utilities and maintenance	68,255	98,306	4,307	170,868	160,353
Vehicle repair and maintenance	200,649	22,064	-	222,713	169,899
Total expenses	\$ 4,245,524	\$ 1,625,647	\$ 236,590	\$ 6,107,761	\$ 5,957,806

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.
Statements of Cash Flows
Year ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 76,032	\$ (539,380)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	269,918	261,700
Gain on disposal of property and equipment	(300)	(17,200)
Changes in:		
Grants and contracts receivable	(163,691)	117,680
Accounts and other receivables	(237,808)	61,888
Prepaid expenses and deposits	2,250	22,917
Accounts payable	(3,180)	138,768
Accrued liabilities	16,255	(27,787)
Grant advances	(40,664)	(13,880)
Deferred revenue	(2,363)	499
Net cash provided (used) by operating activities	(83,551)	5,205
Cash flows from investing activities		
Proceeds from disposal of property and equipment	300	17,200
Purchase of property and equipment	(78,349)	-
Net cash provided (used) by investing activities	(78,049)	17,200
Cash flows from financing activities		
Advance from bank credit line	894,445	675,000
Principal payments on bank credit line	(1,194,445)	(570,000)
Proceeds from notes payable	920,000	-
Principal payments on notes payable	(561,373)	(55,503)
Net cash provided by financing activities	58,627	49,497
Increase (decrease) in cash	(102,973)	71,902
Cash, beginning of year	139,022	67,120
Cash, end of year	\$ 36,049	\$ 139,022
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 115,582	\$ 92,146

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2019

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

Recent accounting pronouncement

Effective July 1, 2018, CCNB adopted FASB ASU 2016-14 *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not for Profit Entities*. The new pronouncement changed the presentation of certain information in the financial statements and footnote disclosures.

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, 2019

Note 2 – Summary of significant accounting policies (continued)

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2019

Note 2 – Summary of significant accounting policies (continued)

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, 2019 and 2018, 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.

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.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2019

Note 2 – Summary of significant accounting policies (continued)

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.

Management believes that the organization has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2015 to 2018 are open for examination by the Internal Revenue Service and years 2014 to 2018 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.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2019

Note 2 – Summary of significant accounting policies (continued)

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, 2018, 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 January 28, 2020, the date financial statements were available for issuance. Management has concluded that no material subsequent events occurred since June 30, 2019 that requires recognition or disclosure.

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, \$300,000 was due at June 30, 2019 and \$600,000 was due at June 30, 2018. 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 1.00 percent (5.50 percent index rate at June 30, 2019).

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, 2019 and 2018, totaling \$40,662 and \$31,013, respectively.

CONSERVATION CORPS NORTH BAY, INC.

Notes to Financial Statements

June 30, 2019

Note 5 – Notes payable

CCNB has two mortgage notes payable to Bank of Marin in the amounts of \$896,949 and \$916,708. Interest on the first note is fixed at 4.5%. Interest on the second note is based on the 5 year Treasury Constant Maturity published by the Federal Reserve plus 2.5 percent (2.49 percent 5 year Treasury Constant Maturity Rate at June 30, 2019), adjusted if necessary, for the minimum rate limitation of the loan set at 5.05%. The first note requires monthly payments of \$6,330, including interest, with a lump sum final payment due on February 5, 2021. The second note requires monthly payments of \$5,009, including interest, with a lump sum final payment due on April 5, 2029. Both notes are secured by deeds of trust on real property owned by CCNB.

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

2020	\$ 49,022
2021	875,461
2022	14,922
2023	15,705
2024	16,407
Thereafter	<u>842,140</u>
Total	<u>\$ 1,813,657</u>

Note 6 – Risks, uncertainties and concentrations

At various times during the years ended June 30, 2019 and 2018, 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.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2019

Note 6 – Risks, uncertainties and concentrations (continued)

CCNB is primarily supported by government grants and contracts, which in the years ended June 30, 2019 and 2018, were approximately 47% and 54% 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.

Note 7 – Net assets with donor restrictions

As of and during the year ended June 30, 2019, net assets with donor restrictions reconciled as follows:

	2018	Additions	Releases	2019
<u>Program Restrictions</u>				
<u>Corpsmember Development</u>				
Kimball Foundation	\$ -	\$ 100,000	\$ (50,000)	\$ 50,000
Marin Community Foundation	-	192,000	(192,000)	-
REDF	-	100,000	(27,759)	72,241
Rockefeller Philanthropy Advisors	22,528	-	(22,528)	-
Speedway Children's Charities	9,500	-	(9,500)	-
Total program restricted net assets	32,028	392,000	(301,787)	122,241
<u>Time Restrictions</u>				
	-	-	-	-
Total	\$ 32,028	\$ 392,000	\$ (301,787)	\$ 122,241

CONSERVATION CORPS NORTH BAY, INC.

Notes to Financial Statements

June 30, 2019

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, 2020 is \$15,000.

Note 9 – Liquidity and availability of financial assets

The following reflects CCNB's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

Financial assets, at year end:	
Cash and cash equivalents	\$ 36,049
Receivables	<u>1,128,599</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,164,648</u>