

CONSERVATION CORPS NORTH BAY, INC.

Financial Statements

Year ended June 30, 2022

with

Report of Independent Auditors



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Report of Independent Auditors

Board of Directors
Conservation Corps North Bay, Inc.

Opinion

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, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCNB as of June 30, 2022, 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.

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 CCNB 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 CCNB's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 CCNB'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 CCNB'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.

Report on Summarized Comparative Information

We have previously audited the financial statements of CCNB as of and for the year ended June 30, 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which the information was derived.

WMB², LLP

WMB, LLP
Larkspur, California
December 20, 2022

CONSERVATION CORPS NORTH BAY, INC.
Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current assets		
Cash	\$ 83,914	\$ 445,809
Receivables		
Government grants and contracts	991,431	982,725
Fee for service	751,133	305,591
Other	75,273	9,772
Prepaid expenses	59,396	47,453
Total current assets	1,961,147	1,791,350
Property and equipment, at cost		
Land	1,933,550	1,933,550
Building and improvements	5,091,233	5,044,812
Furniture and equipment	678,033	613,376
Vehicles	1,403,127	1,135,742
	9,105,943	8,727,480
Accumulated depreciation	(4,300,653)	(4,004,654)
Property and equipment, net	4,805,290	4,722,826
Other assets		
Deposits	10,920	13,147
Total assets	\$ 6,777,357	\$ 6,527,323
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 63,919	\$ 73,953
Accrued expenses	520,445	464,284
Grant advances	148,789	73,926
Mortgage notes payable due within one year	56,539	54,040
Note payable - Paycheck Protection Program	-	890,670
Total current liabilities	789,692	1,556,873
Mortgage notes payable	1,619,772	1,676,311
Total liabilities	2,409,464	3,233,184
Net assets		
Without donor restrictions	4,268,240	3,266,218
With donor restrictions	99,653	27,921
Total net assets	4,367,893	3,294,139
Total liabilities and net assets	\$ 6,777,357	\$ 6,527,323

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.
Statement of Activities and Changes in Net Assets
Year ended June 30, 2022 with comparative totals only for the year ended June 30, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2022 Totals</u>	<u>2021 Totals</u>
Support and revenues				
Government grants and contracts	\$ 4,165,146	\$ -	\$ 4,165,146	\$ 4,119,460
Fee for service contracts				
Government contracts	2,638,616		2,638,616	1,890,509
Private contracts	463,751		463,751	304,874
Paycheck Protection Program loan forgiven	890,670	-	890,670	878,682
General and other public assistance	388,067	325,000	713,067	570,224
Rental income	59,789	-	59,789	58,504
Interest and other income	41,696	-	41,696	96,890
Net assets released from donor restrictions	<u>253,268</u>	<u>(253,268)</u>	<u>-</u>	<u>-</u>
Total support and revenues	8,901,003	71,732	8,972,735	7,919,143
Expenses				
Program services	5,722,665	-	5,722,665	5,194,493
General and administrative	1,787,882	-	1,787,882	1,909,308
Fundraising and development	<u>388,434</u>	<u>-</u>	<u>388,434</u>	<u>255,696</u>
Total expenses	<u>7,898,981</u>	<u>-</u>	<u>7,898,981</u>	<u>7,359,497</u>
Change in net assets	1,002,022	71,732	1,073,754	559,646
Net assets, beginning of year	<u>3,266,218</u>	<u>27,921</u>	<u>3,294,139</u>	<u>2,734,493</u>
Net assets, end of year	<u>\$ 4,268,240</u>	<u>\$ 99,653</u>	<u>\$ 4,367,893</u>	<u>\$ 3,294,139</u>

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.

Statement of Functional Expenses

Year ended June 30, 2022 with comparative totals only for the year ended June 30, 2021

	Program services	General and administrative	Fundraising and development	2022 Totals	2021 Totals
Salaries and wages	\$ 3,856,975	\$ 986,705	\$ 291,580	\$ 5,135,260	\$ 4,447,293
Payroll taxes	327,417	38,250	27,567	393,234	386,655
Pension plan contributions	19,471	12,026	4,920	36,417	29,198
Other employee benefits	363,423	85,224	21,413	470,060	464,333
Computer expenses	32,491	63,909	16,021	112,421	93,693
Conferences, conventions, and meetings	225	2,304	-	2,529	359
Crew equipment and supplies	278,864	2,318	-	281,182	405,686
Depreciation	131,226	251,649	-	382,875	371,155
Dues and subscriptions	305	29,439	968	30,712	31,298
Equipment rental and maintenance	14,250	3,974	617	18,841	17,141
Fund development/community outreach	1,012	1,191	2,262	4,465	8,225
Interest	62,661	15,311	6,376	84,348	86,133
Instruction expenses	29,053	6,900	-	35,953	26,564
Insurance	85,862	23,155	2,152	111,169	129,520
Loss on disposal of asset	-	-	-	-	13,470
Office equipment and supplies	2,562	4,723	908	8,193	10,090
Postage and shipping	-	1,130	623	1,753	1,752
Printing and publications	690	835	3,903	5,428	7,399
Professional services	5,776	161,854	689	168,319	133,949
Recruitment and staff development	38,256	24,310	779	63,345	56,632
Staff travel	4,562	1,585	28	6,175	1,408
Taxes, licenses and fees	538	2,747	-	3,285	3,996
Telephone	59,392	14,094	2,330	75,816	79,893
Utilities and maintenance	67,925	45,849	5,298	119,072	122,144
Vehicle repair and maintenance	339,729	8,400	-	348,129	431,511
Total expenses	\$ 5,722,665	\$ 1,787,882	\$ 388,434	\$ 7,898,981	\$ 7,359,497

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.
Statements of Cash Flows
Year ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 1,073,754	\$ 559,646
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	382,875	371,155
(Loss) gain on disposal of property and equipment	-	(5,530)
Changes in:		
Grants and contracts receivable	(8,706)	(540,353)
Accounts and other receivables	(511,043)	117,456
Prepaid expenses and deposits	(9,716)	969
Accounts payable	(10,034)	(7,079)
Accrued liabilities	56,161	(27,155)
Grant advances	74,863	23,838
Net cash provided by operating activities	<u>1,048,154</u>	<u>492,947</u>
Cash flows from investing activities		
Proceeds from disposal of property and equipment	-	19,001
Purchase of property and equipment	<u>(465,339)</u>	<u>(487,259)</u>
Net cash used by investing activities	(465,339)	(468,258)
Cash flows from financing activities		
Advance from bank credit line	525,000	515,000
Principal payments on bank credit line	(525,000)	(515,000)
Proceeds from mortgage notes payable	-	849,135
Principal payments on mortgage notes payable	(54,040)	(892,957)
Proceeds from note payable - Paycheck Protection Program	-	890,670
Forgiveness of note payable - Paycheck Protection Program	<u>(890,670)</u>	<u>(878,682)</u>
Net cash used by financing activities	<u>(944,710)</u>	<u>(31,834)</u>
Decrease in cash	(361,895)	(7,145)
Cash, beginning of year	<u>445,809</u>	<u>452,954</u>
Cash, end of year	<u>\$ 83,914</u>	<u>\$ 445,809</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 82,003</u>	<u>\$ 83,659</u>
Noncash financing activities:		
Forgiveness of note payable - Paycheck Protection Program	<u>\$ 890,670</u>	<u>\$ 878,682</u>

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.

Notes to Financial Statements

June 30, 2022

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 obligations.

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.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2022

Note 2 – Summary of significant accounting policies (continued)

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 consists 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, 2022 and 2021, 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.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2022

Note 2 – Summary of significant accounting policies (continued)

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 qualifying costs and performing services to accomplish the requirements of the contracts.

Services performed under fee for service arrangements are recorded as the related services are performed.

There were no contract assets at June 30, 2022 or 2021.

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, its classification as a “public charity” or subjected CCNB to taxes on unrelated business income. Consequently, CCNB did not provide for any income taxes.

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.

CCNB files information returns with the IRS and FTB. The IRS is generally open to examination three years after filing and the FTB is open to examination four years after filing.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2022

Note 2 – Summary of significant accounting policies (continued)

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 of indirect costs on the basis of total wages and benefit expenses. The management of CCNB reviews and adjusts the estimates and bases at least annually.

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, 2021, from which the summarized information was derived. CCNB reclassified prior year amounts to conform to the current year presentation.

Note 3 – Government grants and contracts receivable

Government grants and contracts receivable at June 30 consist of the following:

	2022	2021
CA Department of Resources Recycling & Recovery	\$ 543,166	\$ 688,293
Human Services Department, County of Sonoma	210,390	90,687
California Conservation Corps	109,255	116,237
Sonoma Resource Conservation District	-	53,707
Other government grants and contracts	128,620	33,801
	\$ 991,431	\$ 982,725

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2022

Note 4 – 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, nothing was due at June 30, 2022 and 2021. The line of credit is secured by accounts receivable and a deed of trust on real property owned by CCNB. The line of credit 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 (4.75 percent index rate at June 30, 2022).

Note 5 – Mortgage notes payable

CCNB has two mortgage notes payable to Bank of Marin in the amounts of \$879,413 and \$796,898.

Interest on the first note is fixed at 5.05 until April 5, 2024. Effective May 5, 2024, interest is based on the 5 year Treasury Constant Maturity published by the Federal Reserve plus 2.5 percent (3.01 percent 5 year Treasury Constant Maturity Rate at June 30, 2022), adjusted, if necessary, for the minimum rate limitation of the loan set at 5.05%. The note requires monthly payments of \$5,009, including interest, with a lump sum final payment due on August 5, 2029.

Interest on the second note is fixed at 4.25% until March 5, 2026. Effective April 5, 2026, interest is based on the 5 year Treasury Constant Maturity published by the Federal Reserve plus 3.81 percent (3.01 percent 5 year Treasury Constant Maturity Rate at June 30, 2022), adjusted, if necessary, for the minimum rate limitation of the loan set at 4.25%. This note requires monthly payments of \$6,220, until March 5, 2026 and minimum monthly payments of \$6,223 effective April 5, 2026 including interest, with a lump sum final payment due on March 5, 2031. Both notes are secured by deeds of trust on real property owned by CCNB.

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

2023	\$ 56,539
2024	58,947
2025	61,882
2026	64,740
2027	67,720
Thereafter	<u>1,366,483</u>
Total	<u>\$ 1,676,311</u>

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2022

Note 6 – Note payable – Paycheck Protection Program forgivable loan

On February 16, 2021, CCNB received loan proceeds of \$890,670 from a promissory note issued by Bank of Marin under the Paycheck Protection Program (PPP) which was established under the Corona Aid, Relief, and Economic Security (CARES) Act and was administered by the U.S. Small Business Administration (SBA). The terms on the loan was for five years and the annual interest rate was 1%. CCNB initially recorded the proceeds of the loan as a note payable at June 30, 2021. CCNB met PPP's eligibility criteria and on September 16, 2021, applied for forgiveness. The loan was legally released on December 6, 2021. Thus, during the year ended June 30, 2022, CCNB recognized \$890,670 of contribution revenue.

Note 7 – Government grants and contracts revenue

Government grants and contracts revenue during the year ended June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
CA Department of Resources Recycling & Recovery	\$ 1,959,753	\$ 1,825,145
Human Services Department, County of Sonoma	643,487	567,963
California Conservation Corps	508,333	698,150
IRS - Employee Retention Credit	451,080	-
Sonoma Resource Conservation District	4,704	462,454
Other government grants and contracts	<u>597,789</u>	<u>565,748</u>
	<u>\$ 4,165,146</u>	<u>\$ 4,119,460</u>

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, 2022 is \$49,480.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2022

Note 9 – Employee benefit plan

CCNB offers a 403(b) 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 matches employee contributions up to four percent of total eligible compensation. 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, 2022 and 2021, totaling \$36,417 and \$29,198, respectively.

Note 10 – Net assets with donor restrictions

As of and during the year ended June 30, 2022, net assets with donor restrictions reconciled as follows:

	2021	Additions	Releases	2022
<u>Program Restrictions</u>				
<u>Corpsmember Development</u>				
Community Foundation Sonoma County	\$ -	\$ 25,000	\$ -	\$ 25,000
Kimball Foundation	-	30,000	(30,000)	-
Linskog Fdo	-	125,000	(60,347)	64,653
Marin Community Foundation	-	100,000	(100,000)	-
Rockefeller Philanthropy Advisors	-	15,000	(15,000)	-
Sonoma County Vintners Foundation	-	10,000	-	10,000
<u>Building improvements</u>				
Haas Family Fund	-	20,000	(20,000)	-
Irwin Foundation	12,921	-	(12,921)	-
Total program restricted net assets	12,921	325,000	(238,268)	99,653
<u>Time Restrictions</u>	15,000	-	(15,000)	-
 Total	 \$ 27,921	 \$ 325,000	 \$ (253,268)	 \$ 99,653

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2022

Note 11 – Risks, uncertainties and concentrations

At various times during the years ended June 30, 2022 and 2021, 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, 2022 and 2021 were approximately 46% and 52% 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 12 – Liquidity and availability of financial assets

The following reflects CCNB's financial assets as of the statement of financial position date of June 30, 2022. As of this date, there were no contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 83,914	\$ 445,809
Receivables	<u>1,817,837</u>	<u>1,298,088</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,901,751</u>	<u>\$1,743,897</u>

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2022

Note 13 – Subsequent events

CCNB evaluated subsequent events for recognition and disclosure through December 20, 2022, the date financial statements were available for issuance.

- CCNB has applied for a \$594,525 Employee Retention Credit for the first quarter of 2021. Revenue will be recognized when and if the funds are received.
- CCNB has a purchase agreement in place for the sale of its Cotati location. In addition, CCNB has a purchase agreement for a larger facility in Santa Rosa and is currently in the process of completing its due diligence on the property.