

CONSERVATION CORPS NORTH BAY, INC.

Financial Statements

Year ended June 30, 2023

with

Report of Independent Auditors



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Report of Independent Auditors

To the 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, 2023, 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, 2023, 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.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, CCNB has changed its method of accounting for leases as of July 1, 2022 due to the adoption of ASU 2016-02, *Leases (Topic 842)*. In addition, as noted in Note 16, CCNB has adopted ASU 2020-07 *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

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, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which the information was derived.

WMB², LLP

WMB, LLP

Larkspur, California

February 26, 2024

CONSERVATION CORPS NORTH BAY, INC.
Statements of Financial Position
June 30, 2023 and 2022

Assets	2023	2022
Current assets		
Cash and cash equivalents	\$ 399,728	\$ 83,914
Receivables		
Government grants and contracts	1,017,581	1,166,803
Fee for service	604,280	575,761
Contributions receivable	200,000	75,273
Prepaid expenses	23,125	59,396
Total current assets	2,244,714	1,961,147
Property and equipment, at cost		
Land	3,209,546	1,933,550
Building and improvements	5,856,020	5,091,233
Furniture and equipment	678,033	678,033
Vehicles	768,602	1,403,127
Operating right-of-use asset	262,910	-
Finance right-of-use asset	664,648	-
Construction in progress	223,598	-
	11,663,357	9,105,943
Accumulated depreciation and amortization	(3,456,317)	(4,300,653)
Property and equipment, net	8,207,040	4,805,290
Other assets		
Contributions receivable, net	532,605	-
Deposits	25,803	10,920
Total assets	\$ 11,010,162	\$ 6,777,357
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 98,142	\$ 63,919
Accrued expenses	548,507	520,445
Grant advances	26,339	148,789
Mortgage notes payable due within one year	96,670	56,539
Operating lease liability due within one year	98,385	-
Finance lease liability due within one year	13,583	-
Total current liabilities	881,626	789,692
Noncurrent liabilities		
Construction line of credit	543,582	-
Mortgage notes payable, net of current portion	3,629,531	1,619,772
Operating lease liability, net of current portion	164,525	-
Finance lease liability, net of current portion	45,455	-
Total liabilities	5,264,719	2,409,464
Net assets		
Without donor restrictions	4,948,064	4,268,240
With donor restrictions	797,379	99,653
Total net assets	5,745,443	4,367,893
Total liabilities and net assets	\$ 11,010,162	\$ 6,777,357

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.
Statement of Activities and Changes in Net Assets
Year ended June 30, 2023 with comparative totals only for the year ended June 30, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2023 Totals</u>	<u>2022 Totals</u>
Support and revenues				
Government grants and contracts	\$ 5,904,287	\$ -	\$ 5,904,287	\$ 4,595,856
Fee for service contracts				
Government contracts	2,425,783		2,425,783	2,207,906
Private contracts	272,398		272,398	463,751
Paycheck Protection Program loan forgiven	-	-	-	890,670
General and other public assistance				
Pacific Gas and Electric settlement	-	932,605	932,605	-
Other grants and donations	549,909	268,595	818,504	713,067
Rental income	49,480	-	49,480	59,789
Interest and other income	53,870	-	53,870	41,696
Gain on sale of property and equipment	563,311	-	563,311	-
Net assets released from donor restrictions	503,474	(503,474)	-	-
Total support and revenues	10,322,512	697,726	11,020,238	8,972,735
 Expenses				
Program services	7,296,338	-	7,296,338	5,722,665
General and administrative	1,812,309	-	1,812,309	1,787,882
Fundraising and development	534,041	-	534,041	388,434
Total expenses	9,642,688	-	9,642,688	7,898,981
 Change in net assets	 679,824	 697,726	 1,377,550	 1,073,754
Net assets, beginning of year	<u>4,268,240</u>	<u>99,653</u>	<u>4,367,893</u>	<u>3,294,139</u>
Net assets, end of year	<u>\$ 4,948,064</u>	<u>\$ 797,379</u>	<u>\$ 5,745,443</u>	<u>\$ 4,367,893</u>

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.

Statement of Functional Expenses

Year ended June 30, 2023 with comparative totals only for the year ended June 30, 2022

	Program services	General and administrative	Fundraising and development	2023 Totals	2022 Totals
Salaries and wages	\$ 5,032,182	\$ 1,013,183	\$ 407,418	\$ 6,452,783	\$ 5,135,260
Payroll taxes	393,914	103,395	33,792	531,101	393,234
Pension plan contributions	25,848	11,933	5,174	42,955	36,417
Other employee benefits	468,024	74,346	23,690	566,060	470,060
Computer expenses	10,180	33,226	19,920	63,326	112,421
Conferences, conventions, and meetings	3,476	3,531	-	7,007	2,529
Crew equipment and supplies	251,963	2,497	75	254,535	281,182
Depreciation	177,873	146,317	6,967	331,157	382,875
Dues and subscriptions	350	24,244	896	25,490	30,712
Equipment rental and maintenance	16,242	4,533	807	21,582	18,841
Fund development/community outreach	3,016	3,266	3,697	9,979	4,465
Interest	57,346	26,344	6,331	90,021	84,348
Instruction expenses	109,622	3,364	-	112,986	35,953
Insurance	123,386	27,479	3,281	154,146	111,169
Office equipment and supplies	1,439	14,186	723	16,348	8,193
Office rent	13,745	6,055	-	19,800	-
Postage and shipping	206	2,335	874	3,415	1,753
Printing and publications	2,307	272	7,592	10,171	5,428
Professional services	7,508	218,093	497	226,098	168,319
Recruitment and staff development	28,789	12,861	1,830	43,480	63,345
Staff travel	7,490	6,538	100	14,128	6,175
Taxes, licenses and fees	293	1,013	-	1,306	3,285
Telephone	63,222	15,319	2,621	81,162	75,816
Utilities and maintenance	65,363	47,867	5,570	118,800	119,072
Vehicle rental, repair and maintenance	432,554	10,112	2,186	444,852	348,129
Total expenses	\$ 7,296,338	\$ 1,812,309	\$ 534,041	\$ 9,642,688	\$ 7,898,981

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.
Statements of Cash Flows
Year ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 1,377,550	\$ 1,073,754
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	331,157	382,875
Gain on sale of property and equipment	(563,311)	-
Non cash portion of the lease expense for operating leases	110,036	-
Changes in:		
Grants and contracts receivable	149,222	(8,706)
Fee for service receivable	(28,519)	(435,770)
Contributions receivable	(657,332)	(75,273)
Prepaid expenses and deposits	21,388	(9,716)
Accounts payable	34,223	(10,034)
Accrued liabilities	28,062	56,161
Grant advances	(122,450)	74,863
Repayment of lease liability - operating lease	(110,036)	-
Net cash provided by operating activities	569,990	1,048,154
Cash flows from investing activities		
Proceeds from disposal of property and equipment	2,391,776	-
Purchase of property and equipment	(5,228,035)	(465,339)
Net cash used by investing activities	(2,836,259)	(465,339)
Cash flows from financing activities		
Advance from bank credit line	2,386,077	525,000
Principal payments on bank credit line	(1,842,495)	(525,000)
Proceeds from mortgage notes payable	2,112,500	-
Principal payments on mortgage notes payable	(62,610)	(54,040)
Principal payments on finance lease liability	(11,389)	-
Forgiveness of note payable - Paycheck Protection Program	-	(890,670)
Net cash provided (used) by financing activities	2,582,083	(944,710)
Increase (decrease) in cash	315,814	(361,895)
Cash, beginning of year	83,914	445,809
Cash, end of year	\$ 399,728	\$ 83,914
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 113,271	\$ 82,003
Noncash financing activities:		
Forgiveness of note payable - Paycheck Protection Program	\$ -	\$ 890,670
Construction in progress included in accounts payable	20,978	-
Establishing of operating right-of-use asset	372,946	-
Establishing of finance right-of-use asset	664,648	-
Establishing of operating lease liability	372,946	-
Establishing of finance lease liability	70,427	-

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.

Notes to Financial Statements

June 30, 2023

Note 1 – Organization and nature of activities

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, 2023

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. CCNB reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. CCNB reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Revenue recognition

Contributions are recognized when cash, securities, other assets, or any unconditional grant or contribution is received. Conditional grants and contributions are not recognized until the conditions on which they depend have been substantially met or explicitly waived by the donor. Revenue is recognized on the date the condition is met.

Revenue from cost-reimbursable government grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures, are recognized as revenue when CCNB has incurred expenditures in compliance with specific contract or grant provisions or when the performance obligations are met and delivered. Consequently, at June 30, 2023, government grants and contracts approximating \$4,643,021 have not been recognized in the accompanying statement of activities because the conditions on which they depend has not yet been met.

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

There were no contract assets at June 30, 2023 or 2022, respectively.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 2 – Summary of significant accounting policies (continued)

In-kind contributions

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized when received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. CCNB does not sell donated gifts-in-kind. No significant contributions of goods or services were received during the years ended June 30, 2023 and 2022, respectively.

Cash

Cash consists principally of amounts on deposit with a commercial bank, in both interest bearing and non-interest bearing accounts, all available on demand.

Receivables

Government grants and contracts receivable consist principally of amounts expended by CCNB under cost-reimbursement grants and contracts but not reimbursed by the grantor/contractor.

Contributions receivable short-term are recorded at net realizable value. Contributions receivable long-term are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in general and other public assistance revenue in the statement of activities.

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, 2023 and 2022, CCNB concluded that an allowance for doubtful accounts was not material to its financial position.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 2 – Summary of significant accounting policies (continued)

Property and equipment

Property and equipment with an initial cost of \$5,000 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 \$5,000 are expensed. CCNB calculates depreciation (except on land) using the straight-line method over the estimated useful lives ranging from five years for equipment to twenty-five to thirty-nine years for building and improvements.

Construction in progress

On March 23, 2023, CCNB purchased a building in Santa Rosa, California to be used for both office and program expenses. Costs associated with construction are capitalized as construction in progress until the building is placed in service. Construction in progress is not depreciated until the completion of construction.

Capitalized interest

CCNB capitalizes applicable interest incurred during construction as a component of construction in progress. For the period ending June 30, 2023, CCNB capitalized interest on notes payable of \$30,657.

Right-of-use assets and lease liabilities

Lease liabilities are initially measured at the present value of minimum lease payments using an implicit interest rate that approximates the remaining term of the lease. The right-of-use asset is the lease liability adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring CCNB's right-of-use assets and lease liabilities. Operating lease expense and finance lease amortization expense is allocated over the remaining lease term on a straight-line basis. Finance lease interest expense is calculated using an implicit interest rate that approximates the remaining term of the lease multiplied by the outstanding finance lease liability.

CCNB considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, CCNB separates non-lease components from lease components (if any) when determining the payments for leases of office equipment.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

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.

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.

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.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 2 – Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those estimates could be material.

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, 2022, 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:

	<u>2023</u>	<u>2022</u>
CA Department of Resources Recycling & Recovery	\$ 337,232	\$ 543,166
Human Services Department, County of Sonoma	138,314	210,390
California Conservation Corps	67,558	109,255
Marin County F.I.R.E Foundry Initiative	162,799	165,762
Sonoma County Waste Management Agency	204,147	-
Other government grants and contracts	<u>107,531</u>	<u>138,230</u>
	<u>\$ 1,017,581</u>	<u>\$ 1,166,803</u>

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 4 – Contributions receivable

Contributions receivable at June 30 consist of the following:

	2023	2022
Receivable in less than one year	\$ 200,000	\$ 75,273
Receivable in one to five years	600,000	-
	800,000	75,273
Less discount to net present value at 4.07%	(67,395)	-
	\$ 732,605	\$ 75,273

Note 5 – Bank line of credit

During the year ended June 30, 2022, CCNB had available a revolving line of credit in the amount of \$600,000 from Bank of Marin. Of the amount available, nothing was due at June 30, 2022. The line of credit was secured by accounts receivable and a deed of trust on real property owned by CCNB. Interest on amounts borrowed were due monthly at the bank's index rate plus 1.00 percent (4.75 percent index rate at June 30, 2022). The line of credit matured on March 5, 2023 and it was not renewed. Subsequently, the Bank of Marin recorded a Deed of Reconveyance on March 28, 2023 with the County of Marin.

During the year ended June 30, 2023, CCNB opened two lines of credit with Redwood Credit Union. The first line of credit is a non-revolving construction line of credit in the amount of \$1,200,000. The terms are three years, interest only, with principal and any accrued interest due at maturity. The second line of credit is a revolving operating line of credit in the amount of \$500,000. The terms are five years, interest only, with principal and any accrued interest due at maturity. Of the amounts available on the lines of credit, \$543,582 was due on the non-revolving line and nothing was due on the revolving line at June 30, 2023. The lines of credit are secured by a second deed of trust on two real properties owned by CCNB. The operating line of credit is subject to annual renewal by the bank. Interest on amounts borrowed are due monthly at the prime rate as stated in the Wall Street Journal plus 1.00 percent (8.25 percent index rate at June 30, 2023). The lines of credit with Redwood Credit Union contain restrictive covenants covering CCNB's financial position.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 6 – Mortgage notes payable

CCNB has two mortgage notes payable to Bank of Marin in the amounts of \$863,976 and \$755,797 and a new mortgage note payable to Redwood Credit Union in the amount of \$2,106,428. The note payable to Redwood Credit Union contains restrictive covenants covering CCNB's financial position. All three notes are secured by deeds of trust on real property owned by CCNB.

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% (4.13% 5-year Treasury Constant Maturity Rate at June 30, 2023), 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% (4.13% 5-year Treasury Constant Maturity Rate at June 30, 2023), 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.

Interest on the third note is fixed at 6.00% until March 1, 2030. Effective April 1, 2030, interest is based on the weekly average yield on United States Treasury securities adjusted to a Constant Maturity of three years published by the Federal Reserve plus 3.00% (3.87% weekly average yield on United States Treasury securities at June 30, 2023), adjusted, if necessary, for the minimum rate limitation of the loan set at 6.00%. This note requires monthly payments of \$13,619 until March 1, 2030 and minimum monthly payments of \$14,514 effective April 1, 2030, including interest, with a lump sum final payment due on March 1, 2033.

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

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 6 – Mortgage notes payable (continued)

2024	\$ 96,670
2025	102,280
2026	107,629
2027	113,255
2028	118,711
Thereafter	<u>3,187,656</u>
 Total	 <u>\$ 3,726,201</u>

Note 7 – Employee retention credit

The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief and Economic Security (CARES) Act in March 2020. The tax credit is a refundable credit against certain employment taxes up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the U.S. government, which extended and slightly expanded the qualified wages caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter.

Management believes that CCNB met the eligibility requirements including a decline in gross receipts for the quarter preceding quarter ending March 31, 2021 (based on the alternative quarter election rule) which affected CCNB activities. CCNB also incurred qualifying payroll costs for the quarter ending March 31, 2021. Therefore, on August 5, 2021, CCNB applied retroactively for the Employee Retention Credit (ERC).

During the year ended June 30, 2023, CCNB accounted for the ERC credit as a conditional government grant, and having met the eligibility requirements and upon receipt, CCNB recorded \$615,801 in government grant revenue including interest of \$21,276.

Eligibility and conditions for the ERC credit may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management believes that any audit will not have a material adverse impact on CCNB's financial position.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 8 – Government grants and contracts revenue

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

	2023	2022
CA Department of Resources Recycling & Recovery	\$ 1,777,274	\$ 1,959,753
Sonoma County Waste Management Agency	1,053,294	-
Marin County F.I.R.E Foundry Initiative	854,514	430,710
Human Services Department, County of Sonoma	819,700	643,487
IRS - Employee Retention Credit	615,801	451,080
California Conservation Corps	232,930	508,333
Other government grants and contracts	550,774	602,493
	\$ 5,904,287	\$ 4,595,856

Note 9 – 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, 2024 is \$58,590.

Note 10 – Gain on sale of property and equipment

During the year ended June 30, 2023, CCNB sold several fully depreciated vehicles and a building located in Cotati, California. CCNB realized a gain on sale of property and equipment totaling \$563,311 as noted below:

	Building	Vehicles	Total
Sales price	\$ 2,491,850	\$ 21,284	\$ 2,513,134
Less closing costs	(121,358)	-	(121,358)
Net proceeds	2,370,492	21,284	2,391,776
Net book value	(1,828,465)	-	(1,828,465)
Total gain	\$ 542,027	\$ 21,284	\$ 563,311

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
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Note 11 – Lease expense

Operating Leases under Topic 842

CCNB has entered into multiple noncancellable short-term and long-term operating leases, mainly for program use.

Long-term leases include thirteen five-year vehicle leases. The terms of the leases require monthly rental payments at a fixed implicit interest rate for five years with an option to continue month-to-month. The various leases expire between August 1, 2023 and June 1, 2027.

On February 17, 2023, CCNB entered into a one-year facility lease in Cotati, California, for both program and admin use. The lease has no option to extend. In addition, CCNB occasionally rents vehicle equipment on a daily basis.

Lease costs for the year ended June 30, 2023 reconcile as follows:

	<u>Vehicles</u>	<u>Facility</u>	<u>Other</u>
Operating lease cost	\$ 128,460	\$ -	\$ 6,582
Short-term lease cost			
12-months or less	-	19,800	-
Daily rentals	7,000	-	-
Finance Lease costs:			
Amortization of right-of-use assets	124,919	-	-
Interest on lease liability	<u>1,532</u>	<u>-</u>	<u>-</u>
Total lease costs	<u>\$ 261,911</u>	<u>\$ 19,800</u>	<u>\$ 6,582</u>

Under U.S. GAAP, operating lease expense is recognized on a straight-line basis over the remaining lease term. CCNB had no variable lease expense during the year ended June 30, 2023.

The future minimum lease payments under the non-cancellable operating leases with a term greater than one year is listed below as of June 30, 2023:

CONSERVATION CORPS NORTH BAY, INC.
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Note 11 – Lease expense (continued)

Years ending June 30,	
2024	\$ 103,233
2025	76,075
2026	53,123
2027	<u>40,154</u>
Total lease payments	272,585
Less present value discount	<u>(9,675)</u>
Total lease liability	262,910
Less current portion	<u>(98,385)</u>
Long-term lease liability	<u>\$ 164,525</u>

The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 was 2.34%.

As of June 30, 2023, the weighted-average remaining lease term for operating leases was approximately 3.13 years.

Operating leases under Topic 840:

Under U.S. GAAP, all rental payments, including fixed rent increases, are recognized on a straight-line rent basis over the term of the lease. The difference between GAAP rent expense and the required lease payments would be reflected as deferred rent on the statement of financial position. CCNB did not have deferred rent at June 30, 2023.

Finance leases under Topic 842

CCNB has multiple non-cancellable finance vehicle leases (11 leases). The terms of the leases require monthly rental payments at a fixed implicit interest rate for five years with a purchase option. The various leases expire between December 1, 2023 and August 1, 2027. Amortization on the finance right-of-use asset totaled \$124,919 and it is included in depreciation and amortization expense on the statement of functional expenses for the year ended June 30, 2023. The accumulated amortization on the finance right-of-use asset was approximately \$292,671 as of June 30, 2023. Interest expense on the finance lease liability totaled \$1,532 for the year ended June 30, 2023.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 11 – Lease expense (continued)

The future minimum lease payments under the non-cancellable finance leases are listed below as of June 30, 2023:

Years ending June 30,	
2024	\$ 14,940
2025	14,932
2026	14,929
2027	14,929
2028	<u>2,539</u>
Total lease payments	62,269
Less present value discount	<u>(3,231)</u>
Total lease liability	59,038
Less current portion	<u>(13,583)</u>
Long-term lease liability	<u>\$ 45,455</u>

The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 was 2.63%.

As of June 30, 2023, the weighted-average remaining lease term for operating leases was approximately 4.05 years.

Capital leases under Topic 840

Under U.S. GAAP, a capital lease asset and liability are recorded at the present value of the minimum lease payments. The asset is amortized over the lesser of the estimated useful life of the lease term. Amortization of the asset under the capital lease is included in depreciation and amortization expense. The accumulated amortization under the capital lease was approximately \$167,752 as of June 30, 2022.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 12 – Net assets with donor restrictions

As of and during the year ended June 30, 2023, net assets with donor restrictions reconciled as follows:

	2022	Additions	Releases	2023
<u>Program Restrictions</u>				
<u>Corpsmember Development</u>				
Can'd Aid Foundation	\$ -	\$ 11,095	\$ (11,095)	\$ -
Community Foundation Sonoma County	25,000	-	(25,000)	-
Lindskog Fdo	64,653	75,000	(117,379)	22,274
Marin Community Foundation	-	105,000	(105,000)	-
Miranda Lux Foundation	-	15,000	(15,000)	-
Sonoma County Vintners Foundation	10,000	-	(10,000)	-
State Farm Insurance	-	7,500	-	7,500
<u>Building improvements</u>				
Haas Family Fund	-	20,000	(20,000)	-
Resnick Foundation	-	5,000	-	5,000
Total program restricted net assets	99,653	238,595	(303,474)	34,774
<u>Time Restrictions</u>	-	962,605	(200,000)	762,605
Total	<u>\$ 99,653</u>	<u>\$ 1,201,200</u>	<u>\$ (503,474)</u>	<u>\$ 797,379</u>

During the year ended June 30, 2023, CCNB received a \$1,000,000 contribution from Pacific Gas and Electric Company due in five installments. The contribution is the result of a court mandated legal settlement mandated by the Office of the District Attorney of the County of Sonoma related to the 2019 Kincaide Fire. The first installment was received in December 2022. Subsequent installments are due each December. Total contribution net of present value discount of \$67,395 (see Note 4) is included in net assets with donor restrictions as time restricted.

Note 13 – 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, 2023 and 2022, totaling \$42,955 and \$36,417, respectively.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 14 – 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. Amounts not available include time restricted amounts.

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end:		
Cash	\$ 399,728	\$ 83,914
Receivables	<u>2,354,466</u>	<u>1,817,837</u>
 Total financial assets	 2,754,194	 1,901,751
 Less those unavailable for general expenditures within one year, due to donor restriction	 <u>(562,103)</u>	 <u>-</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 2,192,091</u></u>	 <u><u>\$ 1,901,751</u></u>

Note 15 – Risks, uncertainties and concentrations

At various times during the years ended June 30, 2023 and 2022, CCNB had deposits with two commercial banks in excess of FDIC insured limits.

Receivables 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 the receivable. At June 30, 2023, one government agency and one corporation accounted for 45% of total receivables. At June 30, 2022, two government agencies accounted for 41% of total receivables.

CCNB is primarily supported by cost-reimbursable government grants and contracts, which in the years ended June 30, 2023 and 2022 were approximately 54% and 51% 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.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 15 – Risks, uncertainties and concentrations (continued)

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 16 – Change in accounting principle

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets.

CCNB adopted ASU 2020-07 with a date of the initial application of July 1, 2022, using a retrospective approach. The adoption of ASU 2020-07 did not have a significant impact on CCNB's financial position, results of operations, or cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by requiring the recognition of right-of-use assets and lease liabilities on the statement of financial position. *Topic 842* supersedes the leasing guidance in *Topic 840*.

CCNB adopted the lease standards effective July 1, 2022, using the modified retrospective approach with July 1, 2022, as the initial date of application. Management has elected to apply all practical expedients available under the new guidance, which allows CCNB to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; and 3) not reassess initial direct cost for any existing leases. CCNB has not elected to apply the practical expedient to use hindsight in determining the lease term.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2023

Note 16 – Change in accounting principle (continued)

The most significant impact was the recognition of right-of-use assets and lease liabilities for all leases with terms greater than twelve months. Accordingly, an operating right-of-use asset of \$372,946 and a corresponding lease liability of \$372,946 was recognized as of July 1, 2022. In addition, a finance right-of-use asset of \$340,628 and a corresponding lease liability of \$37 was recognized as of July 1, 2022.

Note 17 – Subsequent events

CCNB evaluated subsequent events for recognition and disclosure through February 26, 2024, the date these financial statements were available for issuance. CCNB has entered into several equipment and vehicle leases effective during fiscal year ended June 30, 2024. The related lease commitments are not included in Note 11.