



Natural Communities COALITION

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NATURAL COMMUNITIES COALITION

FINANCIAL STATEMENTS

**YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**



CPAs | CONSULTANTS | WEALTH ADVISORS

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**NATURAL COMMUNITIES COALITION
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YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Natural Communities Coalition
Irvine, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Natural Communities Coalition (a nonprofit organization), which comprise the statement of financial position as of September 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 the Coalition as of September 30, 2022, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Coalition and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Natural Communities Coalition as of September 30, 2021, were audited by other auditors whose report dated December 9, 2021, expressed an unmodified opinion on those statements.

Responsibility 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 the Coalition's ability to continue as a going concern for one year after the date 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 auditors' 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 GAAS 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 GAAS, 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 the Coalition'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 the Coalition'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.

Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Irvine, California
December 9, 2022

**NATURAL COMMUNITIES COALITION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

| | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,215,619 | \$ 990,369 |
| Cash - Custodial Fund | 3,250 | 1,544 |
| Investments | 25,376,406 | 31,175,251 |
| Investments - Custodial Fund | 107,397 | 128,087 |
| Accrued Interest Receivable | 36,195 | 31,612 |
| Grants and Other Receivables | 102,973 | 152,630 |
| Prepaid Expenses | 8,713 | 9,508 |
| Vehicle and Equipment, Net | 27,196 | 38,300 |
| Total Assets | \$ 26,877,749 | \$ 32,527,301 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 221,409 | \$ 75,780 |
| Custodial Fund Payable | 110,648 | 129,632 |
| Total Liabilities | 332,057 | 205,412 |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS | | |
| Without Donor Restrictions | 16,912,921 | 18,870,308 |
| With Donor Restrictions | 9,632,771 | 13,451,581 |
| Total Net Assets | 26,545,692 | 32,321,889 |
| Total Liabilities and Net Assets | \$ 26,877,749 | \$ 32,527,301 |

See accompanying Notes to Financial Statements.

**NATURAL COMMUNITIES COALITION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

| | Without Donor Restrictions | With Donor Restrictions | 2022 Total | 2021 Total |
|---------------------------------|----------------------------------|-------------------------------|-----------------------------|-----------------------------|
| REVENUE | | | | |
| Grants | \$ 193,719 | \$ - | \$ 193,719 | \$ 124,222 |
| In-Lieu Mitigation Fees | 3,047 | - | 3,047 | 2,500 |
| Employee Retention Credit | 86,419 | - | 86,419 | - |
| PPP Loan Forgiveness | - | - | - | 71,805 |
| Investment Income (Loss), Net | (2,511,615) | (1,783,577) | (4,295,192) | 5,036,097 |
| Satisfaction of Restrictions | 2,035,233 | (2,035,233) | - | - |
| Total Revenue | <u>(193,197)</u> | <u>(3,818,810)</u> | <u>(4,012,007)</u> | <u>5,234,624</u> |
| PROGRAM EXPENSES | | | | |
| Restoration and Enhancement | 908,517 | - | 908,517 | 778,656 |
| Monitoring | 533,217 | - | 533,217 | 371,901 |
| Cowbird Trapping | 47,459 | - | 47,459 | 36,337 |
| Total Program Expenses | <u>1,489,193</u> | <u>-</u> | <u>1,489,193</u> | <u>1,186,894</u> |
| MANAGEMENT AND GENERAL | | | | |
| | <u>274,997</u> | <u>-</u> | <u>274,997</u> | <u>250,456</u> |
| Total Expenses | <u>1,764,190</u> | <u>-</u> | <u>1,764,190</u> | <u>1,437,350</u> |
| CHANGE IN NET ASSETS | (1,957,387) | (3,818,810) | (5,776,197) | 3,797,274 |
| Net Assets - Beginning of Year | <u>18,870,308</u> | <u>13,451,581</u> | <u>32,321,889</u> | <u>28,524,615</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 16,912,921</u></u> | <u><u>\$ 9,632,771</u></u> | <u><u>\$ 26,545,692</u></u> | <u><u>\$ 32,321,889</u></u> |

See accompanying Notes to Financial Statements.

**NATURAL COMMUNITIES COALITION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

| | Program Expenses | | | Total Program | Management and General | 2022 Total | 2021 Total |
|-----------------------------------|-----------------------------------|-------------------|---------------------|---------------------|------------------------------|---------------------|---------------------|
| | Restoration and Enhancement | Monitoring | Cowbird Trapping | | | | |
| Contract Services | \$ 701,142 | \$ 325,128 | \$ 47,459 | \$ 1,073,729 | \$ - | \$ 1,073,729 | \$ 808,093 |
| Salaries and Wages | 171,629 | 171,629 | - | 343,258 | 157,992 | 501,250 | 465,371 |
| Accounting and Auditing | - | - | - | - | 53,719 | 53,719 | 48,383 |
| Payroll Taxes | 11,578 | 11,578 | - | 23,156 | 7,874 | 31,030 | 29,746 |
| Consulting and Professional Fees | - | - | - | - | 17,070 | 17,070 | 16,260 |
| Insurance Expense | 3,106 | 3,106 | - | 6,212 | 3,378 | 9,590 | 10,886 |
| Workers' Compensation | 958 | 958 | - | 1,916 | 882 | 2,798 | - |
| Office Lease | 1,664 | 1,664 | - | 3,328 | 1,770 | 5,098 | 501 |
| Payroll Service | 1,434 | 1,434 | - | 2,868 | 1,320 | 4,188 | 3,952 |
| Travel, Seminars, and Conferences | - | - | - | - | 52 | 52 | 6,400 |
| Meetings | - | - | - | - | 7,417 | 7,417 | 1,378 |
| Honorariums | 2,000 | 2,000 | - | 4,000 | - | 4,000 | 7,560 |
| Printing, Postage, and Shipping | - | - | - | - | 4,182 | 4,182 | 3,589 |
| Telephone | - | - | - | - | 4,572 | 4,572 | 3,623 |
| Miscellaneous Expenses | - | - | - | - | 5,007 | 5,007 | 2,936 |
| Vehicle and Equipment Expense | 709 | 709 | - | 1,418 | 2,592 | 4,010 | 656 |
| Office Supplies | - | 714 | - | 714 | 1,623 | 2,337 | 9,724 |
| Website Expenses | - | - | - | - | 3,955 | 3,955 | 4,921 |
| Public Outreach | - | - | - | - | - | - | 175 |
| Memberships and Subscriptions | - | - | - | - | 977 | 977 | 788 |
| Grant Management | 8,535 | 8,535 | - | 17,070 | - | 17,070 | - |
| Depreciation Expense | 5,762 | 5,762 | - | 11,524 | 615 | 12,139 | 12,408 |
| Total Expenses | \$ 908,517 | \$ 533,217 | \$ 47,459 | \$ 1,489,193 | \$ 274,997 | \$ 1,764,190 | \$ 1,437,350 |

See accompanying Notes to Financial Statements.

**NATURAL COMMUNITIES COALITION
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

| | 2022 | 2021 |
|--|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (5,776,197) | \$ 3,797,274 |
| Adjustments to Reconcile Change in Net Income to Net Cash Used by Operating Activities: | | |
| Depreciation Expense | 12,139 | 12,408 |
| Net Realized and Unrealized (Gain) Loss on Investments | 5,039,699 | (4,539,157) |
| Forgiveness of PPP Loan Advance | - | (71,805) |
| (Increase) Decrease in Operating Assets: | | |
| Accrued Interest Receivable | (4,583) | (273) |
| Grants Receivable | 49,657 | 79,158 |
| Prepaid Expenses and Deposits | 795 | 5,622 |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts Payable and Accrued Expenses | 145,629 | (61,971) |
| Net Cash Used by Operating Activities | (532,861) | (778,744) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Vehicle and Equipment, Net | (1,035) | - |
| Proceeds from the Sale and Maturity of Investments | 838,282 | 1,771,890 |
| Purchases of Investments | (79,136) | (834,474) |
| Net Cash Provided by Investing Activities | 758,111 | 937,416 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 225,250 | 158,672 |
| Cash and Cash Equivalents - Beginning of Year | 990,369 | 831,697 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 1,215,619 | \$ 990,369 |

See accompanying Notes to Financial Statements.

**NATURAL COMMUNITIES COALITION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Activity of the Reporting Entity

The Natural Communities Coalition (the Coalition), formerly the Nature Reserve of Orange County, was incorporated on October 2, 1996 as a California nonprofit corporation. The purpose of the Coalition is to coordinate the assembly of the land reserve and to oversee and implement the adaptive management program for the land reserve as set forth in the Central and Coastal Subregion Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP) and the Implementation Agreement for said plan executed on July 17, 1996. This purpose would include the acquisition, holding, management, and disposal of land and interest in a manner designed to preserve, protect, and enhance the environmental, natural, wildlife habitat, and recreational values associated with the Coalition and consistent with the provisions of the NCCP/HCP and the Implementation Agreement.

Basis of Accounting

The Coalition prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which involves the application of accrual accounting.

Prior Period Comparative Information

The financial statements include certain prior period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Coalition's financial statements for the year ended September 30, 2021, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported changes in the Coalition's net assets during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Coalition reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

**NATURAL COMMUNITIES COALITION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Coalition or the passage of time. As restrictions are satisfied, the related net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Other net assets may be perpetual in nature, where the donor stipulates that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Coalition considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments. From time to time, cash balances may exceed federally insured limits. The Coalition has not experienced any previous losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Investments

Changes in fair value that occur during a fiscal year are recognized as investment earnings and reported for that fiscal year. Management fees and realized and unrealized gains and losses are included in investment income (loss), net in the Coalition's accompanying statement of activities and changes in net assets. The Coalition has adopted an investment policy directing the executive director to deposit funds with certain financial institutions.

Grants and Other Receivable

The Coalition's accounts receivable are primarily grant awards for the current fiscal year. Receivables are periodically evaluated for collectability based on history with grantors and their current financial condition. The allowance for doubtful accounts is determined on the basis of loss experience, economic conditions in the industry, and the financial stability of customers. At September 30, 2022, no allowances were deemed necessary.

Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid expenses.

Vehicle and Equipment

The vehicle and equipment are recorded at cost, if purchased, or at fair market value at the date of donation, if donated. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives of the assets, ranging from three to fifteen years. Vehicles and equipment are capitalized if the cost is at least \$1,000.

**NATURAL COMMUNITIES COALITION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue from grants and fees for services are recognized in the period in which the related service occurs. In-lieu mitigation fee revenue is in accordance with the California Environmental Quality Act and the National Environmental Policy Act in coordination with the California Department of Fish and Wildlife and the United States Department of Fish and Wildlife and is earned when real estate development occurs on land that supports coastal sage scrub. The fee is paid by the developer and is intended to offset the environmental impact of the development. Once received, the fee revenue belongs solely to the Coalition for its unrestricted use in support of its mission.

Contributions

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contract Revenue

Revenue from cost-reimbursable grants is conditioned upon certain performance requirements, match requirements, and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Coalition performs the individual performance obligations. Any difference between performance obligations completed and the total funds received (not to exceed the grant maximum) is recorded as a receivable or a liability, whichever is applicable. The Coalition is party to cost reimbursable grants with grant terms through March 2025 and additional funding of \$101,428 that has not been recognized at September 30, 2022 because certain performance obligations have not yet been met.

**NATURAL COMMUNITIES COALITION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Labor expenses are allocated based on the percentage of time that each employee spends working on projects specific to the program or supporting function. Nonlabor direct expenses are allocated based on each program's direct expenses. Office lease, insurance, and depreciation expenses are allocated based on an equal allocation between programs excluding any specifically identified management and general expenses.

Impairment of Long-Lived Assets

The Coalition assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made full recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. Should impairment exist, the impairment loss would be measured based on the excess of the carrying amount of the asset over the asset's fair value. Accordingly, no impairment charges were recognized on long-lived assets in the accompanying financial statements.

Income Taxes

The Coalition is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the IRC and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

FASB ASC Topic 740, *Income Taxes*, requires management to evaluate the tax positions taken by the Coalition and to recognize a tax liability if the Coalition has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Coalition and has concluded that, as of September 30, 2021, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Coalition is subject to routine audits by the taxing jurisdictions. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Fair Value Measurements

The Coalition reports investments at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable.

**NATURAL COMMUNITIES COALITION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Coalition. Unobservable inputs reflect the Coalition's assumptions about inputs that market participants would use in pricing the investments developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels, based on the inputs, as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the Coalition has the ability to access at the measurement date.

Level 2 – Valuations based on quoted prices in markets that are not active, quoted prices for similar investments in active markets or model-based valuations for which all significant assumptions are observable and can be corroborated by observable market data.

Level 3 – Valuations based on unobservable inputs that are supported by little or no market activity and are significant to the overall fair value measurement. Values are determined using proprietary pricing models, discounted cash flow models that include the investment entities' own judgments and estimations, or some other pricing method using unobservable inputs. The Coalition did not have Level 3 investments as of September 30, 2022 and 2021.

Inputs and Valuation Methods

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurements.

- *Equity Securities* – Equity securities include common stock and mutual funds which are generally based on quoted market prices in active markets (Level 1).
- *Fixed Income and Other Securities* – Fixed income securities and other securities include corporate obligations and U.S. Government and Government Agency obligations. The fair value of corporate obligations is generally determined based on a model that uses inputs such as interest-rate yield curves, cross-currency-basis index spreads or country-credit spreads, which are similar to the valued obligations in terms of issuer, maturity and seniority (Level 2). The fair value of U.S. Government and Government Agency obligations is generally determined using a market-based model in which valuation consideration is given to yield or price of comparable securities, coupon rate, maturity, credit quality, and dealer-provided prices (Level 2).

**NATURAL COMMUNITIES COALITION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncement – Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. During July 2019, the FASB voted to delay the effective date of this standard to be effective for fiscal years beginning after December 15, 2021. The Coalition is currently evaluating the impact of the adoption of the new standard on the financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|--|---------------|
| Financial Assets at Year End: | |
| Cash and Cash Equivalents | \$ 1,215,619 |
| Investments | 25,376,406 |
| Accrued Interest Receivable | 36,195 |
| Grants Receivable | 102,973 |
| Total | 26,731,193 |
| Less: Donor-Restricted Funds not Available for | |
| General Expenditures | (9,632,771) |
| Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | \$ 17,098,422 |

NOTE 3 INVESTMENTS

The following schedule summarizes investments at September 30:

| | 2022 | | 2021 | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | Cost | Market | Cost | Market |
| Equity Securities | \$ 14,007,300 | \$ 15,747,815 | \$ 14,563,323 | \$ 20,377,627 |
| Fixed Income and Other Securities | 10,409,109 | 9,628,591 | 10,593,163 | 10,797,624 |
| Total | \$ 24,416,409 | \$ 25,376,406 | \$ 25,156,486 | \$ 31,175,251 |

**NATURAL COMMUNITIES COALITION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

NOTE 3 INVESTMENTS (CONTINUED)

Net investment income consists of the following at September 30:

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------|---------------------|
| Interest Income | \$ 108,663 | \$ 109,317 |
| Dividends | 761,405 | 513,878 |
| Investment Management Fees | (125,561) | (126,255) |
| Net Realized and Unrealized Gain (Loss) on Investments | <u>(5,039,699)</u> | <u>4,539,157</u> |
| Total Investment Income (Loss), Net | <u>\$ (4,295,192)</u> | <u>\$ 5,036,097</u> |

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2022:

| | Fair Value Measurements | | | Total | |
|--------------------------|-------------------------|---------------------|----------------|----------------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>2022</u> | <u>2021</u> |
| Equity Securities: | | | | | |
| Large Capital Fund | \$ 7,300,757 | \$ - | \$ - | \$ 7,300,757 | \$ 8,771,620 |
| Mid Capital Fund | - | - | - | - | 781,352 |
| Small Capital Fund | 1,585,837 | - | - | 1,585,837 | 1,195,271 |
| Commodities Fund | 1,518,824 | - | - | 1,518,824 | 5,354,334 |
| International | | | | | |
| Developed Fund | 3,850,512 | - | - | 3,850,512 | 1,863,564 |
| International | | | | | |
| Emerging Fund | 893,275 | - | - | 893,275 | 1,570,323 |
| Real Estate Index | | | | | |
| Fund | <u>598,610</u> | <u>-</u> | <u>-</u> | <u>598,610</u> | <u>841,163</u> |
| Total | <u>15,747,815</u> | <u>-</u> | <u>-</u> | <u>15,747,815</u> | <u>20,377,627</u> |
| Fixed Income Securities: | | | | | |
| Corporate and | | | | | |
| Government Obligations | - | 8,603,850 | - | 8,603,850 | 9,644,352 |
| Other Bonds | - | 1,024,278 | - | 1,024,278 | 1,152,422 |
| Other Assets | - | 463 | - | 463 | 850 |
| Total | <u>-</u> | <u>9,628,591</u> | <u>-</u> | <u>9,628,591</u> | <u>10,797,624</u> |
| Total Equity and | | | | | |
| Fixed Income | | | | | |
| Securities | <u>\$ 15,747,815</u> | <u>\$ 9,628,591</u> | <u>\$ -</u> | <u>\$ 25,376,406</u> | <u>\$ 31,175,251</u> |

**NATURAL COMMUNITIES COALITION
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NOTE 4 VEHICLE AND EQUIPMENT

Changes in vehicle and equipment were as follows at September 30:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------|----------------------|----------------------|
| Depreciable Assets: | | |
| Vehicle | \$ 88,006 | \$ 88,006 |
| Furniture and Equipment | 19,468 | 21,088 |
| Total Depreciable Assets | <u>107,474</u> | <u>109,094</u> |
| Accumulated Depreciation: | | |
| Vehicle | (64,957) | (53,432) |
| Furniture and Equipment | (15,321) | (17,362) |
| Total Accumulated Depreciation | <u>(80,278)</u> | <u>(70,794)</u> |
| Total Vehicle and Equipment, Net | <u>\$ 27,196</u> | <u>\$ 38,300</u> |

NOTE 5 CUSTODIAL FUND PAYABLE

The Coalition has been contracted by the U.S. Fish and Wildlife Service and the California Department of Fish and Wildlife to act as an agent for the management of the Pacific Pocket Mouse Custodial Fund. The custodial fund payable balance at September 30, 2022 and 2021 was \$110,648 and \$129,632, respectively.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows at September 30:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|----------------------|
| Subject to Expenditure for Specified Purpose - | | |
| Cowbird Trapping | \$ 77,482 | \$ 69,941 |
| Endowment Net Assets Subject to Appropriation and | | |
| Expenditure for Specified Purpose | (2,066,949) | 1,759,402 |
| Endowment Net Assets Restricted in Perpetuity: | | |
| NCCP/HCP Operating Endowment | 10,922,238 | 10,922,238 |
| Cowbird Trapping Endowment | 700,000 | 700,000 |
| Total | <u>\$ 9,632,771</u> | <u>\$ 13,451,581</u> |

Net assets released from restrictions consist of the following at September 30:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|---------------------|---------------------|
| Satisfaction of purpose restriction | <u>\$ 2,035,233</u> | <u>\$ 1,241,697</u> |

NATURAL COMMUNITIES COALITION
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 EMPLOYEE RETENTION CREDIT

During the year ended September 30, 2022, the Coalition recorded approximately \$86,000 of revenue related to the CARES Act Employee Retention Tax Credit which is a refundable tax credit against certain employment taxes. Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled.

Eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors are subject to review. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Coalition's financial position.

NOTE 8 ENDOWMENT FUNDS

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act, California Probate Code, Sections 18501 to 18510 (UPMIFA), and provides improved disclosures about an organization's endowment funds.

The Coalition's endowment consists of two donor-restricted funds primarily established to support the Coalition's operations and mission as follows – NCCP/HCP endowment and cowbird trapping endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Coalition has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Coalition classifies as net assets with donor restrictions (a) the original value of amounts donated to the permanent NCCP/HCP endowment and cowbird trapping endowment and (b) the original value of subsequent amounts donated to the NCCP/HCP endowment and cowbird trapping endowment. The remaining portion of the donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Coalition in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Coalition considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Coalition and the donor-restricted endowment funds
- General economic conditions and the possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Coalition
- The investment policies of the Coalition

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NOTE 8 ENDOWMENT FUNDS (CONTINUED)

Return Objectives and Risk Parameters

The Coalition has adopted investment and prudent spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment investments while seeking to maintain the corpus of the endowed assets. These policies provide for the safety of principal when taking into consideration the current and expected market conditions.

Investment Strategy

Consistent with the investment and prudent spending policies stated above, the investment strategy of the fund is as follows:

1. Preservation of capital: to seek to minimize the probability of loss of principal over the investment horizon of the portfolio relative to the market.
2. Long-term growth of capital: to seek long-term growth of principal.
3. Preservation of purchasing power: to seek returns in excess of the rate of inflation over the long-term investment horizon of the portfolio relative to the market.

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform State Prudent Management of Institutional Funds Act (UPMIFA) requires the organization to retain as a fund of perpetual duration.

Deficiencies of this nature exist for the Coalition's endowments, which together have an original gift value of \$11,622,238, a current fair value of \$9,555,289, resulting in a deficiency of \$2,066,949 as of September 30, 2022.

Spending Policy

The Coalition has a policy of budgeting that supports the Coalition's operations and mission each year. In establishing the Coalition's annual budget, the Coalition considers the amount of the annual investment portfolio returns and the total size of the endowment investment balance to appropriate so that the Coalition's investment returns can be utilized for operations and the Coalition's investment portfolio can continue to grow through new grants, in-lieu mitigation fees, and investment returns.

**NATURAL COMMUNITIES COALITION
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NOTE 8 ENDOWMENT FUNDS (CONTINUED)

Spending Policy (Continued)

Endowment net assets consist of the following at September 30, 2022:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|---------------------|
| Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor | \$ - | \$ 11,622,238 | \$ 11,622,238 |
| Accumulated Endowment Deficiency | - | (2,066,949) | (2,066,949) |
| Total | <u>\$ -</u> | <u>\$ 9,555,289</u> | <u>\$ 9,555,289</u> |

Endowment net assets consist of the following at September 30, 2021:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|----------------------|
| Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor | \$ - | \$ 11,622,238 | \$ 11,622,238 |
| Accumulated Investment Gains | - | 1,759,402 | 1,759,402 |
| Total | <u>\$ -</u> | <u>\$ 13,381,640</u> | <u>\$ 13,381,640</u> |

Changes in endowment net assets for the years ended September 30, 2022 and 2021, are as follows:

| | <u>Subject to Appropriation</u> | <u>In Perpetuity</u> | <u>Total</u> |
|---|-------------------------------------|--------------------------|---------------------|
| Endowment Net Assets - September 30, 2020 | \$ 925,127 | \$ 11,622,238 | \$ 12,547,365 |
| Investment Return | 2,094,461 | - | 2,094,461 |
| Appropriation of Endowment Assets | <u>(1,260,186)</u> | <u>-</u> | <u>(1,260,186)</u> |
| Endowment Net Assets - September 30, 2021 | 1,759,402 | 11,622,238 | 13,381,640 |
| Investment Loss | (1,783,577) | - | (1,783,577) |
| Appropriation of Endowment Assets | <u>(2,042,774)</u> | <u>-</u> | <u>(2,042,774)</u> |
| Endowment Net Assets - September 30, 2022 | <u>\$ (2,066,949)</u> | <u>\$ 11,622,238</u> | <u>\$ 9,555,289</u> |

**NATURAL COMMUNITIES COALITION
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NOTE 9 COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, the Coalition may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of the Coalition as of September 30, 2022.

NOTE 10 SUBSEQUENT EVENTS

Other events occurring after September 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosure as of December 9, 2022, which is the date the financial statements were available to be issued.



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