Occidental Arts & Ecology Center

(a California Not-for-Profit Corporation)

Financial Statements
For the Year Ended December 31, 2019

Together with Independent Auditors' Report

Occidental Arts & Ecology Center

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

DBM
CERTIFIED PUBLIC ACCOUNTANTS
DILLWOOD BURKEL & MILLAR, LLP

175 Concourse Blvd, Suite A
Santa Rosa, CA 95403
t: (707) 577-8806
f: (707) 577-1417
www.dbmcpa.com

Independent Auditors' Report

To the Board of Directors of
Occidental Arts & Ecology Center
Occidental, California

We have audited the accompanying financial statements of Occidental Arts & Ecology Center, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Occidental Arts & Ecology Center as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Dillwood Burkel & Millar, LLP

Santa Rosa, California
February 26, 2021

Occidental Arts & Ecology Center

Statement of Financial Position
As of December 31, 2019

Assets		
Current assets		
Cash and cash equivalents	$	226,471
Restricted cash and cash equivalents		164,310
Contributions and grants receivable		315,435
Total current assets		706,216
Property and improvements, net		4,441,647
Long-term pledges receivable		300,000
Deposits		2,373
Total assets	$	5,450,236
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$	79,771
Deferred revenue		42,758
Total current liabilities		122,529
Note payable		300,000
Total liabilities		422,529
Net assets		
Net assets without donor restrictions		4,313,397
Net assets with donor restrictions		714,310
Total net assets		5,027,707
Total liabilities and net assets	$	5,450,236

Occidental Arts & Ecology Center

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Foundation and community grants	$ 379,833	$ 945,962	$ 1,325,795
Contributions	188,425	380,386	568,811
Government grants	21,024	-	21,024
	589,282	1,326,348	1,915,630
Fee for service	625,631	-	625,631
Net sales of merchandise	119,473	-	119,473
Investment Income	2,452	-	2,452
Net assets released from restrictions	1,309,210	(1,309,210)	-
Total support and revenue	2,646,048	17,138	2,663,186
Expenses			
Program services	2,217,996	-	2,217,996
General and administrative	315,682	-	315,682
Development and fundraising	190,039	-	190,039
Total expenses	2,723,717	-	2,723,717
Changes in net assets	(77,669)	17,138	(60,531)
Net assets, beginning of year	4,391,066	697,172	5,088,238
Net assets, end of year	$ 4,313,397	$ 714,310	$ 5,027,707

Occidental Arts & Ecology Center

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	General and Administrative	Development and Fundraising	Total
Personnel				
Salaries and wages	$ 937,481	$ 180,326	$ 114,539	$ 1,232,346
Employee benefits	79,355	15,662	9,397	104,414
Payroll taxes	36,743	7,252	4,351	48,346
	1,053,579	203,240	128,287	1,385,106
Grants	470,739	-	-	470,739
Event expenses	106,387	20,997	12,598	139,982
Fees for services	129,420	-	-	129,420
Supplies and office expenses	72,161	14,242	8,546	94,949
Occupancy	57,052	11,260	6,756	75,068
Equipment and maintenance	45,208	8,923	5,354	59,485
Travel and meals	34,035	6,717	4,030	44,782
Insurance	22,389	4,419	2,651	29,459
Dues, licenses and service fees	21,060	5,265	-	26,325
Information technology	14,993	2,959	1,775	19,727
Advertising and promotion	10,308	-	-	10,308
Conferences, conventions and meetings	8,570	-	-	8,570
Accounting fees	-	4,256	-	4,256
Interest	2,850	-	-	2,850
	2,048,751	282,278	169,997	2,501,026
Depreciation	169,245	33,404	20,042	222,691
Total expenses	$ 2,217,996	$ 315,682	$ 190,039	$ 2,723,717

See accompanying Notes to Financial Statements

Occidental Arts & Ecology Center

Statement of Cash Flows
For the Year Ended December 31, 2019

	Increase (decrease) in cash and cash equivalents
Cash flows from operating activities	
Change in net assets	$ (60,531)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	222,691
Changes in assets and liabilities affecting operating activities	
Decrease (increase) in assets:	
Contributions and grants receivable	(259,947)
Deposits	1,725
Increase in liabilities	
Accounts payable and accrued expenses	6,581
Deferred revenue	28,608
Net cash used in operating activities	(60,873)
Cash flows from investing activities	
Acquisition of property and improvements	(68,531)
Net cash used in investing activities	(68,531)
Net change in cash and cash equivalents	(129,404)
Balance at beginning of year	520,185
Balance at end of year	$ 390,781

Unrestricted cash and cash equivalents	$ 226,471
Restricted cash and cash equivalents	164,310
Total cash and cash equivalents	$ 390,781

Note 1. Nature of Activities

The Occidental Arts & Ecology Center (the "Center") is a California not-for-profit organization founded in 1994. Each of the Center's inter-related programs combine the strategies of participatory research to define problems and reveal solutions; demonstration of practical, community-scale alternatives; leadership development through education and training; and building broad organizational networks to advocate for policy change. The Center's overall strategy is to achieve a social change 'multiplier effect' by training and building the capacity of whole communities to become agents of rapid change.

At the program level, the Center teaches and models conservation hydrology and watershed health, restorative agriculture and heirloom seed saving, sustainable land management and native species restoration, traditional ecological knowledge, permaculture and ecological design, democratic self-governance and multicultural organizing methods, along with how each person can deepen their own relationship with artistic expression and an emerging culture of gratitude and resilience. The Center's work forms bridges between spheres that are often isolated from one another – environmental and social movements; rural and urban populations; creative thought and right action; and self and community.

Note 2. Summary of Significant Accounting Policies

<u>Basis of Presentation</u>

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are without restrictions include revenues generated from all activities other than grants and contributions which are purpose or time restricted. Net assets without restrictions are available for all operations conducted by the Center, for future use in operations in accordance with a board approved plan of action, and investment in property and equipment.

Net assets with donor restrictions - Net assets with restrictions include unconditional contributions and grant revenues with purpose or time restrictions with regards to how the funds can be used. Such restrictions can be temporary or permanent. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions. The Center had $714,310 of net assets with donor restrictions at December 31, 2019.

Note 2. Summary of Significant Accounting Policies, *continued*

Cash and Cash Equivalents

The Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed, which limits the investment's use to long term. Cash is held in demand accounts at banks, and cash balances may exceed the federally insured amounts during the year. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of net assets with donor restrictions totaling $164,310 at December 31, 2019.

Contributions and Grants Receivable

The Center considers all contributions and grants receivable to be fully collectable at December 31, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectable, they are charged to expense in the period in which that determination is made.

Fair Value Measurements

The Center determines the fair value of its financial assets and liabilities, for disclosure purposes, based on a hierarchy defined by accounting standards for fair value measurements. Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities that the Center has the ability to access.
Level 2: Valuation based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.
Level 3: Valuation derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Center's perceived risk of that investment. The Center did not have any assets or liabilities recorded at fair value as of December 31, 2019.

Note 2. Summary of Significant Accounting Policies, *continued*

Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, accounts receivable and accounts payable approximate fair value due to the short maturity of those instruments.

Property and Equipment

Property and equipment are stated at cost. It is the Center's policy to capitalize all expenditures for property and equipment costing $5,000 or more in the statement of financial position. Depreciation is computed using the straight line method over the lesser of the estimated useful lives of the assets or the capital lease period. The lives usually range from 5 to 39 years.

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Management did not identify any impairment in long-lived assets in 2019.

Revenue Recognition

Revenues and expenses from the Center’s various programs and services are recognized as they are earned or incurred. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

Contributions received and unconditional promises to give are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate to the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions.

All donor restricted contributions are reported as increases in net assets with donor restrictions. When a donor 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 statement of activities and changes in net assets as net assets released from restriction.

Note 2. Summary of Significant Accounting Policies, *continued*

Revenue Recognition, *continued*

Contributions of donated services are recognized at fair value in the year received if they meet specific criteria: 1) services create or enhance non-financial assets, or 2) services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Deferred Revenue

Deferred revenue represents prepayments for workshops, trainings and consulting fees which had not occurred as of December 31, 2019.

Functional Expense Allocation

Expenses that are specifically identifiable are charged directly to the appropriate functional category. All other expenses are charged based on a reasonable allocation. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Center.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses totaled $10,308 for the year ended December 31, 2019, and included social media, outreach ads and subscriptions.

Income Taxes

As determined by the Internal Revenue Service, the Center is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and is not subject to state or federal income taxes.

The Center determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of December 31, 2019, the Center has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Center's exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for state.

Note 2. Summary of Significant Accounting Policies, *continued*

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relates to the collectability of contributions receivable and depreciable lives of property and improvements. Actual results could differ from those estimates.

Accounting Pronouncements Adopted

In December 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2016-10, Revenue from Contracts with Customers (Topic 606): *Identifying Performance Obligations and Licensing*, which provide guidance for recognizing revenue from contracts with customers. The core principle of Topic 606 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. The adoption of ASU 2016-10 is effective for the Center beginning January 1, 2019. There was no material impact on the Center's financial position upon adoption of the new standard.

Pronouncements Effective in the Future

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Center is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

Note 3. Liquidity and Availability of Financial Assets

The following reflects the Center's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual, donor imposed or board designated restrictions within one year of the statement of financial position date.

Cash and cash equivalents	$ 390,781
Contributions and grants receivable	315,435
Total financial assets, at year end	706,216
Less those unavailable for general expenditures within one year, due to:	
Restricted cash	(164,310)
Donor restricted contributions	(250,000)
Financial assets available to meet cash needs for general expenditure within one year	$ 291,906

As part of the Center's liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Management evaluates the Center's cash position on quarterly basis and adjusts their budget to manage the cash flow accordingly.

Note 4. Cash Concentration

At various times during the year ended December 31, 2019, the Center had deposit amounts with a financial institution in excess of the $250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. At December 31, 2019, the Center had no deposits in excess of the FDIC insured amount.

Note 5. Property and Improvements

Property and improvements consist of the following at December 31, 2019:

Buildings and building improvements	$	4,606,000
Leasehold improvements		789,283
Furniture, fixtures, equipment and software		139,592
Total depreciable assets		5,534,875
Accumulated depreciation		(1,137,621)
Net depreciable assets		4.397,254
Construction in process		44,393
	$	4,441,647

Depreciation expense amounted to $222,691 for the year ended December 31, 2019.

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at December 31, 2019:

Accounts payable	$	57,371
Accrued vacation		17,867
Other accrued expenses		4,533
	$	79,771

Note 7. Long-term Pledges Receivable and Note Payable

Note payable as of December 31, 2019 consists of a $300,000 promissory note payable to an individual trust, bearing interest at 0.95% per annum. Interest only payments on the unpaid principal balance are due on the first day of January of each year until maturity. A balloon payment of the principal and any unpaid interest is due on January 1, 2022. The Note is guaranteed by an individual who has pledged to make the balloon payment upon maturity.

Note 8. Government Loan Payable

Subsequent to year-end in April 2020, the Center applied for and received a Paycheck Protection Program ("PPP") loan through the Small Business Administration in relation to the coronavirus pandemic (See Note 12). The Organization received $184,700, and bears interest of 1%. The loan matures 2 years from its issuance and payments are deferred for the first 10 months. If the Center meets certain criteria the loan may be fully forgiven. The Center believes they will meet this criteria and will have the loan fully forgiven.

Note 9. Operating Leases

The Center leases property located in Occidental California under a non-cancelable lease that expires on December 31, 2033. Future minimum lease payments were as follows for the years ended December 31:

2020	$	10,830
2021		10,830
2022		10,830
2023		10,830
2024		10,830
Thereafter		86,640
Total	$	140,790

Rent for the year ended December 31, 2019 was $10,830. The Center deems this to be below market rent, however, due to uncertainties around its valuation, they have elected not to record the contribution for the difference between the market rate and the lease agreement rate.

Note 10. Net Assets with Donor Restrictions

Net assets with both time and program restrictions imposed by the donors at December 31, 2019 consist of the following:

Promissory note repayment	$	300,000
Mother Garden Biodiversity Program		240,000
Movement Building Fund		100,000
WATER Institute		66,649
Redevelopment		7,661
Total	$	714,310

Net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by donors during the year ended December 31, 2019 as follows:

CalCAN	$	1,039,153
WATER Institute		127,253
Redevelopment		82,804
Mother Garden Biodiversity Program		60,000
Total	$	1,309,210

Note 10. Net Assets with Donor Restrictions, *continued*

The above net assets with donor restrictions are comprised of the following assets as of December 31, 2019:

Restricted cash	$	164,310
Contributions and grants receivable		250,000
Long-term pledges receivable		300,000
	$	714,310

Note 11. Related Party Transactions

The Center leases land from a privately held limited liability company (the "LLC"). Four members of the LLC are employed by the Center including the Executive Director. Lease payments to the LLC totaled $10,830 for the year ended December 31, 2019. In addition to lease payments, the Center paid the LLC for certain shared occupancy costs totaling $51,368 for the year ended December 31, 2019. The Center made capital improvements and purchased buildings located on the leased property owned by the LLC. As of December 31, 2019, the net book value of buildings and improvements purchased by the Organization was $4,411,642.

Note 12. Contingency

On March 11, 2020, The World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closing and shelter in place orders. It is at least reasonably possible that this matter will negatively impact the Center. However, the financial impact and duration cannot be reasonably estimated at this time.

Note 13. Subsequent Events

The Center evaluated subsequent events from January 1, 2020 through February 26, 2021, the date which the financial statements were available to be issued, and determined that other than as noted in Note 8 and 12 there are no material subsequent events that required recognition or additional disclosure in these financial statements.