CLIMATE ACTION CAMPAIGN

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

As of and For

YEARS ENDED DECEMBER 31, 2022 AND 2021

CLIMATE ACTION CAMPAIGN
TABLE OF CONTENTS
December 31, 2022 and 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Climate Action Campaign

Opinion

We have audited the accompanying financial statements of Climate Action Campaign (a California nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Climate Action Campaign as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Climate Action Campaign 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.

Emphasis of a Matter – Prior Period Adjustment

As discussed in Note 16 to the financial statements, the Organization restated net position as of and for the year ended December 31, 2021, to recognize unconditional grants that had not been properly recorded. Our opinion is not modified with respect to this matter.

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 Climate Action Campaign'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.

Office 619-878-5779 Fax 619-792-1141
akagan@kagancpas.com

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, including omissions, 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 Climate Action Campaign'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 Climate Action Campaign'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.

Ariel Kagan

Kagan and Associates, CPAs
Santee, California
January 10, 2024

CLIMATE ACTION CAMPAIGN
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	As Restated 2021
Assets		
Current Assets		
Cash and cash equivalents	$ 1,303,228	$ 1,872,760
Accounts receivable	19,653	447
Grants receivable (Note 5)	245,000	280,000
Investments (Note 7)	522,764	-
Inventory	-	723
Prepaid expenses and deposits	9,800	9,232
Total Current Assets	2,100,445	2,163,162
Noncurrent Assets		
Grants receivable, net of discount (Note 5)	240,651	473,875
Fixed assets, net of accumulated depreciation $2,307 (2022) and $1,559 (2021)	6,672	7,420
Total Noncurrent Assets	247,323	481,295
Total Assets	$ 2,347,768	$ 2,644,457
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses (Note 8)	$ 170,866	$ 123,194
Total Liabilities	170,866	123,194
Commitments and Contingencies (Note 12)		
Net Assets		
Without donor restrictions	1,562,614	1,477,313
With donor restrictions (Note 13)	614,288	1,043,950
Total Net Assets	2,176,902	2,521,263
Total Liabilities and Net Assets	$ 2,347,768	$ 2,644,457

The accompanying notes are an integral part of the financial statements.

CLIMATE ACTION CAMPAIGN
STATEMENT OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support and Revenue						
Contributions and grants	$ 609,667	$ 261,000	$ 870,667	$ 847,476	$ 303,949	$ 1,151,425
Memberships	116,014	-	116,014	135,728	-	135,728
Government grants and assistance (Note 11)	40,000	-	40,000	197,886	-	197,886
Special events less direct expenses of $15,338 (2022) and $9,292 (2021)	86,139	-	86,139	130,908	-	130,908
Interest income	2,506	-	2,506	5,395	-	5,395
Investment return	26,134	-	26,134	-	-	-
Contributed nonfinancial assets (Note 10)	301	-	301	2,010	-	2,010
Other income	29,681	-	29,681	29,999	-	29,999
Net assets released from restrictions (Note 13)	690,662	(690,662)	-	577,167	(577,167)	-
Total Support and Revenue	1,601,104	(429,662)	1,171,442	1,926,569	(273,218)	1,653,351
Expenses						
Program services	1,190,761	-	1,190,761	945,214	-	945,214
Supporting services						
Management and general	186,465	-	186,465	112,576	-	112,576
Fundraising	138,577	-	138,577	106,207	-	106,207
Total Expenses	1,515,803	-	1,515,803	1,163,997	-	1,163,997
Change in Net Assets	85,301	(429,662)	(344,361)	762,572	(273,218)	489,354
Net Assets, Beginning as Previously Stated	-	-	-	980,867	332,167	1,313,034
Restatement (Note 16)	-	-	-	(266,126)	266,126	-
Prior Period Adjustment (Note 16)	-	-	-	-	718,875	718,875
Net Assets, Beginning as Restated	1,477,313	1,043,950	2,521,263	714,741	1,317,168	2,031,909
Net Assets, Ending	$ 1,562,614	$ 614,288	$ 2,176,902	$ 1,477,313	$ 1,043,950	$ 2,521,263

The accompanying notes are an integral part of the financial statements.

CLIMATE ACTION CAMPAIGN
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Expenses	Management and General	Fundraising	Total
Salaries and wages	$ 875,852	$ 104,481	$ 106,872	$ 1,087,205
Payroll taxes	71,243	8,499	8,693	88,435
Employee benefits	71,479	8,527	8,722	88,728
Direct program expenses	15,343	-	-	15,343
Grants to other organizations	25,000	-	-	25,000
Professional fees	26,763	51,524	3,266	81,553
Office expenses	21,001	2,505	2,563	26,069
Information technology	16,067	1,917	1,960	19,944
Occupancy	19,334	2,307	2,359	24,000
Travel	15,489	-	1,721	17,210
Conferences and meetings	13,121	4,373	-	17,494
Depreciation	611	54	83	748
Insurance	4,055	484	495	5,034
In-kind	301	-	-	301
Miscellaneous	15,102	1,794	1,843	18,739
Total Expenses	$ 1,190,761	$ 186,465	$ 138,577	$ 1,515,803

The accompanying notes are an integral part of the financial statements.

CLIMATE ACTION CAMPAIGN
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Expenses	Management and General	Fundraising	Total
Salaries and wages	$ 679,205	$ 79,124	$ 94,301	$ 852,630
Payroll taxes	57,696	6,722	8,011	72,429
Employee benefits	67,949	-	-	67,949
Direct program expenses	20,875	-	-	20,875
Professional fees	25,140	12,327	-	37,467
Office expenses	24,357	-	-	24,357
Information technology	12,531	-	-	12,531
Occupancy	19,449	2,266	2,700	24,415
Travel	15,001	-	-	15,001
Conferences and meetings	6,983	2,730	-	9,713
Depreciation	748	-	-	748
Insurance	2,016	1,512	286	3,814
Inkind	2,010	-	-	2,010
Miscellaneous	11,254	7,895	909	20,058
Total Expenses	$ 945,214	$ 112,576	$ 106,207	$ 1,163,997

The accompanying notes are an integral part of the financial statements.

CLIMATE ACTION CAMPAIGN
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (344,361)	$ 755,480
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	748	748
Gain on investments	(20,983)	-
(Increase) decrease in operating assets		
Accounts reeceivable	(19,206)	3,379
Grants and receivable	268,224	(300,750)
Inventory	723	940
Prepaid expenses and deposits	(568)	(9,154)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	47,672	33,796
Net Cash Provided (Used) by Operating Activities	(67,751)	484,439
Cash Flows from Investing Activities		
Purchases of investments	(526,801)	-
Sales of investments	25,020	-
Net Cash Used by Investing Activities	(501,781)	-
Net Change in Cash	(569,532)	484,439
Cash, Beginning of Year	1,872,760	1,388,321
Cash, End of Year	$ 1,303,228	$ 1,872,760

The accompanying notes are an integral part of the financial statements.

NOTE 1. ORGANIZATION

Nature of Operations

Climate Action Campaign (the Organization) is a California nonprofit public benefit organization established in 2014.

MISSION AND VISION

Climate Action Campaign's mission is to stop the climate emergency by championing a Zero Carbon future through effective policy action. We organize this vital work into Five Fights through a lens of equity and justice: 100% clean electricity; all-electric homes; bikeable/walkable neighborhoods; world-class transit; and resiliency.

In the next ten years, Climate Action Campaign will implement a replicable, and scalable regional model for an equitable transition to Zero Carbon. Cities are leading the way on climate solutions, and we leverage this innovation and creativity to model solutions that can be scaled and replicated around the world.

Climate Action Campaign's bottom-up theory of change puts municipalities, local industry leaders, nonprofits, and communities at the epicenter of climate action and climate solutions. Collaborating across sectors, CAC is leading the region to zero out emissions by 2035, in line with what climate science says is necessary to protect our health and future.

- Founder Nicole Capretz and CAC successfully wrote San Diego's legally binding Climate Action Plan to have 100% clean energy by 2035 - becoming the largest city to make a legally binding commitment of this kind and the first city to integrate a requirement for a climate equity index to prioritize investments and solutions.

- CAC secured the launch of two Community Choice Energy (CCE) programs in San Diego and one in Orange County. This will result in cleaner air, accelerated innovation, and progress toward stopping the climate crisis, and increased municipal momentum to commit to 100% clean electricity elsewhere.

- After a decade in the trenches, CAC and partners won a lawsuit against the County of San Diego to stop sprawl development in dangerous wildfire zones. As a result, the County is developing a regional roadmap to Zero Carbon at our recommendation and finally working to create a Climate Action Plan that is aligned with state law.

- In 2019, Climate Action Campaign formed the San Diego Green New Deal Alliance. The Alliance is a diverse and growing coalition of 61 local community, business, environmental, labor, faith, and social justice organizations committed to a region that achieves Zero Carbon by 2035 through a fair and just transition for workers and communities of concern.

- CAC has educated the public and media through five annual Climate Action Plan Report Cards that watchdog the progress of local municipalities and hold elected officials accountable.

Climate Action Campaign relies on the support of foundations, corporations, and individuals. Funding helps advance the Organization's Five Fights in San Diego and Orange County (serving 6 million residents).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Not-for-Profit Organizations (the Guide).

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

  Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest earned. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurement to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurement for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The standard describes three-tier hierarchy of inputs that may be used to measure fair value:

> Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
>
> Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
>
> Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Due to the short-term nature of cash, receivables, other assets, accounts payable and accrued expenses, fair value approximates carrying value.

Accounting Pronouncements Recently Adopted

Accounting Standards Update (ASU) 2016-02, Leases

In February 2016, the FASB issued ASU 2016-02, Leases (ASC Topic 842) to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities.

The Organization is not required to reassess each of the following:

- Whether any expired or existing contracts are or contain leases
- The lease classification for any expired or existing leases
- Initial direct costs for any existing leases

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Pronouncements Recently Adopted (continued)

Accounting Standards Update (ASU) 2016-02, Leases (continued)

There is no material transition adjustment related to the adoption of ASC 842. In addition, the Organization elected the package of practical expedients as permitted under the transition guidance within the new standard which allows for the carryforward of an historical lease classification.

The Organization adopted ASU-2016-02 effective January 1, 2022. Under ASU 2016-02, the Organization has elected to implement the certain practical expedients as follows:

- The accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.
- The short-term lease exception in which lessees may elect to not apply the lease accounting guidance for short-term leases. A short-term lease is a lease that, at the commencement date, has a lease term of twelve months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- The accounting policy election for all leases, which permits a non-public business entity lessee to use a risk-free discount rate for the lease, determined using a periodic comparable with that of the lease term.

Accounting Standards Update 2020-07, Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (ASC Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is meant to improve generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. An NFP will be 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.

The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. An NFP will be required to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets and additional information for each category of contributed nonfinancial assets.

The Organization adopted ASU 2020-07 January 1, 2022. The adoption did not have a significant impact on the financial statements; however, it did result in a reclassification to adhere to the presentation requirements in the statements of activities. The presentation of the statement of activities for the year ended December 31, 2021 has been revised accordingly for nonfinancial assets on a separate line item to be in conformity with the current year presentation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Organization considers all highly liquid debt instruments, including money market funds, 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.

Accounts Receivable

The accounts receivable arises in the normal course of business. It is the policy of management to review the outstanding accounts receivable at period end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts.

Bad debts are recognized on the allowance method based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. No allowance was considered necessary as of December 31, 2022 and 2021, respectively.

Contributions and Grants Receivable

Unconditional promises to give, including contributions and grants, represent contributions verifiably committed by donors that are scheduled for payment in the future. Unconditional promises are recognized as assets and contribution revenue in the period the promise is received. Unconditional promises that are expected to be collected within one year are recorded at net realizable value. Unconditional promises that are expected to be collected in future years are recorded at the present value of their estimated future cash flows discounted at a risk adjusted rate. Amortization of the discount is recorded as additional contribution revenue.

An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior giving history, type of contribution, and collection risk. Based on its prior experience with donors and grantors, management expects the contributions and grants receivable to be fully collectible. Accordingly, no allowance was considered necessary as of December 31, 2022 and 2021, respectively.

Conditional promises to give are recognized when the conditions (e.g., barriers) on which they depend are substantially met.

Investments

Investments consist primarily of assets invested in exchange traded funds and mutual funds. The Organization accounts for investments in accordance with FASB ASC 958-320, Accounting for Certain Investments Held By Not-for-Profit Organizations. This standard requires that investments in exchange traded funds and mutual funds with readily determinable fair value be measured at fair value in the statement of financial position. Fair value of exchange traded funds and mutual funds is based on quoted market prices.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Investment return (including realized and unrealized gains and losses on investments, interest and dividends, and investment expense) is included in the change in net assets without donor restrictions unless restricted by donor or law. Investment return on restricted assets is reported as an increase in net assets with donor restrictions if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Property and Equipment

The Organization capitalizes all expenditures in excess of $2,500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets of three to five years. Maintenance, repairs, and minor renewals are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Depreciation expense was $748 for both years ended December 31, 2022 and 2021, respectively.

Leases

The Organization determines if an arrangement contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization's right-of-use assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the Organization's obligation to make lease payments arising from the leases. The lease commencement date is when the asset is available for use and in possession of the Organization. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

The Organization recognizes payments for certain leases as expense when incurred including short-term leases with a lease term of 12 months or less and leases with future lease payments less than $2,500. Lease expense for operating lease payments is recognized on the statements of activities on a straight-line basis over the lease term. These leases are not included as lease liabilities or right of use assets on the statement of financial position.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of the index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the statement of financial position as a lease obligation and right-of-use asset, rather the related lease expense is recognized on a straight-line basis over the lease term. For lease agreements entered into or modified after the adoption of ASC 842, lease and non-lease components are combined.

Finance lease assets (previously referred to as a capital lease before the adoption of ASU 2016-02) are depreciated on a straight-line basis over the lease term, and are included within property, plant and equipment, net on the statements of financial position. Interest expense associated with finance leases is recorded based on the incremental borrowing rate.

Compensated Absences

Accumulated personal time off (PTO) is recorded as an expense and liability as benefits accrue to employees. For the years ended December 31, 2022 and 2021, the accrued PTO liability was $60,798 and $50,267, respectively, and is included in accrued expenses in the statement of financial position. (See Note 8 for additional information.)

Deferred Revenue

The Organization may collect cash for events that do not occur until the following year. The Organization's policy is to record these deposits as deferred revenue until the event takes place and the revenues are earned.

Revenue Recognition

Revenue from Contracts with Customers

The Organization recognizes revenue in accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization generally measures revenue based on the amount of consideration the Organization expects to be entitled for the transfer of goods to a customer, then recognizes this revenue when the Organization satisfies its performance obligations.

The Organization evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Support

The Organization recognizes revenue from contributions, including grants, in accordance with ASU 2018-08, Not-For-Profit Entities (ASC Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. In accordance with Topic 958, the Organization evaluates whether a transfer of assets is (i) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (ii) a contribution.

If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under Topic 606, discussed above. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributed revenue may include gifts of cash or promises to give. Contributions and grants are recognized as revenues in the period received and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed 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.

Conditional contributions and grants are not recognized until they become unconditional, that is, at the time when the conditions are substantially met. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement.

Government Grants and Assistance

In 2021, the Organization received government grants and assistance including a Paycheck Protect Program (PPP) loan and a Targeted Economic Injury Disaster Loan (EIDL) advance. As the government is not receiving a benefit as a result of these transactions, revenue is considered to be contributions to the Organization.

In accordance with ASC 958, the proceeds from PPP loans were recognized as revenue upon forgiveness. The EIDL advance was a grant that did not have to be repaid. (See Note 11 for additional disclosures.)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Special Events

Special event revenues received are not recognized until the revenue is earned, which is at the time of the event or when the services are provided, and the Organization does not believe it is required to provide additional goods or services to fulfill its related performance obligation. The recognition of revenue is conditional on the event taking place, as this is the point in time when the performance obligation of hosting the event occurs.

The Organization records special event revenue equal to contribution revenue less the cost of direct benefits to donors which is included in special event revenue on the statement of activities and changes in net assets.

Contributed Nonfinancial Assets

Contributed nonfinancial assets (in-kind) are recorded as support in the statements of activities. Such contributions are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Organization's policy is to use contributed nonfinancial assets for programmatic or other purposes unless the assets have no utility consistent with the Organization's mission. In those instances, the assets would be monetized. (See Note 10 for additional disclosures.)

Contributed Services

The Organization utilizes the services of volunteers throughout the year that perform a variety of tasks that assist the Organization with various programs. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services do not meet the criteria for recognition as a contribution and are not reflected in the financial statements.

Functional Expenses

It is the policy of the Organization to ensure all expenses incurred are consistently and appropriately designated to their functional expense categories (program services, administrative, and fundraising) to allow for an accurate representation of the true program costs of the organization. Functional expenses are allocated as follows:

Direct Expense
Direct expenses relate to one classification and can be directly charged as incurred.

Shared Direct Expense
Shared direct expenses are those that are incurred in support of program work and can be allocated. Examples of shared direct expenses include occupancy costs, technology, equipment, telephone, postage, office supplies, etc.

Indirect
Indirect expenses are only those expenses that are administrative in function. These typically include finance, human resources, and board expenses.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses (continued)

Allocation Basis – Payroll
The method of allocating costs for payroll is by the use of time studies. Employees document how time was being spent over a time period to determine, on average, where the employee is spending their time, whether it be program, management or fundraising.

Expense Allocation Process

- Program: Costs that result in the Organization fulfilling its mission.
- Management: Costs necessary for the operations of the Organization that are not identifiable with a specific program or fundraising.
- Fundraising: Costs that involve seeking, soliciting, or securing contributions.

This allocation process achieves a complete distribution of expenses to program areas and provides the Organization with an accurate understanding of true program costs.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization did not have any unrelated business income for the years ended December 31, 2022 and 2021, respectively.

The Organization follows the provision of uncertain tax positions as addressed in FASB Accounting Standards Codification. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. The Organization believes that it has taken no significant uncertain tax positions for the years ended December 31, 2022 and 2021, respectively. Management believes the Organization is no longer subject to income tax examinations by applicable taxing jurisdictions for the years prior to December 31, 2018.

Advertising

The Organization expenses the cost of advertising as incurred. There were no advertising expenses for the years ended December 31, 2022 and 2021, respectively.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

NOTE 3. AVAILABILITY AND LIQUIDITY

The Organization manages financial assets to be available for general expenditures, liabilities, and other obligations as they come due. Financial assets available within one year are as follows:

	2022	2021
Cash	$ 1,303,228	$ 1,872,759
Accounts receivable	19,653	447
Grants receivable, current	245,000	280,000
Investments	522,764	-
Total financial assets	2,090,645	2,153,206
Less amounts not available to be used within one year:		
Restricted by donor with purpose and time restrictions	614,288	1,043,950
Financial assets available to meet general expenditures over the next twelve months	$ 1,476,357	$ 1,109,256

The Organization receives contributions from donors which are available to meet annual cash needs for general expenditures, as well as contributions with donor restrictions to be used in accordance with the associated purpose restrictions. Restricted donations are closely monitored to provide assurance that grant commitments and obligations supporting mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

NOTE 4. CONCENTRATION OF CREDIT RISK

Cash

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash. The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor. As of December 31, 2022 and 2021, $771,236 and $1,346,057 exceeded federally insured limits, respectively.

Risks and Uncertainties

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

NOTE 5. GRANTS RECEIVABLES

Grants receivables consist of the following as of December 31:

	2022	2021
Due in one year or less	$ 245,000	$ 280,000
Due after one year	250,000	495,000
	495,000	740,000
Less: imputed discount	(9,349)	(21,125)
Net pledged contributions	$ 485,651	$ 718,875

For the years ended December 31, 2022 and 2021, grants receivables consisted of two donors. Amounts due beyond one year have been discounted at a rate of 2.579% and 2.525% respectively.

NOTE 6. FAIR VALUE MEASUREMENTS

As of December 31, 2022, the Organization's investments consisted of exchange-traded funds (ETF) and mutual funds. Investments are all considered Level 1 assets. Interest and dividends are recorded when earned.

The following tables summarize assets measured at fair value by classification within the fair value hierarchy as of December 31:

2022				
Asset	Cost Basis	Market Value	Unrealized Gain (Loss)	Total Fair Value
Exchange Traded Funds	$ 300,631	$ 311,749	$ 11,118	$ 311,749
Mutual Funds	201,150	211,015	9,865	211,015
	$ 501,781	$ 522,764	$ 20,983	$ 522,764

The Organization did not have any investments for the year ended December 31, 2021.

NOTE 7. INVESTMENTS

The fair market value composition of investments is as follows as of December 31:

Asset Category	2022
Exchange Traded Funds	
Bonds	$ 208,830
Foreign	41,761
Large blend	20,152
Large value	34,280
Mid-cap blend	6,726
	311,749

NOTE 7. INVESTMENTS (continued)

Asset Category		2022
Mutual Funds		
Bond	$	37,386
Equity		
Emerging markets		11,069
Foreign		31,196
Large blend		103,001
Small growth		18,034
Small value		10,329
		173,629
Total fair market value	$	522,764

NOTE 8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following as of December 31:

		2022		2021
Accounts payable	$	29,253	$	17,504
Accrued expenses		10,317		6,675
Accrued payroll expenses		66,651		42,967
Accrued vacation		60,798		50,267
Accrued 401(k) liability		3,847		5,779
Total accounts payable and accrued expenses	$	170,866	$	123,192

NOTE 9. OPERATING LEASE

In October 2019 the Organization entered into an operating lease for its administrative offices in San Diego, California on a month-to-month basis with no predetermined termination period. As of the date of this report, the Organization intends to move into new office space in the first quarter of 2024, therefore the lease is considered to be short-term.

NOTE 10. CONTRIBUTED NONFINANCIAL ASSETS

Revenues from contributions of nonfinancial assets recognized within the statements of activities were as follows for the years ended December 31:

		2022		2021	Usage in programs/ activities	Donor imposed restrictions	Fair value techniques and inputs
Gift cards	$	200	$	375	General	None	Retail value
Tickets		-		260	General	None	Retail value
Food		-		625	General	None	Retail value
Miscellaneous items		101		750	General	None	Retail value
Total	$	301	$	2,010			

All gifts were recognized in accordance with donor restrictions, when applicable. The Organization does not sell contributed nonfinancial assets and utilizes them in program use.

NOTE 11. GOVERNMENT GRANTS AND ASSISTANCE

Paycheck Protection Program – Second Draw

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the Economic Aid Act) was signed into law, which reopened the Paycheck Protection Program (PPP) both to first-time borrowers and to borrowers that previously received a PPP loan (second draw borrowers). The Organization was granted a loan in the amount of $131,501, pursuant to the Paycheck Protection Program (the PPP2). In accordance with the loan forgiveness requirements of the Economic Aid Act, the Organization used the proceeds from the PPP2 loan for eligible expenses.

In accordance with ASC Subtopic 958-605 in situations in which the PPP2's eligibility and loan forgiveness criteria are expected to be met, the proceeds from the PPP2 loan were initially recognized as a refundable advance until the conditions for forgiveness are substantially met. For the year ended December 31, 2021, the Organization recognized $131,501 as revenue in government grants and assistance on the statement of activities.

Targeted Economic Injury Disaster Loan Advance

The American Rescue Plan Act of 2021 created the Targeted EIDL Advance program, which became available on April 22, 2021. The Targeted EIDL Advance is a grant program designed to provide coronavirus-impacted businesses and nonprofit organizations with funding to meet immediate business needs and these funds do not need to be repaid. For the year ended December 31, 2021, the Organization received a $9,000 Targeted EIDL Advance which has been recognized as government grants and assistance in the statement of activities.

NOTE 12 COMMITMENT AND CONTINGENCIES

<u>Grants and Contracts</u>

The Organization has grants and contracts with government agencies that may be subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits is not significant.

NOTE 12 COMMITMENT AND CONTINGENCIES (continued)

Litigation

In addition to commitments and obligations in the ordinary course of business, the Organization is subject to various claims and potential legal actions or other matters arising out of the normal course of business. When a loss is considered probable and reasonably estimable, the Organization records a liability in the amount of the estimated loss. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency.

Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be reevaluated at least quarterly to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. When a loss is probable, but a reasonable estimate cannot be made, disclosure of the proceeding is provided.

As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on negotiations with or decisions by third parties, such as regulatory agencies, the court system and other interested parties. Such factors bear directly on whether it is possible to reasonably estimate a range of potential loss and boundaries of high and low estimates. As of December 31, 2022 and 2021, respectively, the Organization has not recorded any probable and reasonably estimable losses due to any potential legal actions.

NOTE 13. NET ASSETS

Net assets with donor restrictions consist of the following as of December 31:

	2022	2021
Purpose restricted:		
BQuest Foundation	$ 46,667	$ 50,000
Energy Foundation	16,177	-
San Diego Foundation	35,714	-
Community Enhancement Grant	16,667	15,000
Neighborhood Reinvestment Grant	4,063	-
Hervey Family Fund	-	187,500
OC Community Foundation	-	30,000
Windward Fund	-	13,335
CAP Report Card	-	8,115
Time restricted:		
BQuest Foundation	120,000	240,000
Satterberg Foundation	375,000	500,000
Total net assets with donor restrictions	$ 614,288	$ 1,043,950

NOTE 13. NET ASSETS (continued)

Net assets released from net assets with donor restrictions are as follows:

	2022	2021
Satisfaction of purpose restrictions	$ 445,662	$ 332,167
Satisfaction of time restrictions	245,000	245,000
Total net assets released from donor restrictions	$ 690,662	$ 577,167

NOTE 14. RETIREMENT PLAN

In 2013, the Organization established a 401(k)-retirement plan, which is qualified under the Internal Revenue Code and covers substantially all employees. For the years ended December 31, 2022 and 2021, respectively, the Organization paid contributions in the amount of $20,100 and $14,870.

NOTE 15. RECLASSIFICATIONS

Certain items in the 2021 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported changes in net assets.

NOTE 16. PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2022, management discovered that two unconditional five-year grants had not been properly recognized as revenue upon inception. A prior period adjustment of $718,875 was recorded to recognize revenue, net of discount, for the years ended December 31, 2019 and 2020, respectively. In addition, a restatement in the amount of $266,126 from net assets without donor restrictions to net assets with donor restrictions was made to adjust for the time restriction on the unconditional grants.

NOTE 17. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 10, 2024, the date on which the financial statements were available to be issued.