



Climate Action Campaign

San Diego, California

Financial Statements and Independent Auditor's Report

December 31, 2020

**Climate Action Campaign
December 31, 2020**

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Independent Auditor's Report

To the Board of Directors
of Climate Action Campaign
San Diego, California

Report on Financial Statements

We have audited the accompanying financial statements of the Climate Action Campaign (Organization), which comprises the statement of financial position as of December 31, 2020, and the related statement of activities and cash flow for the year then ended, and the related notes to the financial statements.

Management's Responsibility for 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of 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 auditor's 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.

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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 the Organization as of December 31, 2020, 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.

Other Matters

Report on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Functional Expenses on pages 16 and 17 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information on page 16 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ariel Kagan

Kagan and Associates, CPAs
Santee, California

August 24, 2021

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FINANCIAL STATEMENTS

Climate Action Campaign
Statement of Financial Position
December 31, 2020

Assets

Current assets	2020
Cash and cash equivalents	\$ 1,388,321
Grants and contracts receivable	3,826
Prepaid expenses and deposits	455
	<hr/>
Total operating assets	1,392,602
	<hr/>
Fixed assets	
Property & equipment	8,979
Less: accumulated depreciation	(811)
	<hr/>
Net fixed assets	8,168
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Long term assets	
Inventory	1,245
Deposits	415
	<hr/>
Total long term assets	1,660
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Total assets	\$ 1,402,430
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Liabilities and net assets

Current liabilities	
Accounts payable	\$ 16,940
Accrued payroll expenses	33,392
Accrued vacation payable	39,064
	<hr/>
Total current liabilities	89,396
	<hr/>
Long term liabilities	
Notes payable	<hr/>
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Total long term liabilities	-
	<hr/>
Total liabilities	89,396
	<hr/>
Net assets	
Without donor restrictions	980,867
With donor restrictions	332,167
	<hr/>
Total net assets	1,313,034
	<hr/>
Total liabilities and net assets	\$ 1,402,430
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

Climate Action Campaign

Statement of Activities

December 31, 2020

	2020		
	Without donor Restrictions	With donor Restrictions	Total support and other revenue
Revenue and support			
Direct public support	\$ 93,184	\$	\$ 93,184
Memberships	130,389		130,389
Grants	524,058	332,167	856,225
Fundraising - events	148,311		148,311
Investment earnings	6,274		6,274
Workshops	25,000		25,000
Forgiven Payroll Protection Program debt	131,900		131,900
Misc income	5,253		5,253
In kind contributions	4,882		4,882
Net assets released from restriction			-
Total revenue and support	1,069,251	332,167	1,401,418
Expenses			
Programs	623,609		623,609
Total program services	623,609	-	623,609
Supporting services			
Management & general	156,717		156,717
Fundraising	221,948		221,948
Total supporting services	378,665	-	378,665
Total expenses	1,002,274	-	1,002,274
Change in net assets	66,977	332,167	399,144
Beginning net assets	913,890		913,890
Ending net assets	\$ 980,867	\$ 332,167	\$ 1,313,034

The accompanying notes are an integral part of these financial statements

Climate Action Campaign

Statement of Cash Flows

December 31, 2020

Cash flows from operating activities:	2020
Change in net assets	\$ 399,144
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	811
(Increase) decrease in assets:	
Grants & contracts receivable	(3,826)
Prepaid expenses and deposits	965
Increase (decrease) in liabilities:	
Accounts payable	12,096
Accrued vacation	39,064
Accrued payroll	33,115
Net cash provided (used) by operating activities	481,369
Cash flows from investing activities:	
Purchase of equipment	
Net cash provided (used) by investing activities	-
Cash flows from financing activities:	
Principal payments on notes payable	
Net cash provided (used) by financing activities	-
Net increase (decrease) in cash and cash equivalents	481,369
Beginning cash and cash equivalents	906,952
Ending cash and cash equivalents	\$ 1,388,321

The accompanying notes are an integral part of these financial statements

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Climate Action Campaign (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 shade trees.

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's 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 four 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 our Five Fights in San Diego and Orange County (serving 6 million residents).

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recorded as the liability when incurred.

Basis of Presentation

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Assets With Donor Restrictions – These net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 Organization net assets during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed In-Kind Goods and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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.

Fair Value Measurements

The Organization measures fair value at the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2: Unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Significant unobservable inputs for the asset or liabilities

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Prepaid Expenses and Deposits

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

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair market value at date of donation. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives of the assets, ranging from three to seven years. Property and equipment are capitalized if the cost or donated fair market value of an asset is greater than, or equal to \$2,500.

Long-Lived Assets

The Organization accounts for impairment and disposition of long-lived assets. Impairment losses are recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of the value of such assets for the year ended December 31, 2020.

Rent Expense

For lease agreements that provide for escalating rent payments or free-rent occupancy periods, the Organization recognizes rent expense on a straight-line basis over the non-cancelable lease term and option renewal periods where failure to exercise such options would result in an economic penalty in such amount that renewal appears, at the inception of the lease, to be reasonably assured. The lease term commences on the date that the Organization takes possession of or controls the physical use of the property.

Grant and Contracts Receivable Recognition

Grants and contracts are paid on a reimbursement basis, up to the maximum amounts allowed under the terms of the grant or contract. Periodic audits may be performed by the grantors, and certain costs may be questioned as not being reimbursable expenditures under the terms of the contracts. Such audits could lead to reimbursement to the grantors. The Organization's management believes disallowances, if any, will be immaterial.

Income Taxes

As a publicly supported not-for-profit organization, the Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and the corresponding provisions of Section 23701d of the California Revenue and Taxation Code. The Organization is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the Organization's tax-exempt purpose. The Organization is not a private-foundation and qualifies for the charitable deduction under 170(b)(1)(A)(vi) of the Internal Revenue Code.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

The Organization has applied the provisions of ASC Subtopic 740-10, *Income Taxes—Overall*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on recognition, classification, interest, and penalties, disclosure, and transition. Management of the Organization believes that no such uncertain tax positions exist as of December 31, 2020.

Functional Allocation of Expenses

The costs of providing the Organization's programs and other activities have been presented in the schedule of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses proportional salary dollars to allocate indirect costs.

Adoption of New Accounting Pronouncement

The Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 *-Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 relates to the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Note 2 – Grants and Contracts Receivable

Grants and contracts receivable at December 31, 2020 were comprised of the payments due from Stripe and the CCE Forum. The total amounts due were not deemed material to the financial statements and no allowance was deemed necessary.

Note 3 – Property and Equipment

Property and equipment at December 31, 2020 were comprised of the following:

	<u>2020</u>
Depreciable assets:	
Heat Pump	\$ 8,979
Total depreciable assets	8,979
Accumulated depreciation	<u>(811)</u>
Total property and equipment	\$ <u>8,168</u>

For the years ended December 31, 2020 depreciation expense was \$811.

Note 4 – Liquidity and Availability of Financial Assets

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 December 31, 2020:

Cash	\$ 1,388,321
Accounts and contributions receivable	<u>3,826</u>
Total financial assets	1,392,147
Funds subject to donor-imposed restrictions	<u>(273,834)</u>
Financial assets available to meet general expenditures within one year	\$ <u>1,118,313</u>

Note 5 – Notes Payable

The organization did not have any notes or loans outstanding as December 31, 2020.

Note 6 – Net Assets – With Donor Restrictions

At December 31, 2020 donor restricted net assets consisted of the following:

Balance				Balance
January 1, 2020	Additions	Deletions		December 31, 2020
\$ -	\$ 332,167	\$ -		\$ 332,167

For the year ended December 31, 2020 \$332,167 net assets were restricted by donor respectively. Restricted net assets are as follows:

Satterberg	\$ 8,333
San Diego Foundation	36,667
Bquest	91,667
Partners for Places	8,000
Hervey	187,500
	<u>\$332,167</u>

Note 7 – Fundraising Events

The Organization holds an annual fundraising event to support the operations of the Organization.

Note 8 – Operating Lease Agreement

The Organization leases its administrative offices in San Diego, California, under an operating lease. In October 2019 the Organization entered into a lease on a month to month basis with no predetermined termination period. Rent was suspended in July 2020 due to Covid restrictions.

Note 9 – Public Support

Volunteers from the community have donated significant amounts of their time in support of the Organization's programs. Minor amounts have been reflected in the financial statements for the contributed services with offsetting income and expenses.

Note 10 – Concentration of Credit Risk

As of December 31, 2020 the Organization maintained cash balances in financial institutions in excess of the amounts insured by the FDIC. However, management believes the credit risk is minimal due to the quality of the financial institutions where its cash is held.

Note 11 – Commitment and Contingencies

Grants and Contracts

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 would not be material.

Litigation

In the ordinary course of operations, the Organization is subject to claims and litigation from outside parties. After consultation with legal counsel, the Organization believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Note 12 – Investments

Investments as of December 31, 2020 consist primarily of assets invested in marketable equity and debt securities. Cash and cash equivalents that are not used for operations are treated as investments due to their nature as long-term investments. Investments are carried at fair value based on quoted market prices in active market (all Level 1 measurements). The realized and unrealized gains and losses on investments are reflected in the statement of activities. Investment revenues are reported net of related investment expenses.

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 the 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.

At December 31, 2020, investments consisted of the following;

Cash and cash equivalents	\$1,068,433
Certificates of deposit	<u>319,888</u>
Total	<u>\$1,388,321</u>

Note 13 – Subsequent Events

The Organization's management has evaluated subsequent events through August 24, 2021, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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nctional Expenses

December 31, 2020

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 528,164	\$ 56,205	\$ 91,984	\$ 676,353
Payroll taxes	44,902	4,778	7,820	57,500
Employee benefits	21,558	2,294	3,754	27,606
Employee insurances	30,987	3,297	5,397	39,681
Total personnel costs	625,610	66,575	108,955	801,140
Advertising	1,263	134	220	1,617
Bank and merchant fees	1,901	202	331	2,434
Depreciation	811			811
Dues and subscriptions	619	66	108	793
Education	2,311	246	402	2,959
Events	4,666		4,667	9,333
Insurance	2,251	2,077	392	4,720
In kind expenses	4,882			4,882
Miscellaneous	377	89	50	516
Office	15,079	1,591	2,616	19,286
Outside Services	73,134	38,866	19,844	131,844
Neighborhood reinvestment grant	9,323	992	1,624	11,939
Rent	7,809	831	1,360	10,000
Total other expenses	124,426	45,094	31,614	201,134
Total expenses	\$ 750,036	\$ 111,669	\$ 140,569	\$ 1,002,274

The accompanying notes are an integral part of these financial statements