

# Community Environmental Council



**BOLD CLIMATE ACTION**  
**ACCIÓN CLIMÁTICA AUDAZ**

**COMMUNITY ENVIRONMENTAL COUNCIL, INC.**  
**Financial Statements**  
**December 31, 2021**





## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Community Environmental Council, Inc.

### **Opinion**

We have audited the accompanying financial statements of Community Environmental Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Environmental Council, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Environmental Council, Inc. 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.

### **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 Community Environmental Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 Community Environmental Council, Inc.'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 Community Environmental Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited Community Environmental Council's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Stoltey & Associates*

Orcutt, California

April 21, 2022

**COMMUNITY ENVIRONMENTAL COUNCIL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2021**  
**(with comparative totals for 2020)**

<b>ASSETS</b>		
	<u><b>2021</b></u>	<u><b>2020</b></u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 427,750	\$ 508,844
Accounts Receivable	140,068	191,656
Contributions Receivable [ Note 2 ]	1,105,945	167,233
Receivable - Other	16,730	18,500
Prepaid Expenses	1,603	12,366
Fixed Assets, Net [ Note 6 ]	64,938	2,045
Endowment Assets: [ Notes 4 & 7 ]		
Endowment Investments	2,897,675	2,680,746
Investment in WBIG	165,000	220,000
Total Endowment Investments	<u>3,062,675</u>	<u>2,900,746</u>
Total Assets	<u><u>\$4,819,709</u></u>	<u><u>\$3,801,390</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 169,641	\$ 75,571
Accrued Expenses	58,672	40,441
Deferred Income	25,000	15,000
Total Liabilities	<u>253,313</u>	<u>131,012</u>
<b>NET ASSETS [ Notes 8 and 9 ]</b>		
Without Donor Restriction:		
Undesignated	1,166,641	530,894
Board Designated - Quasi Endowment	<u>2,932,168</u>	<u>2,770,239</u>
	4,098,809	3,301,133
With Donor Restrictions:		
Purpose Restrictions	337,080	238,738
Perpetual in Nature - Endowment	<u>130,507</u>	<u>130,507</u>
	467,587	369,245
Total Net Assets	<u>4,566,396</u>	<u>3,670,378</u>
Total Liabilities and Net Assets	<u><u>\$4,819,709</u></u>	<u><u>\$3,801,390</u></u>

**COMMUNITY ENVIRONMENTAL COUNCIL, INC.**  
**STATEMENTS OF ACTIVITIES**  
**December 31, 2021**  
**(with Comparative Totals for 2020)**

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Total
<b>OPERATING</b>				
PUBLIC SUPPORT				
Special Events, Gross	\$ -	\$ -	\$ -	\$ -
Less: Direct Costs	(6,268)	-	(6,268)	(6,466)
Special events, net	(6,268)	-	(6,268)	(6,466)
Contributions	154,971	250,000	404,971	756,911
Forgiven PPP SBA Loan [ Note 12 ]	-	-	-	135,895
Grants	104,870	62,080	166,950	459,326
In-Kind Contributions	42,300	-	42,300	-
Total public support	295,873	312,080	607,953	1,345,666
REVENUE				
Government Contracts	485,842	-	485,842	371,295
Earth Day program	60,566	-	60,566	63,380
Solarize program	49,946	-	49,946	51,162
Other	15,101	-	15,101	-
Total public support and revenue	907,328	312,080	1,219,408	1,831,503
Net assets released from restriction	213,738	(213,738)	-	-
EXPENSES				
PROGRAM SERVICES	1,899,081	-	1,899,081	1,383,361
SUPPORTING SERVICES				
Management and general	429,868	-	429,868	212,299
Fundraising	379,120	-	379,120	257,955
Total supporting services	808,988	-	808,988	470,254
Total operating expenses	2,708,069	-	2,708,069	1,853,615
Change in net assets from operating activities	(1,587,003)	98,342	(1,488,661)	(22,112)
<b>NONOPERATING</b>				
PUBLIC SUPPORT AND REVENUE				
50th Anniversary Campaign [ Note 1 ]	2,226,601	-	2,226,601	332,500
Investment income (loss)	428,217	-	428,217	396,874
Change in Valuation of Investment in WBIG	(55,000)	-	(55,000)	(70,000)
Total nonoperating public support and revenue	2,599,818	-	2,599,818	659,374
EXPENSES				
Strategic Planning	44,871	-	44,871	47,449
Depreciation	764	-	764	816
Unrelated Business Tax	-	-	-	10,664
50th Anniversary Campaign Expenses [ Note 1 ]	169,504	-	169,504	41,100
Total nonoperating expense	215,139	-	215,139	100,029
Change in net assets from nonoperating activities	2,384,679	-	2,384,679	559,345
Total change in net assets	797,676	98,342	896,018	537,233
Net assets, beginning of year	3,301,133	369,245	3,670,378	3,133,145
Net assets, end of year	\$ 4,098,809	\$ 467,587	\$ 4,566,396	\$ 3,670,378

See accompanying notes.

**COMMUNITY ENVIRONMENTAL COUNCIL, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**December 31, 2021**  
**(with Comparative Totals for 2020)**

	2021										Total Expenses 2020
	Program Services					Total Program Services	Support Services		Total Expenses 2021		
	Energy	Outreach & Education	Food	Other			Management & General	Fundraising			
Compensation and Related Benefits	\$ 368,504	\$ 430,005	\$ 109,198	\$ 7,869	\$ 915,576	\$ 233,409	\$ 229,734	\$ 1,378,719	\$ 936,515		
Salaries	28,923	33,634	8,535	604	71,696	17,957	18,046	107,699	74,338		
Payroll Taxes	55,302	40,532	16,247	365	112,446	19,816	27,538	159,800	111,874		
Employee Benefits	452,729	504,171	133,980	8,838	1,099,718	271,182	275,318	1,646,218	1,122,727		
Total Compensation and Related Benefit											
Other Operating Expenses	-	3,219	-	-	3,219	80,153	-	83,372	44,250		
Accounting and Legal	1,855	92,602	6,782	-	101,239	-	8,113	109,352	24,787		
Advertising	-	333	-	-	333	2,325	4,387	7,045	6,123		
Bank Charges	34,754	39,930	10,397	728	85,809	20,817	21,135	127,761	100,953		
Building Rental and Repairs	29,395	127,844	324,204	11,968	493,411	27,270	29,810	550,491	406,509		
Contract Services	2,674	17,245	741	-	20,660	9,111	3,271	33,042	28,155		
Dues and Subscriptions	-	590	221	-	811	-	15,872	16,683	8,161		
Photocopying and Printing	3,035	3,380	898	59	7,372	1,818	1,846	11,036	4,417		
Employee Relations	7,459	8,306	2,207	146	18,118	4,468	4,536	27,122	24,770		
Equipment and Software Maintenance	1,044	1,163	309	20	2,536	626	635	3,797	8,707		
Equipment Rental	3,145	3,503	931	61	7,640	1,884	1,913	11,437	13,263		
Insurance	820	1,850	-	-	2,670	2,351	1,162	6,183	10,173		
Meetings, Conferences and Special Events	-	16	-	-	16	731	2,633	3,380	971		
Postage and Mailing	4,864	17,011	7,045	11,096	40,015	2,891	4,531	47,437	37,160		
Supplies	-	152	-	-	152	598	-	750	(40)		
Taxes, Licenses, Fees and (Refunds)	624	271	419	11	1,325	181	444	1,950	1,221		
Travel and Automobile	5,779	6,435	1,710	113	14,037	3,462	3,514	21,013	11,308		
Utilities and Telephone	548,177	828,021	489,844	33,040	1,899,081	429,868	379,120	2,708,069	1,853,615		
Total Operating Expenses											
Nonoperating Expenses	210	234	62	4	510	126	128	764	816		
Depreciation	-	-	-	-	-	-	-	-	10,664		
Unrelated business tax	-	-	-	-	-	-	-	-	41,100		
50th Anniversary Campaign Expenses	12,340	13,742	3,652	241	29,975	7,392	7,504	44,871	47,449		
Strategic Planning	12,550	13,976	3,714	245	30,485	7,518	177,136	215,139	100,029		
Total Nonoperating Expenses											
Total Functional Expenses 2021	\$ 560,727	\$ 841,997	\$ 493,558	\$ 33,285	\$ 1,929,566	\$ 437,386	\$ 556,256	\$ 2,923,208	\$ 1,953,644		
Total Functional Expenses 2020	\$ 452,650	\$ 435,623	\$ 364,102	\$ 165,988	\$ 1,418,363	\$ 228,549	\$ 306,733	\$ 1,953,644			

See accompanying notes.

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## STATEMENTS OF CASH FLOWS

December 31, 2021

(with Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 896,018	\$ 537,233
Adjustments to reconcile increase in net assets to cash Provided by (Used by) operating activities:		
Depreciation	764	816
(Gain) loss on investments	(389,530)	(294,628)
Change in operating assets and liabilities:		
Accounts receivable	51,588	37,934
Contributions receivable	(938,712)	(116,584)
Receivable - other	1,770	(1,770)
Prepaid expenses	10,763	4,893
Accounts payable	94,070	(14,643)
Accrued expenses	18,231	6,074
Deferred income	10,000	5,000
Unrelated business tax payable	-	(9,271)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(245,038)</u>	<u>155,054</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(63,657)	-
Proceeds from sale of securities	656,335	555,747
Purchase of securities	(428,734)	(341,178)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>163,944</u>	<u>214,569</u>
<b>Change in Cash and Cash Equivalents</b>	(81,094)	369,623
<b>Cash and Cash Equivalents at Beginning of Year</b>	508,844	139,221
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 427,750</u>	<u>\$ 508,844</u>
Non-cash Contribution - PPP Loan Forgiveness		<u>\$ 135,895</u>
Non-cash Contribution - In-Kind Contributions	<u>\$ 42,300</u>	

See accompanying notes.

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

This summary of significant accounting policies of Community Environmental Council (CEC) is presented to assist in understanding the CEC's financial statements. The financial statements and notes are representations of CEC's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

#### **Nature of Activities**

CEC leads a network of partners on the Central Coast in developing, testing, and implementing programs that can be national and global models for addressing the challenges of climate change. CEC pioneers real life solutions in areas with the most impact on climate change, through programs that provide pathways to clean vehicles, solar energy, resilient food systems and a greater focus on closed-loop systems, rather than single-use products. CEC is funded by, and works with, private corporations, foundations, and individuals as well as local, state, and federal governments.

#### ***ENGAGING THE COMMUNITY:***

CEC is working across the region to inform, unite, and activate a broad range of Central Coast residents to be stewards of climate action, so that together we can move at the unprecedented pace required to reverse, repair, and protect against climate threats. Through our Climate Leadership Program CEC informed, activated, and guided more than 33,000 individuals on climate action through webinars, meetings, events, and roundtable discussions. This work includes actively collaborating with underrepresented voices in planning and implementing community-led solutions through our Climate Justice and Climate Resilience work.

#### ***CLIMATE MITIGATION & CLEAN ENERGY:***

Building on decades of work, CEC helps our region accelerate the transition to clean energy and zero-emission solutions. Our efforts focus on ensuring that new construction is energy efficient and carbon-neutral; increasing access to electric vehicles (especially for low-to-moderate income households); and advancing solar and energy efficient solutions for single and multi-family housing and nonprofit organizations.

#### ***FOOD SYSTEM REFORM & REGENERATIVE AGRICULTURE:***

CEC actively promotes a low-carbon, resilient food system—including planning for and promoting the reduction of greenhouse gas emissions from the food system. This includes advancing the adoption of climate-smart agricultural practices; promoting the reduction of methane-causing food waste disposal in landfills; and



# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (continued)

partnering across the Santa Barbara, San Luis Obispo, and Ventura counties, at the intersection of climate change, health, and equity.

#### *CIRCULAR ECONOMY:*

CEC helps the Central Coast region pursue a circular economy model that designs out single-use products such as water bottles and styrofoam and replaces them with closed-loop systems that shift greater responsibility for waste to the companies that make and distribute products. CEC works directly with schools to educate and activate the broader public to support policies that demand reusable, refillable packaging models.

#### *50<sup>TH</sup> ANNIVERSARY CAMPAIGN:*

For over 50 years, the Community Environmental Council has been a leader of the modern environmental movement, driving local action to affect global change. CEC is working to implement a bold plan to advance transformative and equitable solutions to the climate crisis and build a vibrant and resilient Central Coast region. To fuel this plan, CEC has launched a \$15 million “50<sup>TH</sup> Anniversary Campaign” that is building our capacity to lead, partner, and act.

#### **Prior-Year Summarized Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but are not presented by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with CEC’s financial statements for the year ended December 31, 2020 from which the summarized information was derived.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, and cash in money market funds and excludes cash and cash equivalents held for investment. Cash equivalents classified as investments include money market funds held in endowment. \$337,080 of cash and cash equivalents are restricted for purposes described in Note 9.

#### **Accounts Receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. CEC provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of parties to pay their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the CEC’s policy to charge off uncollectible accounts receivable when management determines the receivable will

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (continued)

not be collected. At December 31, 2021 CEC has made a \$5,000 provision for an allowance for doubtful accounts.

#### **Contributions and Bequests and Pledges Receivable**

Contributions are recorded when received. Bequests and pledges receivable are measured at fair value on the date a written unconditional promise to give is received from the donor. On this date, and subsequently annually, the fair value is measured using an income approach which incorporates inputs including estimated credit risk, estimated timing of cash receipts, and an appropriate present value discount factor designed to reflect the assumptions market participants would use in pricing the asset.

#### **Fixed Assets**

Fixed Assets are stated at cost or, if acquired by gift, at the fair market value at the date of donation. Expenditures for building improvements and major renewals in excess of \$5,000 that extend the useful lives of Fixed Assets are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

- |                            |                            |
|----------------------------|----------------------------|
| • Equipment                | 3-10 years                 |
| • Furniture                | 7-12 years                 |
| • Leasehold Improvements   | 10 years                   |
| • Construction in Progress | TBD when placed in service |

#### **Endowment Investments**

Endowment investments consist of investments purchased with the following:

- Donor-Restricted Permanent Endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation available to support CEC's activities.
- Donor-Restricted Term Endowment, which are contributions restricted by donors to investments for the term specified by the donor. During that term, the donor may either require investment income and appreciation to be reinvested in the fund or may permit CEC to spend those amounts in accordance with the donor's restrictions on use.
- Board-Designated Quasi-Endowments, are resources set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a Donor-Restricted Permanent Endowment. Because a Board-Designated Endowment results from an internal designation, it can be spent upon action of the Board of Directors.

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (continued)

In accordance with GAAP, CEC accounts for its marketable securities at fair value using market values of identical securities. CEC holds a minority interest in West Beach Investors Group, a California corporation ("WBIG"), which operates a restaurant in Santa Barbara, California. CEC values their ownership in WBIG at the estimated fair value using the income approach. Information about fair value of investments is discussed in Note 4.

#### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

#### Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for a Board-Designated Quasi-Endowment.

#### Net Assets with Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

CEC reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from restrictions.

#### Measure of Operations

In its statement of activities, CEC includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, distributions from Investment in WBIG (see Note 7), changes in value of Investment in WBIG, depreciation expense and 50<sup>TH</sup> Anniversary Campaign public support and expenses are included as non-operating activities.

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (continued)

#### Revenue and Revenue Recognition

##### Exchange Transactions

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers.

CEC recognizes revenue from sales of consulting and other services ratably over the period of time the services are performed, which corresponds with progress toward complete satisfaction of the performance obligation using a time-based measure. Fees and payments received in advance are deferred to the applicable period of time the services are provided. CEC records annual special event revenue equal to the fair value of direct benefits to donors, and contribution revenue for the difference.

The aggregate amount of contract performance obligation as of December 31, 2021 that CEC expects to recognize as revenue in the next three years is \$306,419 with \$281,028 in 2022 and \$25,391 in 2023.

The beginning and ending related contract balances are as follows:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Receivables	\$140,068	\$191,655
Deferred revenue	\$25,000	\$15,000

Due to COVID-related Special Events postponements, no deferred revenue that was included in the contract liability balance for the year ended December 31, 2020 was recognized in the year ended December 31, 2021.

##### Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

##### Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to CEC's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. CEC receives approximately 2,000 volunteer hours per year.

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (continued)

Contributed goods are recorded at fair value at the date of donation. CEC records donated professional services at the respective fair values of the services received. During the year ended December 31, 2021 CEC received \$22,300 of contributed professional advertising services and \$20,000 professional contract services.

#### **Advertising Costs**

Advertising costs are expensed as incurred and approximated \$87,052 and \$24,787 during the year ended December 31, 2021 and 2020, respectively.

#### **Functional Expenses**

The cost of providing CEC's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time or usage studies. The expenses allocated include repairs and maintenance, rent, employee relations, equipment rental, insurance, supplies, telephone and utilities.

#### **Tax Exempt Status**

CEC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), though it is subject to tax on income unrelated to its exempt purposes unless that income is otherwise excluded by the IRC. Contributions to CEC are tax deductible to donors under Section 170 of the IRC.

#### **Uncertain Tax Positions**

CEC's tax filings are subject to examination by the IRS, generally for three years after they are filed. CEC is not aware of any activities that would jeopardize its tax-exempt status.

#### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, CEC's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. CEC's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (continued)

Significant estimates used in the preparation of these financial statements include:

- Fair value of Investment in WBIG
- Allocation of functional expenses
- Allowance for doubtful accounts and fair value of contributions receivable

#### **Financial Instruments and Credit Risk**

CEC manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, CEC has not experienced losses in any of these accounts. Credit risk associated with accounts receivable, bequests and promises to give is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by CEC and the Finance & Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Finance & Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of CEC.

### Note 2: Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and contributions revenue of the appropriate net asset category. Long-term contributions receivable are discounted to present value using a discount rate of 4%. Future receipt of contributions receivable is expected to be collected as follows:

2022	\$	385,712
2023		353,973
2024		239,195
2025		208,080
2026		2,556
Subtotal		1,189,516
Less discount		(83,571)
Total	\$	<u>1,105,945</u>

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### Note 3: Conditional Pledges

CEC has received indications of gifts in the form of intentions to give which are conditional upon the continued employment of CEC's current CEO. Due to the uncertain nature of these intentions CEC has not recognized an asset or contribution revenue for these gifts. The aggregate estimated total intentions to give approximated \$1,487,500 at December 31, 2021.

### Note 4: Fair Value Measurements and Disclosures

CEC reports certain assets and liabilities at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability 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 based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that CEC can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, CEC develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

### Note 4: Fair Value Measurements and Disclosures (continued)

transparency of the asset and does not necessarily correspond to management's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of CEC's investment assets are classified within Level 1 as they are comprised of common stock, exchange traded funds and open-end mutual funds, with readily determinable fair values based on daily redemption values. The fair value of Investment in WBIG is determined by using estimated future income techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values. These are considered to be Level 3 measurements.

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at December 31, 2021:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Operating Assets:				
Contributions				
Receivable	<u>\$ 1,105,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,105,945</u>
Endowment Assets:				
Endowment				
investments:				
Cash and				
equivalents	195,221	195,221	-	-
Equities	1,622,410	1,622,410	-	-
Bond fund	413,544	413,544	-	-
Equity funds	285,551	285,551	-	-
ETFs	367,562	367,562	-	-
Other Assets	<u>13,387</u>	<u>13,387</u>	<u>-</u>	<u>-</u>
Endowment				
Investments	2,897,675	2,897,675	-	-
Investment in WBIG	<u>165,000</u>	<u>-</u>	<u>-</u>	<u>165,000</u>
Total Endowment				
Assets	<u>\$ 3,062,675</u>	<u>\$ 2,897,675</u>	<u>\$ -</u>	<u>\$ 165,000</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2021:



# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

### Note 4: Fair Value Measurements and Disclosures (continued)

	Contributions Receivable	Investment in WBIG
Balance, beginning of year	\$ 167,233	\$ 220,000
Additions	1,296,378	-
Collections	(274,095)	-
Fair value adjustment	(83,571)	(55,000)
Balance, end of year	<u>\$ 1,105,945</u>	<u>\$ 165,000</u>

### Note 5: Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and Cash Equivalents	\$ 427,750
Accounts Receivable	140,068
Contributions Receivable	1,105,945
Less: Pledged Contributions 2023 and thereafter	(720,233)
Receivable – Other	16,730
Endowment spending-rate distributions and appropriations	211,193
Total	<u>\$ 1,181,453</u>

CEC's Endowment funds consist of Donor-Restricted Endowments and Funds designated by the Board as Endowments. CEC's Endowment is subject to an annual spending rate of 5% as described in Note 8. Although CEC does not intend to spend from this Board-Designated Quasi-Endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. As part of CEC'S liquidity management plan, CEC invests cash in excess of daily requirements in money market funds.

### Note 6: Fixed Assets

Fixed Assets at December 31, 2021 and 2020 are summarized as follows:

	2021	2020
Furniture	\$ 25,419	\$ 25,419
Equipment	19,376	19,376
Leasehold improvements	-	307,429
	<u>44,795</u>	<u>352,224</u>
Accumulated Depreciation	(43,514)	(350,179)
Subtotal	1,281	2,045
Construction in Progress	63,657	-
Fixed Assets, Net	<u>\$ 64,938</u>	<u>\$ 2,045</u>

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### **Note 7: Investment in West Beach Investors Group (WBIG)**

CEC has a 33.3% interest in West Beach Investors Group (WBIG), which is an 80% joint venture partner in The Stearns Wharf Company dba Moby Dick Restaurant. Effective December 31, 2017, CEC adopted a valuation approach based on the previous five years earnings before income taxes, depreciation and amortization (EBITDA), discounted at 90%. At December 31, 2021, management estimates a fair value of \$165,000 for CEC's Investment in WBIG based on a consistent update of this valuation approach.

### **Note 8: Endowment Funds**

CEC's Endowment (the Endowment) consists of a single fund established by donors to provide annual funding for general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for Endowment by the Board of Directors.

The Board of Directors of CEC has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the Donor-Restricted Endowment Funds absent explicit donor stipulations to the contrary. At December 31, 2020 and 2021, there were no such donor stipulations. As a result of this interpretation, CEC retains in perpetuity (a) the original value of initial and subsequent gift amount (including pledges to give at fair value donated to the Endowment) and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by CEC in a manner consistent with the standard of prudence prescribed by UPMIFA. CEC considers the following factors in making a determination to appropriate or accumulate Donor-Restricted Endowment Funds:

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

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

### Note 8: Endowment Funds (continued)

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual Donor-Restricted Endowment Funds may fall below the level that the donor or UPMIFA requires CEC to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2021 or 2020.

#### Investment and Spending Policies

CEC has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

CEC uses an Endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those Endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at September 30 of each year to determine the spending amount for the upcoming year. During 2021 and 2020, the spending rate maximum was 5 percent. In establishing this policy, the Board considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time. Changes in Endowment Net Assets for the year ended December 31, 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, Beginning of Year	\$ 2,770,239	\$ 130,507	\$ 2,900,746
Investment income:			
Interest and dividends	1,058	-	1,058
Unrealized gains on investments	100,792	-	100,792
Realized gains on sales of investments	288,738	-	288,738
Investment fees	(17,466)	-	(17,466)
Withdrawals:			
Draw per spending policy	(121,193)	-	(121,193)
Additional Board approved draw	(90,000)	-	(90,000)
Endowment Net Assets, End of Year	<u>\$ 2,932,168</u>	<u>\$ 130,507</u>	<u>\$ 3,062,675</u>

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose or periods:

	<u>2021</u>	<u>2020</u>
<b>Restricted for specific purpose:</b>		
Plastics	45,080	-
Energy programs	-	4,000
Outreach and Education programs	-	30,000
Food related programs	250,000	138,738
Climate & Other programs	42,000	66,000
Total Purpose Restricted	<u>337,080</u>	<u>238,738</u>
<b>Perpetual in nature:</b>		
Subject to spending policy	<u>130,507</u>	<u>130,507</u>
<b>Total</b>	<u>\$ 467,587</u>	<u>\$ 369,245</u>

### Note 10: Line of Credit

CEC holds an unsecured \$500,000 line of credit with Montecito Bank & Trust that carried interest at 4.25% per annum as of December 31, 2021 (prime + 0.75%) and matures July 2023. The line of credit, which has never been drawn on, was set up to help smooth the seasonal variability of cash flows. The Line of Credit had no balance as of December 31, 2021.

CEC obtained an unsecured draw-down term loan of \$1,000,000 on December 27, 2021 that carries interest at prime +0.75 with a floor of 4.0%.

### Note 11: Lease Commitments

On November 18, 2020, CEC entered into a ten-year lease with Hutton Parker Foundation that began on January 1, 2021 and will end on December 31, 2030. Base rent for the remaining nine years is \$10,664 per month or \$127,968 annually. Insurance and maintenance expenses covering the leased facilities are the obligations of CEC. The total rent over the nine-year period of \$1,151,712 represents the total future minimum lease payments on non-cancelable operating leases as of December 31, 2021.

Rent expense for the year ended December 31, 2021 was \$122,935 which included common area operating expenses of \$13,708 and storage rental of \$3,348.

# COMMUNITY ENVIRONMENTAL COUNCIL, INC.

## Notes to Financial Statements

---

### **Note 12: Paycheck Protection Program Loan and Forgiveness**

CEC was granted a \$135,895 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The uncollateralized loan is fully guaranteed by the Federal government. CEC initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. CEC has recognized \$135,895 as “Forgiven PPP SBA Loan” public support revenue for the year ended December 31, 2020.

### **Note 13: Customer and Credit Risk Concentrations**

Financial instruments that potentially subject CEC to credit risk consist principally of cash, cash held for investment, and accounts receivable.

CEC maintains bank accounts at three financial institutions. Deposits at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000 per institution. From time to time cash held during the year exceeded the insured thresholds. At December 31, 2021, the amount of cash deposits that exceeded federally insured limits was \$162,794.

CEC receives a significant portion of its accounts receivable, pledges receivable and related contributions from individuals and corporations from the Santa Barbara, California region.

### **Note 13: Subsequent Events**

Management has evaluated and identified no subsequent events requiring disclosure through April 21, 2022, the date that the financial statements were available to be issued.