



**AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Years Ended December 31, 2020 and 2019**

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**  
**AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
Years Ended December 31, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of  
Pacific Forest and Watershed Lands Stewardship Council  
Roseville, California

We have audited the accompanying financial statements of Pacific Forest and Watershed Lands Stewardship Council (the Stewardship Council) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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

To the Audit Committee of  
Pacific Forest and Watershed Lands  
Stewardship Council

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stewardship Council as of December 31, 2020 and 2019, 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.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expense budget to actual analysis on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information 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 as a whole.

*Richardson & Company, LLP*

April 29, 2021

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,569,718	\$ 4,028,063
Contracts receivable	11,766	17,611
Prepaid expenses	55,366	55,934
Investments	20,172,125	26,898,668
Property and equipment, net	<u>8,777</u>	<u>12,485</u>
Total assets	<u><u>\$ 23,817,752</u></u>	<u><u>\$ 31,012,761</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 73,516	\$ 167,675
Accrued expenses and other liabilities	113,748	130,365
Accrued payroll and compensated absences	60,779	62,352
Grants payable	<u>55,328</u>	<u>67,027</u>
Total liabilities	303,371	427,419
Net assets with donor restrictions	<u>23,514,381</u>	<u>30,585,342</u>
Total liabilities and net assets	<u><u>\$ 23,817,752</u></u>	<u><u>\$ 31,012,761</u></u>

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Net investment income	\$ -	\$ 559,792	\$ 559,792
	-	559,792	559,792
Net assets released from restrictions	7,630,753	(7,630,753)	-
Total support and revenue	7,630,753	(7,070,961)	559,792
Expenses and losses:			
Program:			
Land Conservation	7,619,609	-	7,619,609
Youth Investment	11,144	-	11,144
Total expenses	7,630,753	-	7,630,753
Loss on disposal of property and equipment	-	-	-
Total expenses and losses	7,630,753	-	7,630,753
Change in net assets	-	(7,070,961)	(7,070,961)
Net assets:			
Beginning of year	-	30,585,342	30,585,342
End of year	\$ -	\$ 23,514,381	\$ 23,514,381

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Net investment income	\$ -	\$ 1,084,657	\$ 1,084,657
Grant income	-	3,200	3,200
	-	1,087,857	1,087,857
Net assets released from restrictions	5,450,744	(5,450,744)	-
Total support and revenue	5,450,744	(4,362,887)	1,087,857
Expenses and losses:			
Program:			
Land Conservation	5,427,717	-	5,427,717
Youth Investment	22,874	-	22,874
Total expenses	5,450,591	-	5,450,591
Loss on disposal of property and equipment	153	-	153
Total expenses and losses	5,450,744	-	5,450,744
Change in net assets	-	(4,362,887)	(4,362,887)
Net assets:			
Beginning of year	-	34,948,229	34,948,229
End of year	\$ -	\$ 30,585,342	\$ 30,585,342

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2020

	<u>Land Conservation</u>	<u>Youth Investment</u>	<u>Management and General</u>	<u>Total</u>
Expenses:				
Grant awards	\$ 6,048,021	\$ -	\$ -	\$ 6,048,021
Salaries, wages, and benefits	508,307	1,997	288,865	799,169
Consultants and professional services	441,845	1,733	54,274	497,852
Legal	15,176	-	12,974	28,150
Land transaction costs	93,401	-	-	93,401
Insurance	27,051	-	20,151	47,202
Travel and entertainment	2,673	-	725	3,398
Rent and facilities	25,588	-	19,060	44,648
Conferences, meetings, and training	3,430	-	1,607	5,037
Accounting	-	-	23,985	23,985
Excise taxes	630	-	469	1,099
Office supplies and expense	13,438	-	7,347	20,785
Newsletters and public notices	13,330	-	968	14,298
Depreciation	2,125	-	1,583	3,708
	<u>7,195,015</u>	<u>3,730</u>	<u>432,008</u>	<u>7,630,753</u>
Allocation of management and general expenses	<u>424,594</u>	<u>7,414</u>	<u>(432,008)</u>	<u>-</u>
Total expenses	<u>\$ 7,619,609</u>	<u>\$ 11,144</u>	<u>\$ -</u>	<u>\$ 7,630,753</u>

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2019

	<u>Land Conservation</u>	<u>Youth Investment</u>	<u>Management and General</u>	<u>Total</u>
Expenses:				
Grant awards	\$ 3,415,201	\$ 20,000	\$ -	\$ 3,435,201
Salaries, wages, and benefits	512,848	446	309,148	822,442
Consultants and professional services	731,522	14	20,992	752,528
Legal	38,416	-	99,278	137,694
Land transaction costs	72,233	-	-	72,233
Insurance	28,984	67	20,160	49,211
Travel and entertainment	32,560	6	10,173	42,739
Rent and facilities	23,798	141	17,649	41,588
Conferences, meetings, and training	19,409	13	4,988	24,410
Accounting	-	-	22,082	22,082
Excise taxes	20,513	-	1,507	22,020
Office supplies and expense	11,874	6	6,216	18,096
Newsletters and public notices	4,318	5	907	5,230
Depreciation	2,927	22	2,168	5,117
	<u>4,914,603</u>	<u>20,720</u>	<u>515,268</u>	<u>5,450,591</u>
Allocation of management and general expenses	<u>513,114</u>	<u>2,154</u>	<u>(515,268)</u>	<u>-</u>
 Total expenses	 <u><u>\$ 5,427,717</u></u>	 <u><u>\$ 22,874</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 5,450,591</u></u>

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (7,070,961)	\$ (4,362,887)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gains) losses on investments	(223,551)	(329,709)
Depreciation	3,708	5,117
Loss on disposal of property and equipment		153
(Increase) decrease in assets:		
Accounts receivable	5,845	(17,611)
Prepaid expenses	568	(2,929)
Increase (decrease) in liabilities:		
Accounts payable	(94,159)	(18,503)
Accrued expenses	(16,617)	130,365
Accrued payroll and compensated absences	(1,573)	(17,411)
Grants payable	<u>(11,699)</u>	<u>(138,165)</u>
Net cash used by operating activities	<u>(7,408,439)</u>	<u>(4,751,580)</u>
Cash flows from investing activities:		
Proceeds from sale or maturity of investments	7,123,853	6,150,257
Purchase of investments	(500,000)	(676,921)
Purchase of property and equipment	<u>(326,241)</u>	<u>(7,722)</u>
Net cash provided by investing activities	<u>6,297,612</u>	<u>5,465,614</u>
Net (decrease) increase in cash and cash equivalents	(1,110,827)	714,034
Cash and cash equivalents:		
Beginning of year	<u>4,028,063</u>	<u>3,314,029</u>
End of year	<u>\$ 2,917,236</u>	<u>\$ 4,028,063</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes (Note 1)	\$ 1,014	\$ 21,616

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

Years Ended December 31, 2020 and 2019

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Purpose and Organization:** Pacific Forest and Watershed Lands Stewardship Council (the Stewardship Council) is a private foundation that was established in 2004 as the result of a Settlement Agreement between Pacific Gas and Electric Company (PG&E) and the California Public Utilities Commission (CPUC). It has two goals: to ensure California's watershed lands are conserved for the public good, and to invest in outdoor programs that serve California's young people. The Stewardship Council brings together the expertise of leading conservation, natural resource management, business, and public officials to undertake a historic conservation effort for California. The Stewardship Council's Board of Directors unites a broad range of interests to guide the development and execution of a Land Conservation Program and a Youth Investment Program to benefit current and future generations of Californians.

The Stewardship Council's mission statement is as follows:

The Stewardship Council protects and enhances watershed lands and uses, and invests in efforts to improve the lives of young Californians through connections with the outdoors.

To support the Land Conservation Program, the Settlement Agreement required PG&E to provide the Stewardship Council with \$70 million to be paid in equal installments over ten years starting in 2004. To support the Youth Investment Program, the CPUC required PG&E to provide the Stewardship Council with \$30 million to be paid in equal installments over ten years starting in 2004. In January 2013, PG&E made its tenth and final installment payment of \$10 million to the Stewardship Council.

As part of its commitment to support efforts to invest in parks and youth programs in both urban and rural areas of Northern and Central California, the Stewardship Council, through its Youth Investment Program, initially expended approximately \$2 million in youth grants annually. Through grants to Youth Outside, the Stewardship Council has sought to enable the creation of a permanent program to connect underserved youth to the outdoors (Note 9).

The Stewardship Council is also tasked with ensuring the permanent protection of over 140,000 acres of land for the benefit of the citizens of California. In its work to fulfill this objective, the Stewardship Council has developed a Land Conservation Plan that recommends how the beneficial public uses of this land can best be conserved. This Land Conservation Plan will serve as framework to guide the Stewardship Council as it identifies future land stewards to accept fee title of the lands and conservation easements to ensure their protection into perpetuity.

In 2020, fewer land transactions closed escrow than anticipated. This resulted in fewer endowment and tax neutrality payments, causing actual expenditures to be lower than originally budgeted. Despite these delays, the Stewardship Council continues to plan for a 2022 dissolution.

**Basis of Accounting:** The Stewardship Council prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

**Basis of Presentation:** U.S. GAAP requires that the Stewardship Council report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of the Stewardship Council are classified and reported as described below:

*Net assets without donor restrictions:* Those net assets and activities, which represent the portion of expendable funds that are available to support the Stewardship Council's operations. A portion of

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended December 31, 2020 and 2019

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

these net assets may be designated by the Board of Directors for specific purposes. Such designations do not constitute restriction; only donors can place restrictions.

*Net assets with donor restrictions:* Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; (d) acquisition of long-lived assets; (e) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (f) assets donated with stipulations that they be invested to provide a permanent source of income.

Estimates: The preparation of financial statements in conformity with U.S. GAAP 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 period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash consists of funds held in a commercial account for operating expenses. The Stewardship Council considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

Investments: The Stewardship Council reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of marketable securities are determined based on market quotations. Debt securities are carried at estimated fair value as provided by the investment managers. Realized gains and losses on the sale of securities are determined on the specific-identification method. Income earned, and realized and unrealized gains and losses on investment transactions are included as revenue in the year earned. Investment income is reported net of investment fees.

The Stewardship Council's Fiduciary Committee is responsible for establishing investment criteria and overseeing the Stewardship Council's investments with board approval of significant changes in the investment policy.

Property and Equipment: The Stewardship Council capitalizes acquisitions of property and equipment with a cost or value in excess of \$1,000 and an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from approximately 3 to 7 years. Leasehold improvements are amortized over the shorter of the asset life or the lease term, including extensions. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

Income Taxes: The Stewardship Council has been determined by the Internal Revenue Service to be a tax-exempt private foundation under Internal Revenue Code (IRC) Section 509(a) within the meaning of 501(c)(3) of the IRC. Generally, private foundations are liable for an excise tax of 2% (1% if minimum payout requirements prescribed by the IRC are met) on net investment income, excluding unrealized gains, as defined. An organization qualifying as a private foundation is required to distribute, in the year received or in the year following receipt, its minimum investment return of 5% of the average market

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended December 31, 2020 and 2019

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

value of its aggregate non-charitable assets or become subject to additional taxes up to the amount of any undistributed balance.

The Stewardship Council satisfies the 5% distribution requirement through grants to other non-profit organizations and operations of the Youth Investment Program and Land Conservation Programs. For the year ended December 31, 2020, the Stewardship Council paid excise taxes of \$1,014. For the year ended December 31, 2019, the Stewardship Council paid excise taxes of \$21,616.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if the Stewardship Council has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements.

The Stewardship Council's federal returns for the years ended December 31, 2019, 2018, and 2017 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Stewardship Council's state returns for the years ended December 31, 2019, 2018, 2017, and 2016 could be subject to examination by state taxing authorities, generally for four years after they are filed. However, there are currently no audits for any tax periods pending or in progress.

Concentrations of Risk: Financial instruments which potentially subject the Stewardship Council to concentrations of credit risk consist principally of cash and cash equivalents, and investments. The Stewardship Council maintains its cash in various bank deposit and investment accounts which, at times, may exceed federally insured limits. As of December 31, 2020 and 2019, the Stewardship Council's uninsured bank balance totaled \$555,635 and \$693,245, respectively. The Stewardship Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Stewardship Council attempts to limit its credit risk associated with cash equivalents and investments by utilizing outside investment managers to place the Stewardship Council's investments with highly rated corporate and financial institutions. Furthermore, the Stewardship Council invests primarily in fixed income securities and mutual funds which are exposed to various risks, such as interest rate, market, and credit risk.

Due to the level of risk associated with certain investments, it is likely and probable that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported. The Stewardship Council's investments are limited in the amount of credit exposure to any one issuer and management believes that the Stewardship Council is not exposed to any significant credit risk related to cash equivalents and investments.

Functional Allocation of Expenses: The Stewardship Council allocates all identifiable expenses directly to the programs whenever possible. Certain expenses that cannot be easily identified as benefiting either program are initially classified as management and general expenses. At the end of each fiscal year, these expenses are allocated to the programs. Expenses that are common to both programs and not able to be allocated directly, including management and general expenses, are allocated to the programs based on either time and effort or office space, depending on the nature of the expense.

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended December 31, 2020 and 2019

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

Accrued Compensated Absences: It is the Stewardship Council’s policy to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon taking vacations or upon separation.

Grants Payable: Grant expense is recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. The Stewardship Council expects to pay its grants within the next year.

New Pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets. The standard will require organizations to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for the year ended December 31, 2021.

The Stewardship Council is in the process of determining the impact of the implementation of this ASU.

**NOTE 2 – AVAILABILITY AND LIQUIDITY**

The following represents the Stewardship Council’s financial assets at December 31:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 3,569,718	\$ 4,028,063
Refunds receivable	11,766	17,611
Investments	20,172,125	26,898,668
Financial assets available to meet program expenditures over the next year	\$ 23,753,609	\$ 30,944,342

Stewardship Council funds in excess of those needed immediately for operations are invested in low cost, broadly diversified funds. The Stewardship Council’s cash and cash equivalents consisted of cash in a checking account totaling \$805,635 and \$861,315 and money market funds in investment accounts totaling \$2,764,082 and \$3,166,747 at December 31, 2020 and 2019, respectively. The investment portfolio primarily utilizes conservative fixed income mutual funds to optimize diversification, preserve principal and maintain liquidity. The Stewardship Council investment policy sets a two-year maximum duration for investment maturity and investments are readily transferrable into cash.

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended December 31, 2020 and 2019

NOTE 3 – FAIR VALUE MEASUREMENTS

The Stewardship Council’s financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). The levels of the fair value hierarchy are as follows:

***Level 1***

Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

***Level 2***

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates, volatilities, spreads and yield curves.

***Level 3***

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Stewardship Council’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual Funds:* Mutual funds are valued at the closing price reported in active markets and are categorized in Level 1 of the fair value hierarchy.

The following tables provide information as of December 31, about the Stewardship Council’s financial assets measured at fair value on a recurring basis:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2020:				
Bond mutual funds	<u>\$ 20,172,125</u>	<u>\$ 20,172,125</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 20,172,125</u></u>	<u><u>\$ 20,172,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
2019:				
Bond mutual funds	<u>\$ 26,898,668</u>	<u>\$ 26,898,668</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 26,898,668</u></u>	<u><u>\$ 26,898,668</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The Stewardship Council’s policy is to recognize transfers in and transfers out of levels of the fair value hierarchy as of the actual date of the event or change in circumstance that caused the transfer. The Stewardship Council had no transfers into or out of the levels during the years ended December 31, 2020 and 2019.

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended December 31, 2020 and 2019

NOTE 4 - INVESTMENTS

Investments consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Domestic:		
Bond mutual funds	\$ 20,172,125	\$ 26,898,668
Total	<u>\$ 20,172,125</u>	<u>\$ 26,898,668</u>

Net investment income consisted of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest income, net of investment fees	\$ 326,241	\$ 754,948
Net realized and unrealized gains (losses) on investments	233,551	329,709
Total	<u>\$ 559,792</u>	<u>\$ 1,084,657</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 41,462	\$ 41,462
Furniture and fixtures	26,632	26,632
Leasehold improvements	3,983	3,983
	<u>72,077</u>	<u>72,077</u>
Less: Accumulated depreciation	<u>(63,300)</u>	<u>(59,592)</u>
Total	<u>\$ 8,777</u>	<u>\$ 12,485</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, are restricted for the following purposes and may be expended for:

	<u>2020</u>	<u>2019</u>
Net assets restricted for project support:		
Land Conservation Program	\$ 23,501,754	\$ 30,561,571
Youth Investment Program	12,627	23,771
Total	<u>\$ 23,514,381</u>	<u>\$ 30,585,342</u>

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended December 31, 2020 and 2019

**NOTE 7 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the grantor during the year ended December 31, as follows:

	2020	2019
Satisfaction of purpose restrictions:		
Land Conservation Program	\$ 7,619,609	\$ 5,427,870
Youth Investment Program	11,144	22,874
Total	\$ 7,630,753	\$ 5,450,744

**NOTE 8 – RETIREMENT PLAN**

The Stewardship Council’s employee benefits include an IRC §401(k) Plan (the Plan). The Plan covers all employees with 1,000 hours of service and who have reached the age of twenty-one. Under the safe harbor provision, the Stewardship Council will match 100% of the employee’s contributions up to 3% of compensation per pay period and an additional 50% of the amounts of contributions that exceed 3% but that do not exceed 5% of the employee’s payroll for the period. For the years ended December 31, 2020 and 2019, total employer contributions made to the Plan were \$19,524 and \$15,624, respectively.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

Certain members of the Board of Directors and members of its advisory committees are also employees of other IRC §501(c)(3) organizations or public agencies to which the Stewardship Council has awarded grants and may award grants to in the future. In these circumstances, the Stewardship Council awards grants pursuant to its conflict of interest policy.

In 2010, the Stewardship Council entered into an intercompany agreement with Youth Outside, a separate IRC §501(c)(3) organization, whose charitable purpose is to provide greater resources to connect children, youth, and young adults to nature, parks, open spaces, and the outdoors. As of December 31, 2020 and 2019, one Youth Outside director was also serving as a director on the Stewardship Council’s Board of Directors.

On August 1, 2013, Youth Outside and the Stewardship Council executed a \$10.76 million grant agreement (the 2013 *Major Grant Agreement*) to enable Youth Outside to build a permanent program to connect underserved youth to the outdoors. With the transfer of grant funds to Youth Outside in August 2013, Youth Outside then became responsible for paying its own costs of operation.

Under the terms of the 2013 *Major Grant Agreement*, the Stewardship Council has the right to fill one seat on the Youth Outside board of directors until Youth Outside has expended all the grant funds provided by the Stewardship Council. As of December 31, 2020, Youth Outside has not expended all of the grant funds.

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Years Ended December 31, 2020 and 2019

NOTE 10 - COMMITMENTS

On May 9, 2016, the Stewardship Council entered into an operating lease for office space in Roseville, California for the period of July 1, 2016 through August 31, 2019, which was extended through June 30, 2022. Monthly base payments commence at \$3,239 and increase annually based on price per rentable square foot; in addition, the Stewardship Council is liable for a portion of operating costs and property taxes. For the years ended December 31, 2020 and 2019, rent expense amounted to \$44,648 and \$41,588, respectively.

The Stewardship Council's future minimum lease commitments for office space are as follows:

For the Years Ending December 31,	Amount
2021	\$ 45,464
2022	<u>22,732</u>
Total	<u><u>\$ 68,196</u></u>

As a result of the annual rent increases and two months of free rent, rent expense is being recognized on a straight-line basis over the term of the lease and the difference between the expense recognized and the rental payments made is recorded as deferred rent. Deferred rent totaled \$4,012 and \$3,788 as of December 31, 2020 and 2019, respectively.

NOTE 11 – CONTINGENCIES

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Stewardship Council's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and impact on the donors, members, employees and vendor, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

NOTE 12 – SUBSEQUENT EVENTS

The Stewardship Council has evaluated all subsequent events through April 29, 2021, the date the financial statements were available to be issued. No events requiring recognition in the financial statements or disclosure have been identified.

**PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL**

**SCHEDULE OF EXPENSE BUDGET TO ACTUAL ANALYSIS**

Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Under/(Over) Budget</u>
Expenses			
Grant awards	\$ 6,048,021	\$ 11,815,983	\$ (5,767,962)
Salaries, wages, and benefits	799,169	897,197	(98,028)
Consultants & professional services	497,852	617,317	(119,465)
Legal	28,150	120,000	(91,850)
Land transaction costs	93,401	43,118	50,283
Insurance	47,202	48,404	(1,202)
Travel & entertainment	3,398	32,305	(28,907)
Rent & facilities	44,648	46,163	(1,515)
Conferences, meetings, & trainings	5,037	46,503	(41,466)
Accounting	23,985	30,000	(6,015)
Excise taxes	1,099	-	1,099
Office supplies & expense	20,785	23,763	(2,978)
Newsletters & public notices	14,298	8,079	6,219
Depreciation	3,708	-	3,708
Total Expenses	<u>\$ 7,630,753</u>	<u>\$ 13,728,832</u>	<u>\$ (6,098,079)</u>