

**PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY**

**FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pacific Institute for Studies in Development, Environment, and Security

We have audited the accompanying financial statements of Pacific Institute for Studies in Development, Environment, and Security (the "Institute"), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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.

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 Pacific Institute for Studies in Development, Environment, and Security as of December 31, 2018 and 2017, 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.

*Propp Christensen Caniglia LLP*

July 12, 2019  
Roseville, California

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS

|                                | <u>2018</u>         | <u>2017</u>         |
|--------------------------------|---------------------|---------------------|
| Current assets:                |                     |                     |
| Cash and cash equivalents      | \$ 728,592          | \$ 318,145          |
| Grants receivable              | 201,971             | 210,496             |
| Contracts receivable           | 384,362             | 345,907             |
| Prepaid expenses               | <u>37,408</u>       | <u>32,136</u>       |
| Total current assets           | 1,352,333           | 906,684             |
| Cash held for sponsored groups | 412                 | 1,612               |
| Property and equipment, net    | -                   | 4,358               |
| Investments                    | 113,277             | 242,357             |
| Deposits and other assets      | <u>11,480</u>       | <u>11,480</u>       |
| Total assets                   | <u>\$ 1,477,502</u> | <u>\$ 1,166,491</u> |

LIABILITIES AND NET ASSETS

|                                       |                     |                     |
|---------------------------------------|---------------------|---------------------|
| Current liabilities:                  |                     |                     |
| Accounts payable and accrued expenses | \$ 122,337          | \$ 16,715           |
| Deferred revenue                      | 228,576             | 75,786              |
| Accrued paid time off                 | <u>119,276</u>      | <u>92,996</u>       |
| Total current liabilities             | 470,189             | 185,497             |
| Payable to sponsored groups           | <u>412</u>          | <u>1,612</u>        |
| Total liabilities                     | <u>470,601</u>      | <u>187,109</u>      |
| Net assets:                           |                     |                     |
| Without donor restrictions:           |                     |                     |
| Available for operations              | 619,781             | 347,678             |
| Board designated                      | 113,277             | 242,357             |
| With donor restrictions               | <u>273,843</u>      | <u>389,347</u>      |
| Total net assets                      | <u>1,006,901</u>    | <u>979,382</u>      |
| Total liabilities and net assets      | <u>\$ 1,477,502</u> | <u>\$ 1,166,491</u> |

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

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2018 and 2017

|                                       | Year Ended December 31, 2018  |                            |                     | Year Ended December 31, 2017  |                            |                   |
|---------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|-------------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
| Support and revenue:                  |                               |                            |                     |                               |                            |                   |
| Contract revenue                      | \$ 1,686,687                  | \$ -                       | \$ 1,686,687        | \$ 1,132,593                  | \$ -                       | \$ 1,132,593      |
| Grants and contributions              | 505,144                       | 407,235                    | 912,379             | 355,421                       | 347,500                    | 702,921           |
| Investment and other income           | 81,190                        | -                          | 81,190              | 151,990                       | -                          | 151,990           |
| Net assets released from restrictions | 522,739                       | (522,739)                  | -                   | 531,185                       | (531,185)                  | -                 |
| <b>Total support and revenue</b>      | <b>2,795,760</b>              | <b>(115,504)</b>           | <b>2,680,256</b>    | <b>2,171,189</b>              | <b>(183,685)</b>           | <b>1,987,504</b>  |
| Expenses:                             |                               |                            |                     |                               |                            |                   |
| Program services                      | 1,725,306                     | -                          | 1,725,306           | 1,341,938                     | -                          | 1,341,938         |
| General and administrative            | 524,708                       | -                          | 524,708             | 510,020                       | -                          | 510,020           |
| Fundraising                           | 164,750                       | -                          | 164,750             | 228,895                       | -                          | 228,895           |
| Communications                        | 63,119                        | -                          | 63,119              | 95,123                        | -                          | 95,123            |
| Facilities                            | 174,854                       | -                          | 174,854             | 173,400                       | -                          | 173,400           |
| <b>Total expenses</b>                 | <b>2,652,737</b>              | <b>-</b>                   | <b>2,652,737</b>    | <b>2,349,376</b>              | <b>-</b>                   | <b>2,349,376</b>  |
| Change in net assets                  | 143,023                       | (115,504)                  | 27,519              | (178,187)                     | (183,685)                  | (361,872)         |
| Net assets, beginning of year         | 590,035                       | 389,347                    | 979,382             | 768,222                       | 573,032                    | 1,341,254         |
| Net assets, end of year               | <u>\$ 733,058</u>             | <u>\$ 273,843</u>          | <u>\$ 1,006,901</u> | <u>\$ 590,035</u>             | <u>\$ 389,347</u>          | <u>\$ 979,382</u> |

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

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2018 and 2017

|                              | Program<br>Services | General and<br>Administrative | Fundraising | Communication | Facilities | 2018<br>Total |
|------------------------------|---------------------|-------------------------------|-------------|---------------|------------|---------------|
| Salaries                     | \$ 958,141          | \$ 381,278                    | \$ 126,606  | \$ 47,630     | \$ -       | \$ 1,513,655  |
| Payroll taxes                | 74,822              | 27,777                        | 9,665       | 3,928         | -          | 116,192       |
| Employee benefits            | 181,901             | 58,809                        | 24,373      | 6,980         | -          | 272,063       |
| Professional fees            | 366,227             | 24,892                        | 158         | -             | -          | 391,277       |
| Occupancy                    | -                   | -                             | -           | -             | 149,670    | 149,670       |
| Travel                       | 116,226             | 370                           | 384         | -             | -          | 116,980       |
| Telephone and communications | 2,312               | 7,883                         | 1,188       | 4,434         | 16,069     | 31,886        |
| Conferences and meetings     | 14,961              | 1,807                         | -           | -             | 3,404      | 20,172        |
| Printing and publications    | 7,610               | 919                           | 399         | 147           | -          | 9,075         |
| Office supplies              | 2,869               | 404                           | -           | -             | 5,652      | 8,925         |
| Insurance                    | -                   | 5,653                         | -           | -             | -          | 5,653         |
| Staff development            | -                   | 6,838                         | -           | -             | -          | 6,838         |
| Depreciation                 | -                   | 4,358                         | -           | -             | -          | 4,358         |
| Bank and other fees          | 47                  | 1,081                         | -           | -             | -          | 1,128         |
| Postage and shipping         | 190                 | 1,215                         | 231         | -             | 59         | 1,695         |
| Miscellaneous                | -                   | 1,424                         | 1,746       | -             | -          | 3,170         |
| Total expenses               | 1,725,306           | 524,708                       | 164,750     | 63,119        | 174,854    | 2,652,737     |
| Shared costs allocation      | 762,681             | (524,708)                     | -           | (63,119)      | (174,854)  | -             |
| Total after allocation       | \$ 2,487,987        | \$ -                          | \$ 164,750  | \$ -          | \$ -       | \$ 2,652,737  |

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

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Years Ended December 31, 2018 and 2017

|                               | Program<br>Services | General and<br>Administrative | Fundraising       | Communication   | Facilities       | 2017<br>Total       |
|-------------------------------|---------------------|-------------------------------|-------------------|-----------------|------------------|---------------------|
| Salaries                      | \$ 750,378          | \$ 348,829                    | \$ 176,055        | \$ 73,594       | \$ -             | \$ 1,348,856        |
| Payroll taxes                 | 65,078              | 28,088                        | 13,671            | 6,288           | -                | 113,125             |
| Employee benefits             | 131,926             | 57,724                        | 28,926            | 9,098           | -                | 227,674             |
| Professional fees             | 288,427             | 24,092                        | -                 | 350             | -                | 312,869             |
| Occupancy                     | -                   | -                             | -                 | -               | 144,525          | 144,525             |
| Travel                        | 75,279              | 1,980                         | 3,214             | -               | -                | 80,473              |
| Telephone and communications  | 3,897               | 10,977                        | 1,189             | 4,669           | 13,122           | 33,854              |
| Conferences and meetings      | 18,563              | 411                           | 98                | -               | 3,531            | 22,603              |
| Printing and publications     | 6,743               | 2,476                         | 3,071             | 723             | -                | 13,013              |
| Office supplies               | 809                 | 605                           | -                 | -               | 9,259            | 10,673              |
| Insurance                     | -                   | 6,085                         | -                 | -               | -                | 6,085               |
| Staff development             | 556                 | 3,794                         | -                 | 237             | -                | 4,587               |
| Depreciation                  | -                   | 8,714                         | -                 | -               | -                | 8,714               |
| Small equipment and furniture | -                   | 4,277                         | -                 | 164             | 2,963            | 7,404               |
| Bank and other fees           | -                   | 1,337                         | -                 | -               | -                | 1,337               |
| Postage and shipping          | 282                 | 1,162                         | 344               | -               | -                | 1,788               |
| Miscellaneous                 | -                   | 9,469                         | 2,327             | -               | -                | 11,796              |
|                               | <u>1,341,938</u>    | <u>510,020</u>                | <u>228,895</u>    | <u>95,123</u>   | <u>173,400</u>   | <u>2,349,376</u>    |
| Total expenses                |                     |                               |                   |                 |                  |                     |
| Shared costs allocation       | <u>778,543</u>      | <u>(510,020)</u>              | <u>-</u>          | <u>(95,123)</u> | <u>(173,400)</u> | <u>-</u>            |
|                               | <u>\$ 2,120,481</u> | <u>\$ -</u>                   | <u>\$ 228,895</u> | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ 2,349,376</u> |
| Total after allocation        |                     |                               |                   |                 |                  |                     |

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

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2018 and 2017

|  | <u>2018</u>              | <u>2017</u>              |
|--|--------------------------|--------------------------|
| Cash flows from operating activities:                  |                          |                          |
| Cash received from grants, contracts and contributions | \$ 2,721,926             | \$ 1,788,042             |
| Cash received from investments and other income        | 75,555                   | 101,799                  |
| Cash paid to vendors, employees and other agencies     | <u>(2,521,749)</u>       | <u>(2,362,296)</u>       |
| Net cash provided by (used in) operating activities    | <u>275,732</u>           | <u>(472,455)</u>         |
| Cash flows from investing activities:                  |                          |                          |
| Purchase of investments                                | (8,651)                  | (208,789)                |
| Proceeds from sale of investments                      | <u>143,366</u>           | <u>221,370</u>           |
| Net cash provided by investing activities              | <u>134,715</u>           | <u>12,581</u>            |
| Change in cash and cash equivalents                    | 410,447                  | (459,874)                |
| Cash and cash equivalents, beginning of year           | <u>318,145</u>           | <u>778,019</u>           |
| Cash and cash equivalents, end of year                 | <u><u>\$ 728,592</u></u> | <u><u>\$ 318,145</u></u> |

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

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended December 31, 2018 and 2017

|   | <u>2018</u>       | <u>2017</u>         |
|---|-------------------|---------------------|
| Reconciliation of change in net assets<br><u>net cash provided by (used in) operating activities:</u> |                   |                     |
| Change in net assets  | \$ 27,519         | \$ (361,872)        |
| Adjustments to reconcile change in net assets<br>net cash provided by (used in) operating activities: |                   |                     |
| Depreciation  | 4,358             | 8,714               |
| Net unrealized gain on investments  | (5,635)           | (50,191)            |
| Change in operating assets and liabilities:   |                   |                     |
| Grants receivable   | 8,525             | 72,110              |
| Contracts receivable  | (38,455)          | (93,931)            |
| Prepaid expenses  | (5,272)           | (1,124)             |
| Accounts payable and accrued expenses   | 105,622           | (13,216)            |
| Deferred revenue  | 152,790           | (25,651)            |
| Accrued paid time off   | 26,280            | (7,294)             |
| Net cash provided by (used in) operating activities   | <u>\$ 275,732</u> | <u>\$ (472,455)</u> |

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

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1: NATURE OF ORGANIZATION

Pacific Institute for Studies in Development, Environment, and Security (the "Institute") was organized in 1987 as a not-for-profit organization. The Institute works to create a healthier planet and sustainable communities. It conducts interdisciplinary research and partners with stakeholders to produce solutions that advance environmental protection, economic development, and social equity in California, nationally, and internationally. The Institute's main office is located in Oakland, California.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Institute have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 Not-for-Profit Entities Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the presentation of net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Institute has adopted the provision as of December 31, 2018.

The Institute presents its financial statements in accordance with FASB ASC Topic 958, Subtopic 210 (FASB ASC 958-210), Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958-210, the Institute is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to stipulations. Board designated net assets represents assets without donor restrictions that have been set aside by the Board of Directors. This amount is set aside until it reaches \$500,000, at which time this will be considered a quasi-endowment.

Net assets with donor restrictions - Net assets that are subject to stipulations that will be met by actions or the passage of time.

Revenues and gains and losses on investments are reported as changes in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as changes in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Donor-restricted contributions are reported as revenues which increase net assets with donor restrictions. Expirations of donor restrictions on contributions whose restrictions are met in the same reporting period have been reported as reclassifications between the applicable classes of net assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Functional Expenses

The costs of providing program services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Costs specifically identified with programs or fundraising are directly allocated to those functions. All costs not identifiable with a specific program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Institute's existence, are included as management and general expenses. Expenses that benefit more than one function of the Institute are allocated among the functions based generally on the amount of time and effort spent by personnel on each function.

Revenue Recognition

In accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 958-605, *Not-for-Profit Entities – Revenue Recognition* (FASB ASC 958-605), unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give (pledges) are recognized as revenues once a valid pledge has been received. The receivable and corresponding revenue are recognized concurrently. Conditional contributions and pledges are recorded when the conditions have been met.

The Institute reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Institute considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fixed Assets and Depreciation

The Institute records acquisition of tangible items with a cost or fair value of \$2,500 or more and development and design of its website as fixed assets. Fixed assets are recorded at cost when purchased or developed and fair value when received as a donation. Depreciation is provided over the estimated useful lives using the straight-line method of depreciation. Property and equipment consists of \$43,571 of costs capitalized for the Institute's website. Accumulated depreciation at December 31, 2018 and 2017 totaled \$43,571 and \$39,213, respectively.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at fair market value. Changes in the carrying amounts of investments held are included in the statement of activities as unrealized gains or losses. Investment income, gains and losses are reported as changes in assets without donor restrictions unless a donor restricts their use. Investments designated by the Board of Directors for long-term purposes are classified and reported as non-current assets.

Income Taxes

The Institute is recognized as a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code sections of the California Revenue and Taxation Code, is subject to income tax. The Institute does not have any uncertain tax positions that are material to the financial statements, as management believes all of its activities are related to its tax-exempt purposes. After they are filed, the information returns remain subject to examination by the taxing authorities generally three years for federal returns and four years for state returns.

Allocation of Shared Costs

Shared costs include costs related to the operation and maintenance of the office facility. They are pooled in a cost center and allocated among program and supporting activities benefiting from them, in total, based on Full Time Equivalent count. Salaries and related costs are allocated based on time activity reports prepared by staff during the year.

Fair Value of Financial Instruments

Financial Accounting Standards Board Accounting Standards Codification Topic 820-10, *Fair Value Measurements and Disclosures* (FASB ASC 820-10), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 Fair Value Measurements

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access.

Level 2 Fair Value Measurements

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following methods and assumptions were used by the Institute in estimating the fair value of its financial instruments:

Marketable Securities: Fair values, which are the amounts reported in the statement of financial position, are based on quoted market prices.

Subsequent Events

Events and transactions have been evaluated for potential recognition and disclosure through July 12, 2019, the date that the financial statements were available to be issued.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Institute's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Institute's financial assets available within one year of the balance sheet date for general expenditures are as follows:

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Cash and cash equivalents   | \$ 728,592        | \$ 318,145        |
| Grants receivable   | 201,971           | 210,496           |
| Contracts receivable  | <u>384,362</u>    | <u>345,907</u>    |
| Financial assets  | 1,314,925         | 874,548           |
| Less those unavailable for general expenditures<br>within one year, due to purpose restrictions<br>stipulated by donors | (273,843)         | (389,347)         |
| Board designations  | <u>(113,277)</u>  | <u>(242,357)</u>  |
| Financial assets available to meet cash<br>need for expenditures within one year  | <u>\$ 927,805</u> | <u>\$ 242,844</u> |

NOTE 4: CONCENTRATIONS

Cash and Cash Equivalents

The Institute maintains cash and cash equivalents in various financial institutions and investment company accounts. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and investment accounts are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. At December 31, 2018 and 2017, the uninsured cash balances totaled \$367,924 and \$10,058, respectively.

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

NOTE 4: CONCENTRATIONS (CONTINUED)

Major Funding Sources

Support and revenue for the years ended December 31, 2018 and 2017, included one major funding source each year, which accounted for 38% and 29%, respectively, of the support and revenue of the Institute. Management believes the concentration of risk is minimal due to the collection history from these funding sources.

NOTE 5: INVESTMENTS AT FAIR VALUE

All investments held by the Institute are in mutual funds investing in stocks.

The following table sets forth by level, within the fair value hierarchy, the Institute's assets at fair value as of December 31, 2018 and 2017:

| <u>December 31, 2018</u> | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>      |
|--------------------------|-------------------|----------------|----------------|-------------------|
| Mutual funds             | <u>\$ 113,277</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 113,277</u> |
| <u>December 31, 2017</u> | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>      |
| Mutual funds             | <u>\$ 242,357</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 242,357</u> |

NOTE 6: CASH HELD FOR SPONSORED GROUPS

The Institute acts as the fiscal agent for various other organizations from which administrative fees are earned. Funds are disbursed as directed by the respective entities and are not available for use by the Institute.

NOTE 7: OPERATING LEASES

The Institute leases its offices under non-cancelable operating leases with monthly rent subject to annual increases. Rent expense totaled \$144,430 and \$139,516 for the years ended December 31, 2018 and 2017, respectively.

The minimum future lease payments under these arrangements at December 31, 2018 are as follows:

| <u>Year Ending December 31:</u> |                   |
|---------------------------------|-------------------|
| 2019                            | \$ 149,324        |
| 2020                            | <u>101,831</u>    |
| Total minimum lease payments    | <u>\$ 251,155</u> |

NOTE 8: LINE OF CREDIT

During 2013, the Institute obtained an unsecured line of credit from Wells Fargo Bank in the amount of \$67,500 with an interest rate of prime plus 6.75%. As of December 31, 2018 and 2017 there was no outstanding balance.

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

NOTES TO FINANCIAL STATEMENTS  
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NOTE 9: RETIREMENT BENEFITS

The Institute has a defined contribution plan available to all of its full-time employees that provides up to 5% of gross wages as matching contributions for eligible employees. For the years ended December 31, 2018 and 2017, the employer matching contribution was \$68,237 and \$56,922, respectively.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31, 2018 and 2017, respectively:

|   | 2018              | 2017              |
|---|-------------------|-------------------|
| Storm water capture research                                    | \$ -              | \$ 96,018         |
| Equitable access to California water                            | 2,459             | 65,300            |
| California drought initiative                                   | 5,282             | 11,739            |
| Drought research in California                                  | 1,602             | 6,288             |
| Capacity building for sustainable urban water                   | 14,610            | 15,911            |
| Water resource policy   | 9,289             | 14,283            |
| Salton sea environment crisis                                   | 14,629            | -                 |
| Demand forecasting  | -                 | 2,585             |
| Multi-benefit valuation tools for utilities                     | -                 | 41,957            |
| SAWPA Landscapes  | -                 | 13,000            |
| Review of industrial growth and its impact to river basin water | -                 | 20,643            |
| Urban conservation advocacy, research and analysis              | 701               | 22,767            |
| Colorado River research   | -                 | 467               |
| Water, climate and conflict research                            | 28,063            | 73,441            |
| Context-based water targets work                                | -                 | 4,948             |
| Work with community on Santa Ana Watershed                      | 15,212            | -                 |
| Multi-Benefit Test Cases  | 17,750            | -                 |
| Multi-Benefit Frame II  | 64,709            | -                 |
| To support sustainable landscapes program                       | 654               | -                 |
| Basic water needs   | 16,250            | -                 |
| Water stewardship   | 80,816            | -                 |
| WASH for Work Secretariat Support                               | 1,817             | -                 |
|   | <u>\$ 273,843</u> | <u>\$ 389,347</u> |