

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

**FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

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

### Opinion

We have audited the accompanying financial statements of Pacific Institute for Studies in Development, Environment, and Security, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific Institute for Studies in Development, Environment, and Security as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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 Pacific Institute for Studies in Development, Environment, and Security and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Pacific Institute for Studies in Development, Environment, and Security'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 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 Pacific Institute for Studies in Development, Environment, and Security'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 Pacific Institute for Studies in Development, Environment, and Security'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.

*Brogg Christensen Caniglia LLP*

June 14, 2022  
Roseville, California

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 1,960,386	\$ 2,455,605
Grants receivable	36,184	282,742
Contracts receivable	690,904	510,578
Prepaid expenses	<u>42,295</u>	<u>45,028</u>
Total current assets	2,729,769	3,293,953
Cash held for sponsored groups	36,600	50
Investments	36,397	28,695
Deposits and other assets	<u>7,740</u>	<u>12,315</u>
Total assets	<u><u>\$ 2,810,506</u></u>	<u><u>\$ 3,335,013</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 121,629	\$ 73,037
Deferred revenue	408,994	823,256
Accrued paid time off	<u>171,179</u>	<u>183,395</u>
Total current liabilities	701,802	1,079,688
Long-term liabilities:		
Payable to sponsored groups	36,600	50
Paycheck protection program loan	<u>-</u>	<u>395,461</u>
Total long-term liabilities	36,600	395,511
Total liabilities	<u>738,402</u>	<u>1,475,199</u>
Net assets:		
Without donor restrictions:		
Available for operations	1,645,213	1,358,161
Board designated	36,397	28,695
With donor restrictions	<u>390,494</u>	<u>472,958</u>
Total net assets	<u>2,072,104</u>	<u>1,859,814</u>
Total liabilities and net assets	<u><u>\$ 2,810,506</u></u>	<u><u>\$ 3,335,013</u></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, 2021 and 2020

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contract revenue	\$ 3,077,440	\$ -	\$ 3,077,440	\$ 2,568,096	\$ -	\$ 2,568,096
Grants and contributions	483,988	673,000	1,156,988	670,481	1,021,500	1,691,981
Other income	495,391	-	495,391	36,050	-	36,050
Net return on investments	9,826	-	9,826	9,420	-	9,420
Net assets released from restrictions	755,464	(755,464)	-	807,359	(807,359)	-
<b>Total support and revenue</b>	<b>4,822,109</b>	<b>(82,464)</b>	<b>4,739,645</b>	<b>4,091,406</b>	<b>214,141</b>	<b>4,305,547</b>
Expenses:						
Program services	3,000,744	-	3,000,744	2,441,413	-	2,441,413
General and administrative	967,377	-	967,377	542,501	-	542,501
Fundraising	230,564	-	230,564	210,084	-	210,084
Communications	171,672	-	171,672	121,844	-	121,844
Facilities	156,998	-	156,998	172,992	-	172,992
<b>Total expenses</b>	<b>4,527,355</b>	<b>-</b>	<b>4,527,355</b>	<b>3,488,834</b>	<b>-</b>	<b>3,488,834</b>
Change in net assets	294,754	(82,464)	212,290	602,572	214,141	816,713
Net assets, beginning of year	1,386,856	472,958	1,859,814	784,284	258,817	1,043,101
Net assets, end of year	\$ 1,681,610	\$ 390,494	\$ 2,072,104	\$ 1,386,856	\$ 472,958	\$ 1,859,814

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, 2021 and 2020

	Program Services	General and Administrative	Fundraising	Communications	Facilities	2021 Total
Salaries	\$ 995,279	\$ 548,293	\$ 149,303	\$ 125,283	\$ -	\$ 1,818,158
Payroll taxes	81,238	41,112	11,958	10,137	-	144,445
Employee benefits	235,624	126,267	30,559	26,317	-	418,767
Professional fees	1,523,307	98,589	5,539	5,595	-	1,633,030
Occupancy	-	-	-	-	139,425	139,425
Travel	44,171	2,992	32	-	-	47,195
Telephone and communications	19,365	17,651	1,416	2,880	9,683	50,995
Conferences and meetings	57,233	122	-	-	2,837	60,192
Printing and publications	23,771	4,114	-	1,460	-	29,345
Office supplies	687	15,562	164	-	5,053	21,466
Insurance	-	6,166	-	-	-	6,166
Staff development	5,049	22,334	-	-	-	27,383
Small equipment and furniture	-	3,949	404	-	-	4,353
Bank and other fees	20	2,758	8	-	-	2,786
Postage and shipping	-	704	2,540	-	-	3,244
Miscellaneous	15,000	76,764	28,641	-	-	120,405
<b>Total expenses</b>	<b>3,000,744</b>	<b>967,377</b>	<b>230,564</b>	<b>171,672</b>	<b>156,998</b>	<b>4,527,355</b>
Shared costs allocation	1,296,047	(967,377)	-	(171,672)	(156,998)	-
<b>Total after allocation</b>	<b>\$ 4,296,791</b>	<b>\$ -</b>	<b>\$ 230,564</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,527,355</b>

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, 2021 and 2020

	Program Services	General and Administrative	Fundraising	Communications	Facilities	2020 Total
Salaries	\$ 1,129,262	\$ 356,725	\$ 154,681	\$ 94,996	\$ -	\$ 1,735,664
Payroll taxes	93,754	22,824	10,607	6,836	-	134,021
Employee benefits	251,878	69,035	30,297	16,784	-	367,994
Professional fees	922,334	43,525	-	-	-	965,859
Occupancy	-	-	-	-	158,693	158,693
Travel	17,481	707	-	-	-	18,188
Telephone and communications	9,963	15,021	2,247	1,918	9,964	39,113
Conferences and meetings	1,108	174	-	-	3,092	4,374
Printing and publications	13,525	3,564	1,403	1,288	-	19,780
Office supplies	630	5,954	-	-	1,243	7,827
Insurance	-	6,337	-	-	-	6,337
Staff development	-	12,640	-	22	-	12,662
Bank and other fees	-	3,983	-	-	-	3,983
Postage and shipping	235	661	-	-	-	896
Miscellaneous	1,243	1,351	10,849	-	-	13,443
Total expenses	2,441,413	542,501	210,084	121,844	172,992	3,488,834
Shared costs allocation	837,337	(542,501)	-	(121,844)	(172,992)	-
Total after allocation	<u>\$ 3,278,750</u>	<u>\$ -</u>	<u>\$ 210,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,488,834</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  
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from grants, contracts and contributions	\$ 3,886,398	\$ 4,926,371
Cash received from investments and other income	102,038	38,634
Cash paid to vendors, employees and other agencies	<u>(4,447,121)</u>	<u>(3,425,114)</u>
Net cash provided by (used in) operating activities	<u>(458,685)</u>	<u>1,539,891</u>
Cash flows from investing activities:		
Purchase of investments	(15,233)	(19,909)
Proceeds from sale of investments	<u>15,249</u>	<u>20,264</u>
Net cash provided by investing activities	<u>16</u>	<u>355</u>
Cash flows from financing activities:		
Paycheck protection program loan	<u>-</u>	<u>395,461</u>
Change in cash and cash equivalents	(458,669)	1,935,707
Cash and cash equivalents, beginning of year	<u>2,455,655</u>	<u>519,948</u>
Cash and cash equivalents, end of year	<u>\$ 1,996,986</u>	<u>\$ 2,455,655</u>
Ending cash and cash equivalents includes the following accounts:		
Cash and cash equivalents	\$ 1,960,386	\$ 2,455,605
Cash held for sponsored groups	<u>36,600</u>	<u>50</u>
	<u>\$ 1,996,986</u>	<u>\$ 2,455,655</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 212,290	\$ 816,713
Adjustments to reconcile change in net assets provided by (used in) operating activities:		
Net unrealized gain on investments	(7,718)	(6,836)
Forgiveness of debt - PPP	(395,461)	-
Change in operating assets and liabilities:		
Grants receivable	246,558	(175,205)
Contracts receivable	(180,326)	143,789
Prepaid expenses	2,733	5,088
Deposits and other assets	4,575	(835)
Accounts payable and accrued expenses	48,592	28,064
Deferred revenue	(414,262)	697,710
Accrued paid time off	(12,216)	36,427
Payable to sponsored groups	36,550	(5,024)
Net cash provided by (used in) operating activities	<u>\$ (458,685)</u>	<u>\$ 1,539,891</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, 2021 and 2020

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*

The Institute presents its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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.

*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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

In accordance with the provisions of FASB ASC 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.

The Institute adopted provisions of the FASB Accounting Standards Update ("ASU") No. 2018-08 "Not-for-Profit Entities (Topic 958)". The ASU provides an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Institute adopted provisions of FASB ASC Topic 606, *Revenue from Contracts with Customers*, which replaced most existing revenue recognition guidance. Topic 606 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Institute recognizes revenue arising from research contracts with its customers based upon performance of the contract obligations when goods are transferred or services rendered in accordance with FASB ASC 606, *Revenue from Contracts with Customers*. The completion of a research contract is generally considered to be a single performance obligation satisfied over the duration of the research project and recognized as revenue as the services are rendered.

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. In accordance with FASB ASC 230, *Statement of Cash Flows*, the statement of cash flows presents the total change in cash, including restricted cash, during the year.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The website was fully depreciated as of December 31, 2018.

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.

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

FASB ASC 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

Inputs to the valuation methodology are

- 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.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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.

In January 2016, the FASB modified ASC Section 825 by issuing ASU 2016-01, *Financial Instruments – Overall*. The amendments in this update are designed to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Institute presents their financial statements in accordance with ASU 2016-01.

*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.

*Upcoming Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. Under ASU 2016-02, a lessee will be required to recognize right-to-use assets and liabilities on their statement of financial position for all leases with lease terms of more than twelve months. The amendments in the update are effective for annual reporting periods beginning after December 15, 2021. Early application is permitted. Management has not determined the impact on the financial statements.

In September 2020, the FASB modified ASC Section 958 by issuing ASU 2020-07, Not-for-Profit (Topic 958). The amendments in this update are designed to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services. The amendments in the update are effective for annual reporting periods beginning after June 15, 2021. Early application is permitted. Management has not determined the impact on the financial statements.

*Reclassifications*

Certain amounts in the 2020 financial statements have been reclassified, with no effect to change in net assets, to conform to the 2021 financial statement presentation.

*Subsequent Events*

Events and transactions have been evaluated for potential recognition and disclosure through June 14, 2022, the date that the financial statements were available to be issued.

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,960,386	\$ 2,455,605
Grants receivable	36,184	282,742
Contracts receivable	<u>690,904</u>	<u>510,578</u>
Financial assets	2,687,474	3,248,925
Less those unavailable for general expenditures within one year, due to purpose restrictions stipulated by donors	(390,494)	(472,958)
Board designations	<u>(36,397)</u>	<u>(28,695)</u>
Financial assets available to meet cash need for expenditures within one year	<u>\$ 2,260,583</u>	<u>\$ 2,747,272</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, 2021 and 2020, the uninsured cash balances totaled \$1,506,124 and \$2,021,660, respectively.

Major Funding Sources

Support and revenue for the years ended December 31, 2021 and 2020, included one major funding source each year, which accounted for approximately 51% and 45%, 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: 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.

PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

NOTE 6: 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, 2021 and 2020:

December 31, 2021	Level 1	Level 2	Level 3	Total
Mutual funds	<u>\$ 36,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,398</u>
December 31, 2020	Level 1	Level 2	Level 3	Total
Mutual funds	<u>\$ 28,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,695</u>

NOTE 7: OPERATING LEASES

The Institute leases its offices under non-cancelable operating leases with monthly rent subject to annual increases. Rent expense totaled \$137,278 and \$156,392 for the years ended December 31, 2021 and 2020, respectively. The leases do not extend for terms greater than one year. In 2021, the Institute experienced a decrease in the need for office space due to a significant portion of their employees working from home. Their current office lease is for a one-year term.

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, 2021 and 2020 there was no outstanding balance.

The Institute obtained a line of credit from Beneficial State Bank in the amount of \$150,000 with a variable interest rate based on the Prime Rate as quoted in the Wall Street Journal West Coast Edition of 3.25% plus a margin of 2%, resulting in an initial interest rate of 5.25%. As of December 31, 2021 and 2020 there was no outstanding balance.

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, 2021 and 2020, the employer matching contribution was \$79,970 and \$82,341, respectively.

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NOTE 10: PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Institute was granted a loan from Beneficial State Bank in the amount of \$395,461, under the Paycheck Protection Program ("PPP") as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan bears interest at 1% per annum and matures in April 2022. The note and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. As of December 31, 2020, the Institute had met the conditions for loan forgiveness and has applied for loan forgiveness. On April 7, 2021, the Institute received a letter from the Small Business Administration stating the Institute's application for forgiveness had been approved and the full amount of the loan had been forgiven. The note was recorded as other income in the statement of financial position.

NOTE 11: RISKS AND UNCERTAINTIES

The COVID-19 coronavirus outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

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NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Capacity building for sustainable urban water	\$ 14,432	\$ 14,432
Salton sea environment crisis	-	914
Work with community on Santa Ana Watershed	-	1,508
Basic water needs	11,348	19,611
WASH for Work Secretariat Support	1,332	1,332
PG BMI Prize to be directed to fund research student(s)	1,056	2,865
PG BMI Prize to fund research of choice	-	15,949
Water Efficiency Research and Outreach	35,249	33,824
Mapping public water management	-	25,669
To collaborate with Science Based Target Freshwater Hub in advancing urgent workstreams	16,251	42,875
Projects Advancing Collaborative Corporate Water Stewardship in California	121,267	142,071
Integrated water management tools	43,429	53,358
Strengthening drought resilience of groundwater- dependent drinking water systems in California	-	11,407
To drive multi-benefit water investments in Texas	-	21,500
To provide information for advocates to make the case for addressing revenue shortfalls experienced by very small community water systems due to the COVID-19 crisis	-	20,558
Water and COVID-19	-	32,500
To support technical assistance to improve stormwater management and water sustainability in Southern California	17,721	32,585
Role of onsite water system in SV, Phase II	30,635	-
Urban water supply opportunities in California	6,077	-
Toilet Leak Detection Project	22,750	-
Research on CA drought	21,500	-
Scale water investment tools	37,697	-
Salton sea support	9,750	-
	<u>\$ 390,494</u>	<u>\$ 472,958</u>