SUSTAINABLE ECONOMIES LAW CENTER

FINANCIAL STATEMENTS

December 31, 2018

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

SUSTAINABLE ECONOMIES LAW CENTER

Contents

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Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sustainable Economies Law Center
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Sustainable Economies Law Center, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sustainable Economies Law Center as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Crosby + Kaneda CPAs LLP

Oakland, California
August 14, 2019

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Statement of Financial Position
December 31, 2018

Assets	
Current Assets	
Cash and cash equivalents	$ 427,047
Grants and pledges receivable	74,797
Accounts receivable	2,081
Prepaid expense	5,320
Total Current Assets	509,245
Deposits	2,700
Total Assets	$ 511,945
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 35,476
Accrued sabbatical (Note 4)	37,538
Total Current Liabilities	73,014
Accrued sabbatical, noncurrent (Note 4)	83,916
Total Liabilities	156,930
Net Assets	
Without donor restrictions	1,051
With donor restrictions (Note 6)	353,964
Total Net Assets	355,015
Total Liabilities and Net Assets	$ 511,945

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Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Foundation grants	$ 896,230	$ 589,732	$ 1,485,962
Contributions under $5,000	71,945		71,945
Contributions over $5,000	15,000		15,000
Corporate	11,350		11,350
Total Support	994,525	589,732	1,584,257
Revenue			
Workshops	29,366		29,366
Consulting	28,752		28,752
Public speaking	3,588		3,588
Interest	463		463
Total Revenue	62,169	-	62,169
Support provided by expiring time and purpose restrictions	355,633	(355,633)	-
Total Support and Revenue	1,412,327	234,099	1,646,426
Expenses			
Program	1,032,486		1,032,486
Management and general	217,293		217,293
Fundraising	110,199		110,199
Total Expenses	1,359,978	-	1,359,978
Change in Net Assets	52,349	234,099	286,448
Net Assets, beginning of year	(51,298)	119,865	68,567
Net Assets, end of year	$ 1,051	$ 353,964	$ 355,015

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Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	$ 286,448
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	297
Changes in assets and liabilities:	
Accounts receivable	1,650
Grants and pledges receivable	(74,797)
Prepaid expense	338
Accounts payable and accrued expenses	12,780
Accrued sabbatical	21,789
Net cash provided (used) by operating activities	248,505
Change in cash and cash equivalents	248,505
Cash and cash equivalents, beginning of year	178,542
Cash and cash equivalents, end of year	$ 427,047
Supplemental information:	
Interest paid	$ 358

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Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program	Management and General	Fundraising	Total
Salaries and wages	$ 636,759	$ 134,653	$ 82,391	$ 853,803
Employee benefits	50,693	14,099	6,561	71,353
Payroll taxes	53,846	11,386	6,967	72,199
Total Personnel	741,298	160,138	95,919	997,355
Grants	2,918	-	-	2,918
Professional services	203,594	31,408	9,233	244,235
Advertising and promotion	-	422	-	422
Office supplies and expenses	8,499	11,016	618	20,133
Information technology	4,294	3,650	882	8,826
Occupancy	19,627	4,150	2,539	26,316
Travel and meals	10,733	-	-	10,733
Conferences and meetings	31,565	1,200	-	32,765
Interest	-	358	-	358
Depreciation	-	297	-	297
Insurance	4,682	4,399	1,008	10,089
Other	5,276	255	-	5,531
Total Expenses	$ 1,032,486	$ 217,293	$ 110,199	$ 1,359,978

Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 1: NATURE OF ACTIVITIES

Sustainable Economies Law Center (the Organization) is a California nonprofit public benefit corporation established in 2013 as a legal successor to a formal fiscal sponsor, Community Ventures, under which the Sustainable Economies Law Center began operations in 2009. The Organization provides essential legal tools - education, research, advice, and advocacy - so communities everywhere can develop their own sustainable sources of food, housing, energy, jobs, and other vital aspects of a thriving community.

Primary activities include legal advice clinics three times per month (Legal Cafe Program), community legal workshops in the Bay Area, training of legal professionals nationally through a Fellowship Program and building an online community called Law for Economic Democracy, policy advocacy at the state and local level, legal research, and educational resource development, which includes stewarding online legal resource libraries (like Co-opLaw.org) and creating educational videos.

In addition, the Law Center incubates cooperatives and other change-making organizations by providing technical, operational, financial, and legal support. For example, in 2018, the Law Center helped launch the East Bay Permanent Real Estate Cooperative and People Power Solar Cooperative.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; there were no restrictions of this nature as of December 31, 2018.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from customers on performance contracts. The Organization considers all accounts receivable to be fully collectible at December 31, 2018. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization considers all contributions receivable to be fully collectible at December 31, 2018. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2018 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended December 31, 2018.

Estimates

The preparation of financial statements in conformity with GAAP 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 reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

The Organization had no assets or liabilities recorded at fair value on December 31, 2018.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over $2,500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease term for leasehold improvements. Expenditures for maintenance and repairs are charged to expense as incurred. The Organization had no property or equipment that met this capitalization policy at December 31, 2018.

Expense Recognition and Allocation

The cost of providing the Organization’s programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on the following: Twice per year, all staff report how they allocate their time across 23 different programs (also called "circles") and categories of work. Many staff use time tracking software (Toggl), while other use reasonable estimates of time percentages. Some circles combine programmatic, management, and fundraising functions, so we do a reasonable estimate for those circles of what portions of the circle’s overall work is programmatic management, and fundraising. We determine each staff person's functional allocations based on what portion of the time they worked in specific circles and what functions those circles carried out, then multiply the staff person’s allocations by their salary. Based on this method, in 2018, 74.58% of staffing costs were spent on programs, 15.77% on management, and 9.65% on fundraising.

Occupancy, office cleaning, equipment, phone, internet, and office supplies are allocated using the using the same percentages applied to staff salaries and benefits, since our office is primarily used for staff work.

Depreciation and interest are small (less than $700 in 2018), so rather than split hairs, we allocated them entirely to "management" in 2018.

Insurance is allocated to "management," except for the portion of our premium costs covering legal malpractice insurance, which we allocated to "programs," since this is directly related to and necessary to serving clients.

Software and apps are allocated to "management," since many are related to our finances and HR, except for the apps related to our website and public educational resources, which we allocated to "programs."

Management and general activities include the functions necessary to provide support for the organization's program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others. Our fundraising activities are highly integrated with our programmatic work. For example, program planning and grant writing go hand-in-hand, and events aimed at educating the community about our work also encourage community members to donate. We have very few fundraising-related expenses other than staff time. As such, we have made a reasonable estimate of fundraising costs largely in reliance on staff time allocations, as described above.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Additionally, advertising costs are expensed as incurred.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of August 14, 2019 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: LINE OF CREDIT

The Organization has a secured line of credit with a bank for a total of $100,000 to be drawn down upon as needed. The line bears interest at prime (5.5% at December 31, 2018) plus 5%. As of December 31, 2018 there was no balance outstanding on the line of credit.

NOTE 4: SABBATICALS

The Organization offers eligible employees up to four months paid sabbatical leave after five consecutive years of full-time employment. Sabbatical benefits do not vest and leave is subject to the financial health and programmatic needs of the Organization. As of December 31, 2018, the estimate of sabbatical liability was based on management's calculations of sabbatical accrued to date and the minimum probability that such leave will be taken by staff.

NOTE 5: CONTINGENCIES

Grant Awards

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

Vacation Policy

The Organization offers unlimited paid time off to staff which is granted based on an internal approval process. As such, paid time off does not accrue and the Organization does not recognize a related liability.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31, 2018:

Worker cooperative development	$ 264,547
Housing	39,400
Legal Café and other specific programs	30,017
Time restricted for future use	20,000
Total	$ 353,964

NOTE 7: CONDITIONAL PROMISES TO GIVE

In addition to the activity on the financials, the Organization may receive grants with future payments subject to certain conditions, performance barriers or rights of revocation. It is the Organization's policy to defer revenue recognition of conditional amounts until such conditions have been satisfied. As of December 31, 2018, conditional grants outstanding consisted of the following:

Grant	Award	Recognized	Remaining
Grant I	$ 800,000	$ 300,000	$ 500,000
Grant II	$ 100,000	$ 25,000	$ 75,000
Grant III	$ 35,000	$ 8,750	$ 26,250

The Organization expects to meet the conditions of the above grants during the periods through December 31, 2020.

NOTE 8: CONCENTRATION

Foundation Support

The Organization receives a significant portion of its support from foundation grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities. Approximately 49% of total support received as of December 31, 2018 was from three foundations.

NOTE 9: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

Financial assets:	
Cash and cash equivalents	$ 427,047
Accounts receivable	2,081
Grants and pledges receivable	74,797
Total financial assets	503,925
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(333,964)
Amount available for general expenditures within one year	$ 169,961

The Organization's working capital and cash flows vary during the year based on the timing of grant awards and a concentration of contributions received near calendar year end. As part of the Organization's liquidity management plan, the Organization maintains a revolving line of credit of $100,000 to cover short-term cash needs.