



January 22, 2021

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
California Native Plant Society

We have audited the accompanying financial statements of California Native Plant Society (a nonprofit organization), which comprise the Statement of Financial Position as of March 31, 2020, and the related Statements of Activities, Functional Expenses and Cash Flows 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.

To the Board of Directors  
California Native Plant Society  
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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 California Native Plant Society as of March 31, 2020, 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.

*John Waddell & Co., CPAs*

# CALIFORNIA NATIVE PLANT SOCIETY

## Statement of Financial Position March 31, 2020

### ASSETS

Cash and cash equivalents	\$ 4,281,415
Contracts receivable	172,312
Contributions receivable	3,834,182
Other receivables	34,134
Prepaid expenses	22,752
Inventory	60,518
Investments	1,326,174
Deposits	3,537
Land	4,200
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	\$ 9,739,224

### LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 50,060
Accrued expenses	207,340
Deferred revenue	87,774
Funds held for chapters	272,431
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Total Liabilities	617,605
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Net assets	
Without donor restrictions	5,667,768
With donor restrictions	3,453,851
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Total Net Assets	9,121,619
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	\$ 9,739,224

See accompanying notes to financial statements.

# CALIFORNIA NATIVE PLANT SOCIETY

## Statement of Activities For the Year Ended March 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue</b>			
Membership dues	\$ 592,068	\$ -	\$ 592,068
Contributions	3,196,905	3,049,747	6,246,652
Sales	72,335	-	72,335
Federal, state and other contract income	653,685	-	653,685
Workshop income	60,222	-	60,222
Other program income	11,825	-	11,825
Investment loss	(80,975)	(21,302)	(102,277)
Net assets released from restriction	842,952	(842,952)	-
	<u>5,349,017</u>	<u>2,185,493</u>	<u>7,534,510</u>
<b>Expenses</b>			
Program services			
Conservation	481,714	-	481,714
Engagement & outreach	280,558	-	280,558
Plant science	1,330,620	-	1,330,620
Publications	152,240	-	152,240
Chapter support	150,148	-	150,148
	<u>2,395,280</u>	<u>-</u>	<u>2,395,280</u>
Supporting services			
Administration	336,200	-	336,200
Development	469,605	-	469,605
	<u>805,805</u>	<u>-</u>	<u>805,805</u>
	<u>3,201,085</u>	<u>-</u>	<u>3,201,085</u>
Change in Net Assets	<u>2,147,932</u>	<u>2,185,493</u>	<u>4,333,425</u>
Net Assets, Beginning of Year	<u>3,519,836</u>	<u>1,268,358</u>	<u>4,788,194</u>
Net Assets, End of Year	<u>\$ 5,667,768</u>	<u>\$ 3,453,851</u>	<u>\$ 9,121,619</u>

See accompanying notes to financial statements.

## CALIFORNIA NATIVE PLANT SOCIETY

### Statement of Functional Expenses For the Year Ended March 31, 2020

	Conservation	Engagement & Outreach	Plant Science	Publications	Chapter Support	Administration	Development	Total
Personnel Expenses	\$ 341,969	\$ 159,358	\$ 1,045,609	\$ 29,203	\$ 82,859	\$ 263,970	\$ 310,515	\$2,233,483
Professional Fees	78,582	18,436	93,348	28,096	10,920	35,103	24,870	289,355
Printing & Publications	-	1,484	-	-	-	-	-	1,484
Postage & Shipping	18,548	605	27,321	85,466	1,047	3,612	74,355	210,954
Supplies	5,324	8,733	13,421	822	941	9,926	11,795	50,962
Telephone & Communications	1,423	875	6,904	922	835	2,514	835	14,308
Information Technology	1,282	65	8,421	10	89	370	23,701	33,938
Travel Expenses	23,061	12,875	81,592	9	12,352	4,253	445	134,587
Conferences, Conventions & Meetings	1,682	350	5,144	-	-	-	352	7,528
Occupancy	6,926	11,684	22,298	6,926	6,926	9,512	6,926	71,198
Equipment Rental	76	115	190	76	76	154	841	1,528
Insurance	513	420	4,101	420	18,603	1,764	420	26,241
CC Processing Fees	-	1,427	-	-	-	318	12,905	14,650
Grants	300	7,775	18,071	-	15,000	-	5	41,151
Cost of Sales	-	51,720	-	-	-	-	-	51,720
Miscellaneous	2,028	4,636	4,200	290	500	4,704	1,640	17,998
<b>Total Expenses</b>	<b>\$ 481,714</b>	<b>\$ 280,558</b>	<b>\$ 1,330,620</b>	<b>\$ 152,240</b>	<b>\$ 150,148</b>	<b>\$ 336,200</b>	<b>\$ 469,605</b>	<b>\$3,201,085</b>

See accompanying notes to financial statements.

# CALIFORNIA NATIVE PLANT SOCIETY

## Statement of Cash Flows For the Year Ended March 31, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ 4,333,425
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Realized and unrealized loss on securities	160,353
Donated securities	(54,414)
Changes in operating assets and liabilities:	
Contracts receivable	(113,499)
Contributions receivable	(3,633,753)
Other receivables	(8,869)
Prepaid expenses	4,284
Inventory	12,500
Deposits	183
Accounts payable	(6,349)
Accrued expenses	40,085
Deferred revenue	(5,855)
Funds held for chapters	211,500
Cash Provided by Operating Activities	<u>939,591</u>
Cash Flows from Investing Activities	
Sales of investments	1,256,166
Purchases of investments	<u>(1,822,688)</u>
Cash Used by Investing Activities	<u>(566,522)</u>
Net Increase in Cash	373,069
Cash and Cash Equivalents, Beginning of Year	<u>3,908,346</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,281,415</u>

See accompanying notes to financial statements.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The California Native Plant Society (CNPS) was founded in 1965 and incorporated as a California non-profit, public benefit corporation. CNPS grew into a federation consisting of a central office in Sacramento and numerous chapters located throughout the state. In 2001, CNPS adopted an organizational structure to implement governance values desired by the Society's membership: volunteer leadership, primacy of the chapters, decentralization, democratic process, openness and transparency, efficiency, accountability, and effectiveness. The organizational structure consists of local chapters and their members, the Chapter Council, the Board of Directors, the Executive Director, staff, and Program Committees. The Chapter Council is composed of a delegate from each chapter and elects the Board of Directors. The Board of Directors and Chapter Council collaborate on important projects with joint committees comprised of representatives of both bodies. These financial statements include the activities of the central office only and do not include the activities of the 35 chapters.

#### Mission and Activities

CNPS is dedicated to celebrating California's native plant heritage and preserving it for future generations. We bring together science, education, conservation, and gardening to power the native plant movement. Key programs of the central office include the following:

#### Conservation

Through the Conservation Program, we promote scientifically based public policies, regulations and land management practices that protect native vegetation. With technical support from conservation staff, local chapters and volunteers actively monitor local projects for potential ecological threats. Activities include advocacy at state, regional and local levels, lectures, demonstrations, and statewide conservation conferences.

#### Engagement & Outreach

The CNPS Education Program coordinates educational programs, workshops, and stewardship projects for all ages, levels of knowledge, and enthusiasm. Its mission is to provide people with opportunities to engage with nature and develop ecological awareness, to study native plant diversity, and to conserve California's native flora using sound scientific practices. The Plant Science Workshop Program provides training for professional and student botanists, ecologists, land managers, resource specialists, and conservationists. The program also awards educational grants to students working on projects leading to a better understanding of California's native flora.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements

March 31, 2020

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Engagement & Outreach – Continued

The Horticulture and Native Garden Program is dedicated to promoting, supporting and encouraging the appropriate horticultural use of California native plants in gardens and landscapes including private homes, public spaces and commercial properties. The Program is run almost entirely by volunteers from CNPS chapters located across the state, who focus on ways to build outreach and communicate the benefits of growing native plants.

#### Plant Science

The Vegetation Science Program develops and disseminates quantifiable definitions of all types of vegetation in California. These definitions are used to promote science-based conservation at the natural community and ecosystem level throughout the State. Vegetation Science Program staff and volunteers collect and share data with public agencies, environmental groups, and universities throughout California. The principal goals of the program are to develop, promote, and maintain a uniform vegetation classification that will be adopted by private, state, and federal resource agencies with jurisdiction over land management, and to develop defensible definitions of the rare vegetation of the state. The Manual of California Vegetation, 2nd edition, embodies the vegetation classification system developed by CNPS and includes descriptions of over 450 vegetation types occurring in California.

The Rare Plant Program develops current, accurate information on the distribution, ecology, and conservation status of California's rare and endangered plants, and uses this information to promote science-based plant conservation in California. Since its inception in 1968, the Rare Plant Program has developed a reputation for scientific accuracy and integrity. The Program's data are widely accepted as the standard for information on the rarity and endangerment status of the California flora. For this reason, the Program's primary responsibility is the maintenance of the CNPS Inventory of Rare and Endangered Plants of California (the CNPS Inventory), which tracks the conservation status of hundreds of plant species.

#### Publications

CNPS publishes *Fremontia*, a beautiful, thematic journal including in-depth articles and scientific perspectives from leading native plant experts, twice a year. CNPS also publishes *Flora*, a color magazine published quarterly that includes conservation updates, native gardening advice, and photo essays. An e-newsletter highlighting current issues, events, and other topics of interest to members is produced monthly. CNPS publishes books and reprints books under its imprimatur CNPS Press that focuses on California's native plants. CNPS also publishes six beautiful and educational full-size native plant posters that feature the native flora of different regions of the state.



# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Chapter Support

The central office supports the CNPS local chapters, who carry out a variety of programs. Most chapters hold field trips, plant sales and speaker programs. In addition, chapters may manage stewardship programs for local habitats, organize education programs in schools, monitor the health of local plant populations, and help shape regional habitat conservation programs. Overall, the 35 chapters contribute more than 90,000 volunteer hours each year.

#### Estimates

We use estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### New Accounting Pronouncements

On April 1, 2019, we adopted ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The adoption had no impact to financial position or the change in net assets.

On April 1, 2019, we adopted ASU No. 2016-18, Statement of Cash Flows (Topic 230) using the retrospective approach. The adoption had no impact to the statement of cash flows.

On April 1, 2019, we adopted ASU No. 2018-08, Not-for-Profit Entities (Topic 958), which addresses revenue recognition of grants and contracts, using the modified prospective approach. The adoption changed the way we account for the government grants. Previously, these grants were accounted for as exchange transactions. Under the new guidance, we account for the grants as conditional, restricted contributions.

We elected to delay implementation of Accounting Standards Update (ASU) No. 2014-09 -- Revenue from Contracts with Customers (Topic 606), as amended. Adoption next year is not expected to significantly impact revenue recognition.

#### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all highly liquid investments with original maturities at date of purchase of three months or less to be cash equivalents.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements

March 31, 2020

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

We manage deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. We maintain cash and cash equivalents in various bank accounts that, at times, exceed federally insured limits. We have not experienced any losses with respect to such accounts. Credit risk associated with accounts, contracts, and contributions receivable is considered to be limited due to high historical collection rates. Investments are diversified by investment managers whose performance is monitored by us and the Board of Directors. Although the fair values of investments are subject to fluctuation, we believe the investment policies are prudent for the long-term welfare of the organization.

#### **Accounts Receivable**

Accounts receivable are stated at unpaid balances. We believe all balances are collectible; accordingly, no allowance for doubtful accounts has been established. Receivables are determined to be past due based on contractual terms. Receivables are written off to bad debts after we have exhausted all collection efforts.

#### **Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met. Based on historical experience, we have concluded that no allowance for uncollectable contributions receivable is necessary.

#### **Inventory**

Inventory consists of books and posters and is stated at the lower of cost or market determined by the first-in, first-out method. Inventory is presented net of a valuation allowance of \$48,000.

#### **Investments**

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values, and changes in fair value are reported as investment return in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost. Interest is recorded when earned, and dividends are accrued as of the ex-dividend date.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Office Equipment

Expenditures in excess of \$5,000 for equipment with a useful life of more than one year are capitalized at cost if purchased or fair value if contributed. Included are improvements that significantly add to productivity or extend the useful life of an asset. Costs of maintenance and repairs are charged to expense. Depreciation is provided using the straight-line method. The estimated useful lives for calculating depreciation for office equipment are three to seven years. All capitalized office equipment was fully depreciated as of March 31, 2020.

#### Land

The land, which holds one of California's rare and endangered plant species, was donated to CNPS in 1972. The land was recorded at market value on the date received.

#### Deferred Income

Deferred income represents unearned membership dues, deferred advertising income, and unearned workshop fees at March 31, 2020.

#### Net Assets

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. The governing board has designated, from net assets without restrictions, net assets for various funds and a board-designated endowment.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met the passage of time or other events as specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. We report contributions restricted by donors ad increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities

#### Contributions and Revenue Recognition

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

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Contributions and Revenue Recognition – Continued

A portion of our revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions as net assets without donor restrictions. No amounts have been received in advance under our federal and state contracts and grants.

#### Donated Services

Donated services are recognized as contributions if the materials or services (a) create or enhance nonfinancial assets or (b) require specialized skills and were performed by people with those skills and otherwise would have been purchased. No significant contributions of such services were received during the year ended March 31, 2020.

Approximately 645 volunteers have donated significant amounts of time to our program services that are not recognized as contributions in the financial statements since the recognition criteria was not met. However, we recognize these hours as a valuable contribution.

#### Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel expenses	Time and effort
Professional fees	Time and effort
Printing and publications	Estimated usage
Postage and shipping	Estimated usage
Telephone & communications	Full time equivalent
Information technology	Full time equivalent
Occupancy	Full time equivalent
Insurance	Estimated risk

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Income Taxes

CNPS is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The central office and the chapters file consolidated tax returns. CNPS is classified as other than a private foundation by the Internal Revenue Service. Accordingly, CNPS is subject to federal and state taxes only on non-exempt income earned, primarily advertising income. There was no net taxable income during the year ended March 31, 2020. CNPS has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

#### Subsequent Events

We have evaluated subsequent events through the date the financial statements were available to be issued, which was January 22, 2021.

### NOTE 2 AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date are as follows:

Cash and cash equivalents	\$ 2,683,807
Contracts receivable	172,312
Contributions receivable due in one year	2,385,014
Other receivables	34,134
Operating investments	1,079,100
Endowment spending rate distributions	17,297
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	6,371,664
Less amounts designated by the Board	(4,266,532)
Plus budgeted bequest utilization	200,000
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	\$ 2,305,132
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The Board has designated bequests be placed in a separate fund and released for general spending at no more than 25% per year. In addition, there is a board designated endowment and other designated funds; see Note 9. In the event of an unexpected liquidity need or financial distress, these amounts could be made available if necessary.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable are estimated to be collected as follows at March 31, 2020:

Within one year	\$ 3,055,014
In one to five years	720,000
Over five years	<u>95,000</u>
	3,870,014
Less discount to net present value @ 4%	<u>(35,832)</u>
	<u><u>\$ 3,834,182</u></u>

At March 31, 2020, three donors accounted for approximately 76% of the contributions receivable.

### NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level within the fair value hierarchy the assets reported at fair value on a recurring basis at March 31, 2020:

	Fair Value Measurements at March 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices for similar assets in Inactive Markets (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments at fair value:				
Corporate bonds	\$ -	\$ 20,483	\$ -	\$ 20,483
Municipal bonds	-	12,500	-	12,500
Bond funds	192,434	-	-	192,434
Stock funds	<u>1,100,757</u>	<u>-</u>	<u>-</u>	<u>1,100,757</u>
 Total investments measured at fair value	 <u>\$ 1,293,191</u>	 <u>\$ 32,983</u>	 <u>\$ -</u>	 <u>\$ 1,326,174</u>

Following is a description of the valuation methodologies used for assets measured at fair value as of March 31, 2020:

*Level 1:* The fair value of mutual funds are based on the closing price reported in the active market where the individual securities are traded.

*Level 2:* The fair value of corporate and municipal bonds is based on the most recent closing price of identical assets in non-active markets.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 5 EMPLOYEE BENEFIT PLAN

We sponsor a 401(k) plan covering substantially all employees. We match employee contributions to a maximum of 6% of compensation. Total contributions to the plan for the year ended March 31, 2020 amounted to \$98,708.

### NOTE 6 RELATED PARTY TRANSACTIONS

Total receivables from chapters amounted to \$8,125 at March 31, 2020.

Accounts receivable from Board members amounted to \$20,000 and are related to the purchase of auction items during the prior conference.

On an annual basis, we make subvention payments of \$600 to chapters to help with their funding needs, and additional amounts to encourage membership retention and outreach. Some chapters (those that do not need extra financial support) decline to accept the subvention or elect to re-contribute the subvention amount back to us. Subvention payments made by CNPS for the year ended March 31, 2020 totaled \$15,000. In addition, we received a contribution receivable from a chapter of \$35,000 during the year ended March 31, 2020.

### NOTE 7 LEASE COMMITMENTS

We lease office space in Sacramento under an office lease expiring August 31, 2020. The lease has not been renewed thus became month to month after the expiration. Subsequent to year end, we leased additional office space in Berkeley. We also lease a storage unit under a month-to-month lease.

Lease commitments as of March 31, 2020 are as follows:

2021	\$	61,952
2022		58,500
2023		60,000
2024		15,000
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	\$	195,452
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Rent expense was \$71,198 for the year ended March 31, 2020.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to expenditure for specified purpose:

Fire recovery support	\$	145,759
Ventura Marsh Milkvetch		154,897
Utom River conservation		112,705
Biodiversity Initiative		205,306
Capacity building		670,000
Other programs		308,942
Promises to give, the proceeds from which have been restricted by donors for		
Biodiversity		560,000
Capacity building		340,000
Native plants		545,000
Conservation internship and other		164,168
		<u>164,168</u>
	\$	<u>3,206,777</u>

Endowments:

Subject to appropriation and expenditure:

Available for general use		<u>7,229</u>
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Perpetual in nature, earnings from which are subject to  
endowment spending policy and appropriation:

Conservation	\$	4,500
Native plant research		20,500
Scholarships to women grad students		50,100
General use		171,777
Underwater endowments		(7,032)
		<u>239,845</u>
		<u>239,845</u>
Total Endowments		<u>247,074</u>
	\$	<u><u>3,453,851</u></u>



# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

Releases from Donor Restricted Net assets for the year ended March 31, 2020, are as follows:

Satisfaction of purpose restrictions

Publications	\$	162,583
Biodiversity		92,634
Fire recovery		96,342
Other programs		477,906

Subject to spending policy and appropriation:

Conservation and other programs		3,813
General use		9,674
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	\$	842,952
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### NOTE 9 GOVERNING BOARD DESIGNATIONS

The board designated net assets are comprised of the following:

Publication Fund	\$	8,225
Conservation		128,177
Bequest Fund		4,063,900
Endowment		66,230
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	\$	4,266,532
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### NOTE 10 ENDOWMENT FUNDS

CNPS endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors (the Board) to function as endowments. Board-designated endowment funds currently consist of a fund established to support educational research grants. The CNPS donor-restricted endowment funds consist of four individual funds established for a variety of purposes: Conservation Fund for conservation, land stewardship, conservation science, and plant science; Hardman Education and Research Fund for native plant research awards; Natural Heritage Fund for organizational support; and the Natalie Hopkins Scholarship Fund for scholarships to women graduate students and researchers.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements

March 31, 2020

### NOTE 10 ENDOWMENT FUNDS – CONTINUED

CNPS is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. The Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, CNPS considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund. CNPS has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In California, spending more than 7% of the average fair market value of the endowment (averaged over the last three or more years) creates a rebuttable presumption of imprudence.

In accordance with UPMIFA, CNPS considers the following in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) the duration and preservation of the various funds
- 2) the purposes of the donor-restricted endowment funds
- 3) general economic conditions
- 4) the possible effect of inflation and deflation
- 5) the expected total return from income and the appreciation of investments
- 6) other resources of the organization
- 7) the investment policies of the organization.

#### Investment Policy

CNPS has adopted an investment policy to prudently guide investment activities to provide short-term income, with long-term preservation or growth of principal and overall returns above the rate of inflation. The asset allocated portfolio is managed to return less volatility than the benchmark S&P 500. The investment strategy prefers readily marketable securities, readily ascertainable market values, widely recognized security categories, full disclosure, safety of principal, high returns, and decreased volatility. Investment decisions are made to minimize management fees and transaction costs. This strategy naturally prefers, but is not limited to, passively managed and no-load index funds. Average expense ratios for the entire portfolio shall not exceed 1%. The Board prefers “socially responsible” investments with an emphasis on “environmental responsibility”.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 10 ENDOWMENT FUNDS – CONTINUED

#### Spending Policy

The intent of the Board-designated and Donor-restricted endowment funds is to provide a permanent source of income to support the organization and the designated purposes specified in the endowment funds, on a long-term basis, spending only a portion of the earning of the Fund every year and adding the excess to principal for growth over time. Accordingly, each year, the Society may spend an amount (the “Annual Amount”) from the Fund equal to five percent (5%) of the average net fair market value of the Fund’s assets for the 36 calendar months ending December 31 of the previous year. If the Fund has not been in existence for 36 calendar months, the Annual Amount shall be equal to five percent (5%) of the average net fair market value of the Fund’s assets for as many complete calendar months as the Fund has been in existence.

The composition of endowment net assets by type of fund as of March 31, 2020 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Original gift amounts	\$ -	\$ 246,877	\$ 246,877
Accumulated investment gains	-	197	197
Board-designated endowment funds	66,230	-	66,230
	\$ 66,230	\$ 247,074	\$ 313,304

The changes in endowment net assets for the year ended March 31, 2020, are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 75,721	\$ 281,864	\$ 357,585
Investment return (loss), net	(5,681)	(21,303)	(26,984)
Contributions	-	-	-
Amounts appropriated for expenditure	(3,810)	(13,487)	(17,297)
	\$ 66,230	\$ 247,074	\$ 313,304

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2020

### NOTE 11 SUBSEQUENT EVENTS

The World Health Organization declared the COVID-19 outbreak a pandemic in March 2020, shortly before the end of our fiscal year. The outbreak is resulting in voluntary and mandated cancelations of various events, volatility in financial markets, and disruption of a range of industries. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and spread of the outbreak, and the impact on our members, donors, employees, and vendors. The extent to which COVID-19 may impact the financial condition and results of operations cannot be reasonably estimated at this time.

In July 2020, we obtained an SBA loan of \$150,000 under the Economic Injury Disaster Loan program. The loan bears interest at 2.75%. Monthly payments, including principal and interest of \$641 will begin in July 2021 and are payable over 30 years. The loan is secured by substantially all assets and contains various restrictions, including a prohibition against employee loans and bonuses without prior written consent.

In April 2020, we obtained an SBA loan of \$413,080 under the Paycheck Protection Program. The loan has a maturity of five years and a 1% interest rate. The loan is forgivable if the proceeds are used for payroll costs, interest, rent, and utilities, and if staffing levels are maintained. We were notified of full forgiveness in January 2021.