



February 24, 2023

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
California Native Plant Society

### Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

### Basis for Opinion

We conducted our audit 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 California Native Plant Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 California Native Plant Society'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 California Native Plant Society'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 California Native Plant Society'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.

*John Waddell & Co., CPAs*

# CALIFORNIA NATIVE PLANT SOCIETY

## Statement of Financial Position March 31, 2022

### ASSETS

|  |               |
|--|---------------|
| Cash and cash equivalents  | \$ 9,904,723  |
| Contracts receivable   | 649,307       |
| Contributions receivable   | 161,343       |
| Other receivables  | 31,082        |
| Prepaid expenses   | 56,554        |
| Inventory  | 34,993        |
| Deposits   | 7,737         |
| Endowment and chapter investments                                    | 787,085       |
| Property and equipment, net of accumulated depreciation of \$134,838 | 16,627        |
| Land   | 4,200         |
|  | <hr/>         |
|  | \$ 11,653,651 |

### LIABILITIES AND NET ASSETS

|                            |               |
|----------------------------|---------------|
| Liabilities                |               |
| Accounts payable           | \$ 56,673     |
| Accrued expenses           | 368,553       |
| Deferred revenue           | 197,785       |
| Funds held for chapters    | 636,038       |
|                            | <hr/>         |
| Total Liabilities          | 1,259,049     |
| Net assets                 |               |
| Without donor restrictions | 8,422,609     |
| With donor restrictions    | 1,971,993     |
|                            | <hr/>         |
| Total Net Assets           | 10,394,602    |
|                            | <hr/>         |
|                            | \$ 11,653,651 |

See accompanying notes to financial statements.

# CALIFORNIA NATIVE PLANT SOCIETY

## Statement of Activities For the Year Ended March 31, 2022

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|---|-------------------------------|----------------------------|---------------|
| Revenue                                     |                               |                            |               |
| Membership dues                             | \$ 802,899                    | \$ -                       | \$ 802,899    |
| Contributions                               | 3,577,690                     | 337,255                    | 3,914,945     |
| Sales                                       | 74,674                        | -                          | 74,674        |
| Government grants and other contract income | 1,063,931                     | -                          | 1,063,931     |
| Workshop income                             | 21,905                        | -                          | 21,905        |
| Other program income                        | 8,773                         | -                          | 8,773         |
| Investment income                           | 22,081                        | 6,931                      | 29,012        |
| Net assets released from restriction        | 1,756,071                     | (1,756,071)                | -             |
| Total Revenue                               | 7,328,024                     | (1,411,885)                | 5,916,139     |
| Expenses                                    |                               |                            |               |
| Program services                            |                               |                            |               |
| Conservation                                | 727,520                       | -                          | 727,520       |
| Engagement & outreach                       | 551,821                       | -                          | 551,821       |
| Plant science                               | 2,488,954                     | -                          | 2,488,954     |
| Publications                                | 261,219                       | -                          | 261,219       |
| Chapter support                             | 59,911                        | -                          | 59,911        |
| Total program services                      | 4,089,425                     | -                          | 4,089,425     |
| Supporting services                         |                               |                            |               |
| Administration                              | 616,170                       | -                          | 616,170       |
| Development                                 | 526,292                       | -                          | 526,292       |
| Total supporting services                   | 1,142,462                     | -                          | 1,142,462     |
| Total Expenses                              | 5,231,887                     | -                          | 5,231,887     |
| Change in Net Assets                        | 2,096,137                     | (1,411,885)                | 684,252       |
| Net Assets, Beginning of Year               | 6,326,472                     | 3,383,878                  | 9,710,350     |
| Net Assets, End of Year                     | \$ 8,422,609                  | \$ 1,971,993               | \$ 10,394,602 |

See accompanying notes to financial statements.

**CALIFORNIA NATIVE PLANT SOCIETY**

**Statement of Functional Expenses  
For the Year Ended March 31, 2022**

|                             | <b>Conservation</b> | <b>Engagement &amp;<br/>Outreach</b> | <b>Plant Science</b> | <b>Publications</b> | <b>Chapter<br/>Support</b> | <b>Administration</b> | <b>Development</b> | <b>Total</b>        |
|-----------------------------|---------------------|--------------------------------------|----------------------|---------------------|----------------------------|-----------------------|--------------------|---------------------|
| Personnel Expenses          | \$ 462,854          | \$ 400,050                           | \$ 1,925,317         | \$ 118,749          | \$ 26,377                  | \$ 378,551            | \$ 316,382         | \$ 3,628,280        |
| Professional Fees           | 123,229             | 37,518                               | 171,703              | 46,525              | 5,201                      | 143,237               | 38,379             | 565,792             |
| Printing & Publications     | 485                 | 18,181                               | 81,978               | 85,409              | 517                        | 834                   | 73,464             | 260,868             |
| Occupancy & Facility Rental | 20,909              | 12,772                               | 68,243               | 5,132               | 2,566                      | 10,982                | 10,481             | 131,085             |
| Supplies                    | 2,798               | 11,181                               | 119,960              | 2,561               | -                          | 19,112                | 3,283              | 158,895             |
| Telephone & Communications  | 3,580               | 2,739                                | 15,805               | 950                 | 3,850                      | 17,146                | 2,257              | 46,327              |
| Software subscriptions      | 1,830               | 93                                   | 4,110                | -                   | -                          | 8,152                 | 45,916             | 60,101              |
| Travel & Meetings           | 5,751               | 11,424                               | 71,030               | 219                 | 207                        | 13,621                | 2,143              | 104,395             |
| Cost of Sales               | -                   | 33,912                               | -                    | -                   | -                          | -                     | -                  | 33,912              |
| Grants                      | 105,705             | 14,084                               | -                    | -                   | 17,300                     | -                     | -                  | 137,089             |
| Miscellaneous               | 379                 | 9,867                                | 30,808               | 1,674               | 3,893                      | 24,535                | 33,987             | 105,143             |
| <b>Total Expenses</b>       | <b>\$ 727,520</b>   | <b>\$ 551,821</b>                    | <b>\$ 2,488,954</b>  | <b>\$ 261,219</b>   | <b>\$ 59,911</b>           | <b>\$ 616,170</b>     | <b>\$ 526,292</b>  | <b>\$ 5,231,887</b> |

See accompanying notes to financial statements.

# CALIFORNIA NATIVE PLANT SOCIETY

## Statement of Cash Flows For the Year Ended March 31, 2022

|  |                          |
|--|--------------------------|
| Cash Flows from Operating Activities   |                          |
| Change in net assets   | \$ 684,252               |
| Adjustments to reconcile change in net assets<br>to cash provided by operating activities: |                          |
| Depreciation   | 573                      |
| Realized and unrealized gain on securities   | (7,063)                  |
| Donated securities   | (165,082)                |
| PPP loan forgiveness   | (149,900)                |
| Changes in operating assets and liabilities:   |                          |
| Contracts receivable   | (505,839)                |
| Contributions receivable   | 2,510,784                |
| Other receivables  | (16,306)                 |
| Prepaid expenses   | (31,121)                 |
| Inventory  | 17,331                   |
| Accounts payable   | (9,093)                  |
| Accrued expenses   | 101,224                  |
| Deferred revenue   | 133,152                  |
| Funds held for chapters  | 264,729                  |
|  | <hr/>                    |
| Cash Provided by Operating Activities  | 2,827,641                |
|  | <hr/>                    |
| Cash Flows from Investing Activities   |                          |
| Purchase of property   | (17,200)                 |
| Sales of investments   | 8,185                    |
| Purchases of investments   | (29,504)                 |
|  | <hr/>                    |
| Cash Used by Investing Activities  | (38,519)                 |
|  | <hr/>                    |
| Net Increase in Cash   | 2,789,122                |
| Cash and Cash Equivalents, Beginning of Year   | <hr/> 7,115,601          |
| Cash and Cash Equivalents, End of Year   | <hr/> <hr/> \$ 9,904,723 |

See accompanying notes to financial statements.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2022

### 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.

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.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements

March 31, 2022

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

#### 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.

#### 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.



# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements

March 31, 2022

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

#### 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.

#### 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.

#### 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.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements

March 31, 2022

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

#### 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 \$58,538.

#### 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.

#### Property and 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.

#### 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, 2022.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2022

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

#### 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 purposes.

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 as 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 statement of activities

#### Contributions and Revenue Recognition

We recognize revenue from services contracts when the performance obligations of providing the services as specified in the contract are met. Inventory sales are recognized when the items sold are shipped. Advertising income is recognized when the publication is published. Membership dues, which are nonrefundable, are comprised of an exchange element based on the benefits received, and a contribution element for the difference. We recognize the exchange portion of the membership dues over the membership period, and the contribution portion immediately.

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.

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, 2022.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2022

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

#### Donated Services – Continued

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 & publications     | Estimated usage             |
| Occupancy & facility rental | Full time equivalent        |
| Supplies                    | Estimated usage             |
| Telephone & communications  | Full time equivalent        |
| IT & dues                   | Full time equivalent        |

#### 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, 2022. 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 February 24, 2023.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2022

### 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                | \$ 8,083,777 |
| Contracts receivable                     | 649,307      |
| Contributions receivable due in one year | 27,216       |
| Other receivables                        | 31,082       |
|  | <hr/>        |
|  | 8,791,382    |
| Less amounts designated by the Board     | (5,633,893)  |
| Plus budgeted bequest utilization        | 1,275,000    |
|  | <hr/>        |
|  | \$ 4,432,489 |
|  | <hr/>        |

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. In the event of an unexpected liquidity need or financial distress, these amounts could be made available if necessary.

### NOTE 3 CONTRIBUTIONS RECEIVABLE AND CONCENTRATIONS

Contributions receivable are estimated to be collected as follows at March 31, 2022:

|   |            |
|---|------------|
| Within one year                         | \$ 27,216  |
| In one to five years                    | 50,000     |
| Over five years                         | 120,000    |
|   | <hr/>      |
|   | 197,216    |
| Less discount to net present value @ 4% | (35,873)   |
|   | <hr/>      |
|   | \$ 161,343 |
|   | <hr/>      |

At March 31, 2022, 83% of the contributions receivable are due from two donors. One estate gift amounted to 38% of contributions for the year. This bequest also included a gift of real property to us and a chapter with restrictions that neither of us could fulfil. As of March 31, 2022, the real property gift was conditioned on the other beneficiaries' acceptance of our proposed alternative, which occurred subsequent to year end. The value of our share of the property is estimated at \$1,350,000. In addition, we received a conditional challenge contribution receivable of \$25,000 for the May 2022 Big Day of Giving.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2022

### 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, 2022:

|  | Fair Value Measurements at March 31, 2022                                  |  |  |            |
|--|--|--|--|------------|
|  | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Quoted Prices<br>for similar<br>assets in<br>Inactive Markets<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total      |
| Investments at fair value:               |  |  |  |            |
| Corporate bonds                          | \$ -   | \$ 12,153  | \$ -   | \$ 12,153  |
| Municipal bonds                          | -  | 8,103  | -  | 8,103      |
| Bond funds                               | 114,623  | -  | -  | 114,623    |
| Domestic stocks                          | 243,293  | -  | -  | 243,293    |
| ETFs                                     | 8,262  | -  | -  | 8,262      |
| Equity funds                             | 400,651  | -  | -  | 400,651    |
|  | \$ 766,829   | \$ 20,256  | \$ -   | \$ 787,085 |
| Total investments measured at fair value | \$ 766,829   | \$ 20,256  | \$ -   | \$ 787,085 |

Following is a description of the valuation methodologies used for assets measured at fair value as of March 31, 2022:

*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.

### 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, 2022 amounted to \$156,529.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2022

### NOTE 6 RELATED PARTY TRANSACTIONS

Total receivables from chapters amounted to \$28,933 at March 31, 2022.

On an annual basis, we make subvention payments 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. We made subvention payments to the chapters of \$17,300 during the year ended March 31, 2022. We received a grant from a chapter of \$5,000, and royalty payments from a chapter of \$10,361. Reimbursements from a chapter for personnel related costs amounted to \$31,382 during the year ended March 31, 2022.

### NOTE 7 LEASE COMMITMENTS

We lease office space in Sacramento under an office lease that expired August 31, 2020, and is now month to month. We lease additional office space in Berkeley under a lease expiring June 30, 2023. We also lease a storage unit under a month-to-month lease.

Lease commitments as of March 31, 2022 are as follows:

|      |    |                      |
|------|----|----------------------|
| 2023 | \$ | 60,000               |
| 2024 |    | <u>15,000</u>        |
|      | \$ | <u><u>75,000</u></u> |

Rent expense was \$131,085 for the year ended March 31, 2022.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2022

### 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 followers  | \$ | 78,147           |
| Ventura Marsh Milkvetch   |    | 137,330          |
| Biodiversity initiatives  |    | 68,274           |
| Calscape  |    | 260,593          |
| IT admin  |    | 133,278          |
| Planned giving  |    | 133,227          |
| Conservation internship   |    | 66,773           |
| Other programs  |    | 674,200          |
| Promises to give, the proceeds from which have been<br>restricted by donors for |    |                  |
| Conservation internship   |    | 86,127           |
| Time restricted   |    | 50,000           |
| Other   |    | 10,216           |
|   |    | <u>1,698,165</u> |

Endowments:

Subject to appropriation and expenditure:

|                            |               |
|----------------------------|---------------|
| Available for general use  | 26,694        |
| Conservation and education | 380           |
|                            | <u>27,074</u> |

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 endowment                | (123)          |
|                                     | <u>246,754</u> |
| Total Endowments                    | <u>273,828</u> |

\$ 1,971,993



# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2022

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

Releases from donor restricted net assets for the year ended March 31, 2022, were as follows:

Satisfaction of purpose restrictions

|   |    |         |
|---|----|---------|
| Biodiversity                                | \$ | 197,982 |
| Conservation                                |    | 250,754 |
| Utom River conservation                     |    | 194,996 |
| Plants and Pollinators                      |    | 100,465 |
| Planned giving and professional development |    | 187,258 |
| Fire Followers                              |    | 96,746  |
| Habitat Revolution                          |    | 98,689  |
| Bring Back the Oaks                         |    | 106,000 |
| Other programs                              |    | 523,181 |

Subject to spending policy and appropriation:

|                                 |    |                  |
|---------------------------------|----|------------------|
| Conservation and other programs |    | -                |
| General use                     |    | -                |
|                                 | \$ | <u>1,756,071</u> |

### NOTE 9 GOVERNING BOARD DESIGNATIONS

The board designated net assets are comprised of the following:

|              |    |                  |
|--------------|----|------------------|
| Bequest Fund | \$ | 5,560,643        |
| Endowment    |    | <u>73,250</u>    |
|              | \$ | <u>5,633,893</u> |

### 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.

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements

March 31, 2022

### 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, 2022

### 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, 2022 is as follows:

|                                  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b> |
|----------------------------------|---------------------------------------|------------------------------------|--------------|
| Donor-restricted endowment funds |                                       |                                    |              |
| Original gift amounts            | \$ -                                  | \$ 246,877                         | \$ 246,877   |
| Accumulated investment gains     | -                                     | 26,951                             | 26,951       |
| Board-designated endowment funds | 73,250                                | -                                  | 73,250       |
|                                  | \$ 73,250                             | \$ 273,828                         | \$ 347,078   |

The changes in endowment net assets for the year ended March 31, 2022, are as follows:

|   | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b> |
|---|---------------------------------------|------------------------------------|--------------|
| Endowment net assets, beginning of year | \$ 71,392                             | \$ 266,897                         | \$ 338,289   |
| Investment return, net                  | 1,858                                 | 6,931                              | 8,789        |
| Contributions                           | -                                     | -                                  | -            |
| Amounts appropriated for expenditure    | -                                     | -                                  | -            |
|   | \$ 73,250                             | \$ 273,828                         | \$ 347,078   |

# CALIFORNIA NATIVE PLANT SOCIETY

## Notes to Financial Statements March 31, 2022

### NOTE 11 COVID-19 IMPACTS AND RELATED LOAN

The World Health Organization declared the COVID-19 outbreak a pandemic in March 2020. 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 May 2021, we obtained an additional SBA loan under the Paycheck Protection Program of \$475,533. We received full forgiveness in November 2021.