



**ENVIRONMENTAL DEFENSE CENTER**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

# ENVIRONMENTAL DEFENSE CENTER

March 31, 2024

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Environmental Defense Center  
Santa Barbara, California

### **Opinion**

We have audited the accompanying financial statements of Environmental Defense Center (a nonprofit organization), which comprise the statement of financial position as of March 31, 2024, and the related statements of activities and changes in net assets, 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 Environmental Defense Center as of March 31, 2024, and the changes in its net assets and its cash flows for the year 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Environmental Defense Center 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 Environmental Defense Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' 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 auditors' 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Environmental Defense Center'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Environmental Defense Center'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.

## **Report on Summarized Comparative Information**

We have previously audited Environmental Defense Center's March 31, 2023, financial statements, and we expressed an unmodified audit opinion on those statements in our report dated May 6, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McGowan Guntermann*

Santa Barbara, California

February 10, 2025

**ENVIRONMENTAL DEFENSE CENTER****STATEMENT OF FINANCIAL POSITION**

March 31, 2024

(With Comparative Totals for March 31, 2023)

**ASSETS**

	2024	(Memo) 2023
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 675,176	\$ 1,760,525
Accounts and bequests receivable	169,010	92,262
Other current assets	<u>-</u>	<u>1,005</u>
Total Current Assets	<u>844,186</u>	<u>1,853,792</u>
<b>INVESTMENTS</b>	<u>11,562,153</u>	<u>4,559,397</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	338,242	338,242
Building and improvements	484,646	484,646
Furnishings and equipment	47,275	47,275
Library	<u>12,509</u>	<u>12,509</u>
	882,672	882,672
Less: Accumulated depreciation	<u>(459,593)</u>	<u>(444,971)</u>
Net Property and Equipment	<u>423,079</u>	<u>437,701</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,829,418</u>	<u>\$ 6,850,890</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 12,405	\$ 12,827
Accrued expenses	95,830	73,710
Deferred revenue	<u>5,616</u>	<u>6,383</u>
Total Current Liabilities	<u>113,851</u>	<u>92,920</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	2,951,854	2,205,958
Board designated	<u>8,010,554</u>	<u>3,155,280</u>
Total without donor restrictions	10,962,408	5,361,238
With Donor Restrictions	<u>1,753,159</u>	<u>1,396,732</u>
Total Net Assets	<u>12,715,567</u>	<u>6,757,970</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,829,418</u>	<u>\$ 6,850,890</u>

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

# ENVIRONMENTAL DEFENSE CENTER

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended March 31, 2024

(With Comparative Totals for the Year Ended March 31, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	(Memo) 2023 Total
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public Support				
Fundraising events - gross revenue	\$ 315,042	\$ -	\$ 315,042	\$ 272,301
Fundraising events - in-kind contributions, goods	75,582	-	75,582	84,933
Less costs of direct benefits to donors	<u>(175,647)</u>	<u>-</u>	<u>(175,647)</u>	<u>(174,255)</u>
Net revenues from fundraising events	214,977	-	214,977	182,979
Contributions	5,432,800	156,709	5,589,509	1,089,124
Grants	596,600	-	596,600	673,040
In-kind contributions, services	<u>216</u>	<u>-</u>	<u>216</u>	<u>8,280</u>
Total Public Support	<u>6,244,593</u>	<u>156,709</u>	<u>6,401,302</u>	<u>1,953,423</u>
Revenues				
Program service	953,949	-	953,949	187,453
Investment income (loss), net of expenses of \$40,633 and \$32,120	465,721	199,718	665,439	(233,504)
Loss from sale of assets	(310,898)	-	(310,898)	-
Other	<u>2,168</u>	<u>-</u>	<u>2,168</u>	<u>235</u>
Total Revenues	<u>1,110,940</u>	<u>199,718</u>	<u>1,310,658</u>	<u>(45,816)</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>7,355,533</u>	<u>356,427</u>	<u>7,711,960</u>	<u>1,907,607</u>
<b>EXPENSES</b>				
Program	1,295,480	-	1,295,480	1,244,523
Management and general	210,385	-	210,385	178,254
Fundraising	<u>248,498</u>	<u>-</u>	<u>248,498</u>	<u>160,792</u>
Total Expenses	<u>1,754,363</u>	<u>-</u>	<u>1,754,363</u>	<u>1,583,569</u>
<b>CHANGE IN NET ASSETS</b>	5,601,170	356,427	5,957,597	324,038
NET ASSETS, APRIL 1	<u>5,361,238</u>	<u>1,396,732</u>	<u>6,757,970</u>	<u>6,433,932</u>
<b>NET ASSETS, MARCH 31</b>	<u>\$ 10,962,408</u>	<u>\$ 1,753,159</u>	<u>\$ 12,715,567</u>	<u>\$ 6,757,970</u>

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

# ENVIRONMENTAL DEFENSE CENTER

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended March 31, 2024

(With Comparative Totals for the Year Ended March 31, 2023)

	Program Services	Management and General	Fundraising	2024 Total	(Memo) 2023 Total
EXPENSES					
Salaries and wages	\$ 870,035	\$ 139,206	\$ 150,805	\$ 1,160,046	\$ 904,296
Payroll taxes	65,714	10,514	11,390	87,618	68,700
Benefits	113,783	18,205	19,723	151,711	246,106
Payroll processing	3,944	631	683	5,258	10,665
Contract program services	5,603	-	-	5,603	1,363
Program travel and lodging	6,825	-	-	6,825	8,068
Printing and photocopies	3,967	122	2,014	6,103	5,981
Library, research and subscriptions	17,125	2,141	2,141	21,407	19,989
Filing fees and transcripts	744	-	-	744	1,081
Bar fees	2,742	-	-	2,742	2,711
Intern and fellowship stipends	4,554	-	-	4,554	8,813
Rent	3,507	438	438	4,383	4,100
Insurance	9,681	14,015	1,210	24,906	8,866
Repair and maintenance	12,694	2,031	2,200	16,925	33,100
Utilities	5,060	633	634	6,327	5,293
Recruitment	7,383	-	7,382	14,765	-
Postage and shipping	1,100	138	138	1,376	3,023
Supplies and materials	3,471	436	436	4,343	4,749
Office equipment	210	34	36	280	1,038
Computer and technology	26,510	4,242	4,595	35,347	28,083
Telephone and internet	3,181	509	551	4,241	3,928
Professional services	100,803	12,600	12,600	126,003	154,949
Continuing education and travel	6,740	751	751	8,242	389
Other operating expenses	9,137	1,017	1,019	11,173	4,878
Board meetings and activities	-	967	-	967	1,785
Newsletter	-	-	-	-	7,615
Outreach and marketing	-	-	14,284	14,284	13,793
Direct mailing and appeals	-	-	-	-	1,912
Donor acknowledgement	-	-	13,568	13,568	11,747
Depreciation	10,967	1,755	1,900	14,622	16,548
<b>TOTAL EXPENSES</b>	<b>\$ 1,295,480</b>	<b>\$ 210,385</b>	<b>\$ 248,498</b>	<b>\$ 1,754,363</b>	<b>\$ 1,583,569</b>

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

# ENVIRONMENTAL DEFENSE CENTER

## STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2024

(With Comparative Totals for the Year Ended March 31, 2023)

	2024	(Memo) 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,957,597	\$ 324,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,622	16,548
Unrealized (gain) loss on value of securities	(497,130)	261,234
Realized (gain) loss on sale of securities	(30,398)	15,447
Contributions restricted for long-term investment	-	(100,000)
(Increase) Decrease in:		
Accounts and bequests receivable	(76,748)	(56,670)
Prepaid expenses	1,005	7,480
Increase (decrease) in:		
Accounts payable	(422)	(9,106)
Accrued expenses	22,120	4,180
Deferred revenue	(767)	(8,622)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>5,389,879</u>	<u>454,529</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of securities	(7,092,673)	(942,872)
Proceeds from sale of securities	<u>617,445</u>	<u>750,918</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(6,475,228)</u>	<u>(191,954)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term investment	<u>-</u>	<u>100,000</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>100,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,085,349)	362,575
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<u>1,760,525</u>	<u>1,397,950</u>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u><u>\$ 675,176</u></u>	<u><u>\$ 1,760,525</u></u>

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



# ENVIRONMENTAL DEFENSE CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – ORGANIZATION

The Environmental Defense Center (EDC) stands as the only nonprofit, public interest, environmental law firm between Los Angeles and San Francisco. One of only a handful of similarly focused 501(c)(3) organizations nationwide, EDC's role is specialized even beyond this small number. EDC is unique due to the breadth of its work and grassroots focus to empower individuals and organizations to participate in the processes that determine environmental protection. Founded as a response to the 1969 Santa Barbara Oil Spill, EDC advocates, educates, and provides legal services to community groups working to protect the environment throughout Ventura, Santa Barbara and San Luis Obispo Counties. Across its more than 45-year history, EDC has represented nearly 140 different nonprofit organizations, providing free and low-cost legal services to groups small and large, local and national.

EDC selects cases and projects that will protect the Santa Barbara Channel, preserve open spaces and wildlife, ensure clean water, and advance action on issues of climate and energy.

Since its founding, EDC staff and volunteers have led some of the most significant environmental efforts across California's Central Coast, setting precedents and impacting policy decisions far beyond our region, across the state and the nation. Among its highest profile successes, EDC helped permanently preserve more than 100,000 acres of exceptional habitat, succeeded with an unprecedented effort to retire 40 offshore oil leases, stopped three separate attempts to import Liquefied Natural Gas through our coast and won the first-ever environmental assessment for hydraulic fracturing and acidizing from offshore oil platforms.

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of EDC have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### Description of Net Assets

EDC reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

#### *Without Donor Restrictions*

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

# ENVIRONMENTAL DEFENSE CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Description of Net Assets (continued)

##### *With Donor Restrictions*

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on net assets with donor restrictions are reported as an increase in net assets with donor restrictions. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as “Net assets released from restrictions.” The change in value of the underlying assets is recorded as an unrealized gain or loss in net assets with donor restrictions on the Statement of Activities. Net assets with donor restrictions also consist of those donor-restricted endowments held by EDC as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and the amounts in checking, savings, money market accounts and certificates of deposits.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Donated securities are recorded at their estimated value at date of receipt.

#### Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users for the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by EDC that are subject to the guidance in FASB ASC 326 were accounts and bequests receivable.

EDC adopted the standard effective April 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in the preceding disclosure only.

# ENVIRONMENTAL DEFENSE CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value at the time of the donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions.

Absent donor restrictions regarding how long those donated assets must be maintained, EDC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. EDC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$1,000.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Building and improvements	7 - 39 years
Furnishing and equipment	5 - 7 years
Library	5 years

Depreciation expense for the year ended March 31, 2024, totaled \$14,622.

#### Contributions and Grants

All contributions and grants are considered to be available for net assets without donor restrictions use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions and increase that net asset class. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, EDC reports the support as net assets without donor restrictions.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Significant estimates used in preparing these financial statements include:

- Allocation of certain expenses by function
- Value of donated goods and services
- Depreciable lives and estimated residual value of property and equipment

# ENVIRONMENTAL DEFENSE CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Leases

EDC has previously adopted FASB ASC 842, Leases. For the year ended March 31, 2024, EDC had no material noncancellable operating or finance leases.

Further, EDC elected a short-term lease extension policy, permitting EDC to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of net assets.

#### Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

#### Income Taxes

EDC is exempt from taxes on income under Internal Revenue Code section 501(c)(3) and California Revenue and Taxation Code 23701(d), therefore no amounts for income taxes are reflected in the accompanying financial statements. EDC is not a private foundation for income tax purposes. EDC is not aware of any transactions that would affect its tax-exempt status.

EDC evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of March 31, 2024, EDC had no uncertain tax positions requiring accrual.

EDC files tax returns in California and U.S. federal jurisdictions. EDC is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2020 and 2019, respectively.

#### Donated Services

A significant number of volunteers have contributed their services to EDC to further its programs and objectives. Only those services provided by attorneys, law clerks and other professionals have been valued and recorded in these financial statements.

Attorneys, experts, law clerks and graduate students provided approximately 7 hours of pro-bono services in the current fiscal year. EDC has reported the services in the accompanying financial statements at their estimated fair market value of \$216.

# ENVIRONMENTAL DEFENSE CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Subsequent Events

EDC has evaluated subsequent events through February 10, 2025, the date which the financial statements were available to be issued.

### Note 3 – INVESTMENTS

Investments at March 31, 2024, are recorded at market value based upon quoted market prices and are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 6,680,823	\$ 6,680,823	\$ -
Stocks	1,779,283	2,581,141	801,858
Fixed income	1,476,812	1,405,393	(71,419)
Mutual funds	808,958	894,796	85,838
Total	<u>\$ 10,745,876</u>	<u>\$ 11,562,153</u>	<u>\$ 816,277</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at beginning of year	<u>\$ 4,240,250</u>	<u>\$ 4,559,397</u>	\$ 319,147
Balance at end of year	<u>\$10,745,876</u>	<u>\$11,562,153</u>	<u>816,277</u>
Net change in unrealized gain (loss)			<u>\$ 497,130</u>

The following summarizes the investment return and its classification in the statement of activities for the year ended March 31, 2024:

Interest and dividend income	\$ 178,544
Unrealized gain on value of securities	497,130
Realized gain on sale of securities	30,398
Investment fees	<u>(40,633)</u>
Total Investment Return	<u>\$ 655,439</u>

# ENVIRONMENTAL DEFENSE CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 4 – FAIR VALUE MEASUREMENT

EDC has established a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity;

Where quoted market prices are available in an active market, securities are classified with Level 1 of the valuation hierarchy. Level 1 securities include highly liquid mutual funds, corporate bonds and publicly traded securities. EDC did not classify any assets in Level 2 or 3 as of March 31, 2024.

The following is a description of the valuation methodologies and presentation of assets measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy at March 31, 2024:

*Cash held for investment* – Cash held for investment purposes includes money market funds and cash equivalent assets and is valued at face value.

*Equities and Mutual funds* – Equities and mutual funds include fixed income mutual funds as well as a variety of publicly traded stocks from various industries invested for both growth and value. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

*Fixed Income* – Fixed income includes corporate and government bonds and are valued at the closing price reported on the active market on which the investments are traded.

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash held for investment	\$ 6,680,823	\$ -	\$ -	\$ 6,680,823
Stocks	2,581,141	-	-	2,581,141
Fixed income	1,405,393	-	-	1,405,393
Mutual funds	<u>894,796</u>	<u>-</u>	<u>-</u>	<u>894,796</u>
Total investments measured at fair value	<u>\$11,562,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,562,153</u>

# ENVIRONMENTAL DEFENSE CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 5 – ENDOWMENT FUNDS

EDC's endowment consists of three funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by United States Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors of EDC has interpreted the California adopted Universal Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, EDC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by EDC in a manner consistent with the standard for prudence prescribed by UPMIFA. In accordance with California UPMIFA, EDC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds;

- (1) The duration and preservation of the fund
- (2) The purposes of EDC and the donor-restricted endowment fund
- (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 EDC
- (7) The investment policies of EDC

#### Return Objectives and Risk Parameters

EDC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that EDC must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. EDC expects its endowment funds, over time, to provide an average annual rate of return of approximately five percent. Actual returns in any given year may vary from this amount.

# ENVIRONMENTAL DEFENSE CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 5 – ENDOWMENT FUNDS (continued)

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, EDC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). EDC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

EDC has a policy of appropriating distributions in the sixth and twelfth months of the fiscal year. The amount available for appropriation during each fiscal year is calculated by applying the policy spending rate (4%) to the average of the previous three calendar year's ending endowment values. In some instances, the Board may decide to appropriate an amount greater than or less than its stated policy if it is specifically deemed prudent to do so. In establishing this policy, EDC considered the long-term expected return on its endowment. Accordingly, over the long term, EDC expects the current spending policy to allow its endowment to grow at an average of five percent annually. This is consistent with EDC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

As of March 31, 2024, endowment net assets totaled \$9,607,004, consisting of total original restricted gift endowment contributions of \$1,065,580, accumulated earnings of \$530,870 and board designated endowment assets of \$8,010,554.

### Note 6 – ENDOWMENT

EDC's total endowment as of March 31, 2024, is \$9,607,004, including the board designated endowment of \$8,010,554 and net assets with donor restrictions of \$1,596,450. The funds are invested in a variety of investment positions, including cash, money market accounts, certificate of deposits, equities, bonds and mutual funds.

### Note 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at March 31, 2024, are restricted for the following areas:

Unappropriated Endowment Earnings	\$ 530,870
Bequests Receivable	156,709
Endowment Contributions	<u>1,065,580</u>
	<u>\$ 1,753,159</u>



# ENVIRONMENTAL DEFENSE CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 8 – LEASES

EDC entered into an agreement in January 2024 to lease a color copier. The lease term is for sixty months beginning February 2024, and ending January 2029, at a monthly rent expense of \$369.

Total rent expense, including the color copier lease, totaled \$4,383.

### Note 9 – EMPLOYEE BENEFIT PLAN

EDC has established a SIMPLE IRA retirement plan for its employees. All full and part-time employees are eligible to participate. Employees may reduce their salary by the amount they contribute to their individual SIMPLE IRA account, established by the employee at a qualified custodial agency, to the extent allowed by law. EDC will make a matching contribution to each participating employee's account equal to the amount of the employee's salary reduction contribution up to a limit of 3% of the employee's total compensation for the calendar year. Total expense for the year ended March 31, 2024, was \$28,823.

### Note 10 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors and financial institutions.

Financial assets available to meet cash needs for general expenditures within one year as of March 31, 2024:

Current assets	
Cash and cash equivalents available within one year	\$ 675,176
Accounts and bequests receivable	<u>169,010</u>
Total Current Assets	<u>844,186</u>
Investments	11,562,153
Less investments unavailable for general expenditures within one year:	
Endowments and other funds subject to spending policy appropriations beyond one year:	
With donor restrictions	<u>(1,596,450)</u>
Total Investments Available	<u>9,965,703</u>
Current liabilities	<u>(113,851)</u>
Financial assets available to meet cash needs for general expenditures within one year as of March 31, 2024	<u>\$ 10,696,038</u>

# ENVIRONMENTAL DEFENSE CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 11 – UNCERTAINTIES, RISK AND CONCENTRATIONS

#### Credit Risk

EDC maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for each insured financial institution. At March 31, 2024, EDC had uninsured cash balances of approximately \$263,000.

#### Concentrations

The majority of EDC's funding is obtained from individuals, corporations, and foundations in Santa Barbara, Ventura and San Luis Obispo counties, and the majority of its cases relate to environmental issues in those areas.

### Note 12 – RECLASSIFICATION

Certain amounts from the March 31, 2023, financial statements have been reclassified to conform to the March 31, 2024, financial statement presentation.

### Note 13 – COMPARATIVE AMOUNTS

The amounts shown for March 31, 2023, in the accompanying financial statements are included to provide a basis for comparison with March 31, 2024, and are not intended to present all information necessary for a fair presentation of the March 31, 2023, financial statements in conformity with accounting principles generally accepted in the United States of America.