

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
FINANCIAL STATEMENTS
For the year ended September 30, 2016
with
Independent Auditor's Report

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**

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Independent Auditor's Report

To the Board of Directors of
Greenbelt Alliance/People for Open Space, Inc.:

We have audited the accompanying financial statements of Greenbelt Alliance/People for Open Space, Inc. (the "Organization"), a California non-profit public benefit organization, which comprise the statement of financial position as of September 30, 2016 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.

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 Greenbelt Alliance/People for Open Space, Inc. as of September 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's September 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Novogradac & Company LLP

Walnut Creek, California
February 16, 2017

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
STATEMENT OF FINANCIAL POSITION
September 30, 2016 (with comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 277,034	\$ 90,497
Investments	1,140,777	1,143,634
Accounts receivable	16,752	-
Prepaid expenses	75,967	58,251
Grants receivable	250,000	325,000
Total current assets	1,760,530	1,617,382
Deposits	12,150	11,630
Fixed assets, net	27,473	65,769
Managed investments, restricted for endowment	1,057,382	1,057,382
Managed investments, unrestricted	541,236	475,067
TOTAL ASSETS	\$ 3,398,771	\$ 3,227,230
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 41,956	\$ 11,764
Accrued payroll liabilities	81,377	85,338
Deferred rent	12,212	22,503
Unearned revenue	55,060	25,310
Total current liabilities	190,605	144,915
Net assets:		
Unrestricted:		
Available for operations	364,428	112,582
Designated for operating reserve	605,000	577,806
Designated for Greenbelt Alliance Initiative Fund	97	1,180
Designated for Quasi Endowment Fund	521,108	436,200
Total unrestricted	1,490,633	1,127,768
Temporarily restricted	660,151	897,165
Permanently restricted endowment	1,057,382	1,057,382
Total net assets	3,208,166	3,082,315
TOTAL LIABILITIES AND NET ASSETS	\$ 3,398,771	\$ 3,227,230

see accompanying notes

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
STATEMENT OF ACTIVITIES

For the year ended September 30, 2016 (with comparative totals for 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
SUPPORT AND REVENUE					
Contributions:					
Individual contributions	\$ 88,747	\$ 5,933	\$ -	\$ 94,680	\$ 92,389
Workplace giving	19,656	-	-	19,656	4,913
Major donors	605,674	-	-	605,674	533,874
Business contributions	110,395	246,964	-	357,359	253,061
Foundation grants	20,002	903,123	-	923,125	1,270,700
Dedicated donations	-	-	-	-	122,973
Event revenue	147,905	203,890	-	351,795	313,464
Contracts and other fees:					
Contracts	51,157	-	-	51,157	75,151
Fees	9,128	-	-	9,128	8,310
Miscellaneous income	1,073	-	-	1,073	2,800
Net (loss) gain from investment:					
Realized losses	(187)	-	-	(187)	(142)
Unrealized gains	128,774	-	-	128,774	(35,311)
Interest and dividends	39,239	-	-	39,239	34,723
Net assets released from restrictions:	1,596,924	(1,596,924)	-	-	-
TOTAL SUPPORT AND REVENUE	2,818,487	(237,014)	-	2,581,473	2,676,905
EXPENSES					
Program services:					
Greenbelt Alliance operating programs					
Natural Landscapes	585,787	-	-	585,787	531,628
Local Farms & Ranches	350,738	-	-	350,738	181,180
Homes & Neighborhoods	449,498	-	-	449,498	616,006
San Francisco Housing Action Coalition	451,472	-	-	451,472	411,748
Total program services	1,837,495	-	-	1,837,495	1,740,562
Supporting services					
Management and general administration	196,415	-	-	196,415	262,254
Advancement	421,712	-	-	421,712	251,055
Total supporting services	618,127	-	-	618,127	513,309
TOTAL EXPENSES	2,455,622	-	-	2,455,622	2,253,871
INCREASE (DECREASE) IN NET ASSETS	362,865	(237,014)	-	125,851	423,034
NET ASSETS, BEGINNING OF YEAR	1,127,768	897,165	1,057,382	3,082,315	2,659,281
NET ASSETS, END OF YEAR	\$ 1,490,633	\$ 660,151	\$ 1,057,382	\$ 3,208,166	\$ 3,082,315

see accompanying notes

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2016 (with comparative totals for 2015)

	Program Services				Supporting Services			2016	2015	
	Natural Landscapes	Local Farms & Ranches	Homes & Neighborhoods	San Francisco Housing Action Coalition	Total Program Services	Management & General Administration	Advancement	Total Supporting Services	TOTAL	TOTAL
Salaries	\$327,699	\$209,684	\$260,360	\$266,363	\$ 1,064,106	\$ 93,972	\$ 283,001	\$ 376,973	\$ 1,441,079	\$1,344,920
Payroll taxes	26,379	16,880	20,959	21,876	86,094	7,565	22,782	30,347	116,441	109,038
Employee benefits	30,368	19,431	24,125	8,248	82,172	13,191	26,263	39,454	121,626	130,704
Worker's compensation insurance	1,910	1,222	1,518	1,658	6,308	19	1,652	1,671	7,979	12,131
Rent	42,695	27,243	34,062	6,000	110,000	8,384	25,205	33,589	143,589	139,862
Telephone	4,961	3,161	3,966	714	12,802	1,204	3,022	4,226	17,028	18,995
Utilities	172	109	138	-	419	-	-	-	419	411
Insurance	3,180	2,034	2,527	825	8,566	891	2,779	3,670	12,236	11,834
Equipment rental & maintenance	473	303	805	-	1,581	114	341	455	2,036	1,767
General and administrative expenses	15,942	9,140	12,042	13,064	50,188	19,674	23,907	43,581	93,769	99,029
Contributions (lobbying)	16,000	-	-	-	16,000	-	-	-	16,000	-
Depreciation	10,677	6,832	8,483	-	25,992	3,071	9,233	12,304	38,296	42,170
Equipment	2,352	1,493	1,889	-	5,734	6,274	302	6,576	12,310	13,251
Events	10,331	5,534	20,663	67,405	103,933	-	11,084	11,084	115,017	95,902
Service charges and fees	-	-	-	9,128	9,128	-	-	-	9,128	8,310
Meetings and meals	1,835	999	3,092	3,322	9,248	7,744	1,243	8,987	18,235	13,703
Training and conferences	1,960	608	1,659	305	4,532	6,387	134	6,521	11,053	10,019
Taxes, licenses and permits	43	29	444	1,276	1,792	13	39	52	1,844	242
Travel	4,507	1,857	4,348	21	10,733	2,373	3,539	5,912	16,645	15,786
Accounting	-	-	-	-	-	13,750	-	13,750	13,750	13,500
Professional services	33,763	21,613	43,959	48,827	148,162	2,324	6,986	9,310	157,472	107,799
Subcontractors	45,000	15,000	-	-	60,000	-	-	-	60,000	45,300
Legal	-	4,053	-	63	4,116	75	-	75	4,191	816
Design, photography, videography	5,540	3,513	4,459	2,377	15,889	9,390	200	9,590	25,479	18,382
TOTAL	\$ 585,787	\$ 350,738	\$ 449,498	\$ 451,472	\$ 1,837,495	\$ 196,415	\$ 421,712	\$ 618,127	\$ 2,455,622	\$ 2,253,871

see accompanying notes

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.
STATEMENT OF CASH FLOWS**

For the year ended September 30, 2016 (with comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 125,851	\$ 423,034
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	38,296	42,170
Realized and unrealized (gains) losses	(128,587)	35,453
Decrease (increase) in assets:		
Accounts receivable	(16,752)	25,576
Prepaid expenses	(17,716)	7,045
Grants receivable	75,000	(275,000)
Deposits	(520)	(150)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	30,192	(1,729)
Accrued payroll liabilities	(3,961)	1,697
Deferred rent	(10,291)	(5,776)
Unearned revenue	29,750	23,425
Net cash provided by operating activities	121,262	275,745
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption (purchase) of certificates of deposit	89,267	(573,141)
Proceeds from (purchases of) sales of investments	(23,992)	252,996
Net cash provided by (used in) investing activities	65,275	(320,145)
Net increase (decrease) in cash and cash equivalents	186,537	(44,400)
Cash and cash equivalents, beginning of year	90,497	134,897
Cash and cash equivalents, end of year	\$ 277,034	\$ 90,497

see accompanying notes

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 – ORGANIZATION

Greenbelt Alliance/People for Open Space, Inc. (the “Organization”) addresses how the Bay Area handles growth. It shapes the rules that govern growth to protect the region’s open spaces and to ensure neighborhoods within cities and towns are amazing places for everyone. It advocates for, provides expertise on, and builds support behind public policy and planning that supports open space conservation and smart growth. It is a nonprofit public benefit organization, founded in 1958, with offices in San Francisco, San Jose, Santa Rosa, and Walnut Creek, California. Operations are primarily supported through grants and contributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of presentation

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. The Board of Directors of the Organization (the “Board”) has designated portions of this class of net assets, as follows:

- **Designated for operating reserve** - Represents amounts set aside for use during economic downturns or for other special purposes as determined by the Board. The Board’s goal is to establish this reserve at an amount equal to approximately 3.5 months of operating expenses (excluding certain activities supported by restricted contributions).
- **Designated for Greenbelt Alliance Initiative Fund (“GAIF”)** - Represents amounts collected and spent to support ballot initiative campaigns, which are consistent with the Organization’s objectives. Additions to this fund come from donor contributions and an allocation of the interest or investment income earned by the Organization (see Note 7).
- **Designated for Quasi Endowment** - Represents amounts set aside by the Board for inclusion in the Organization’s endowment fund. These amounts can be removed from the endowment fund at the Board’s discretion (see Note 6).

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

Restricted Net Assets - Net assets subject to donor-imposed stipulations. The Organization has subdivided these into two categories:

- **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time (see Note 5).
- **Permanently restricted endowment** - Net assets subject to donor-imposed stipulations that amounts received be maintained permanently by the Organization. The earnings or losses realized on permanently restricted and Quasi Endowment funds are classified as unrestricted support and revenue. The Board has established specific policies related to these net assets and any earnings or losses (see Note 6).

Accounting for restricted support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor's stipulation limiting the use of the donated assets. When a donor's restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions

Contributions are recognized as revenue when they are unconditionally given. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at fair value as unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Contract revenue

Contract service revenue is recognized when earned and represents fees earned by the Organization for other services provided under various agreements and contracts in connection with the Organization's exempt purpose.

In-kind contributions

Contributed services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. No such contributions were recognized during the years ended September 30, 2016 and 2015.

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges received

Pledges of grants or donations are recorded as revenue when they are received in writing. The receivables are recorded net of allowance for estimated uncollectible amounts. No such pledges were received during the years ended September 30, 2016 and 2015.

Functional allocation of expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated to programs and supporting services based on the ratio of each activity's direct staff time to total staff time.

Cash and cash equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization had no uninsured cash or cash equivalents as of September 30, 2016 and 2015.

Fair value of financial instruments

In accordance with accounting principles generally accepted in the United States of America, the Organization establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets and liabilities reported at fair value. The estimated fair value amounts have been determined using available market information, assumptions, estimates and valuation methodologies. When determining fair value, the Organization considers the principal or most advantageous market in which it would transact, and considers assumptions that market participants would use when pricing the asset or liability.

The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are readily accessible at the measurement date for identical, unrestricted net assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities. Valuations for assets and liabilities traded in less active dealer or broker markets are obtained from third party pricing services for identical or similar assets or liabilities.

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments (continued)

Level 3 – Inputs that are both significant to the fair value measurement and unobservable. Valuations for assets and liabilities are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following tables present the Organization’s assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of September 30, 2016 and 2015:

	September 30, 2016			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investments	\$ -	\$ 1,140,777	\$ -	\$ 1,140,777
Managed investments (Note 6)	1,598,618	-	-	1,598,618
Total investments	\$ 1,598,618	\$ 1,140,777	\$ -	\$ 2,739,395

	September 30, 2015			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investments	\$ -	\$ 1,143,634	\$ -	\$ 1,143,634
Managed investments (Note 6)	1,532,449	-	-	1,532,449
Total investments	\$ 1,532,449	\$ 1,143,634	\$ -	\$ 2,676,083

Investments/certificates of deposit

Investments are recorded at fair value and include mutual funds, certificates of deposit and investments held and managed on a pooled basis by a community foundation or third party manager. Investment earnings include unrealized and realized gains and losses, interest and dividends.

Investments consist of the following:

	September 30, 2016	September 30, 2015
Certificates of deposit	\$ 1,053,909	\$ 1,143,176
Investment in Money Market Fund	86,868	458
Managed investments	1,598,618	1,532,449
Total investments	\$ 2,739,395	\$ 2,676,083

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments/certificates of deposit (continued)

The certificates of deposit earn interest ranging from 0.3% to 0.9% and have varying maturity dates during 2016 and 2017.

Fixed assets and depreciation

Fixed assets are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets, generally three to five years, using the straight-line method of depreciation. Leasehold improvements are depreciated over the life of the asset or the lease, whichever is shorter.

Deferred rent

The Organization's corporate office and an office space located in San Jose are leased under agreements which have fixed increases in the monthly rent payment. Rent expense is recognized on a straight-line basis over the life of the entire respective lease. The difference between the cash payments and the expense recognized is recorded as a deferred rent liability.

Unearned revenue

The Organization holds various events throughout the year. Donors can purchase tickets to attend those events in exchange for donations. Upon receipt of the donation, the Organization records the actual ticket costs as deferred income and the difference between the donation received and the actual ticket costs is recorded as a contribution.

Income taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d). In addition, the Organization has received a ruling from the Internal Revenue Service that it is not a private foundation. The Organization is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

Subsequent events have been evaluated through February 16, 2017, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

Recently issued accounting pronouncements

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Updates (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The major changes revolve around net asset classifications. ASU 2016-14 eliminates the distinction between resources with permanent restrictions and those with temporary restrictions by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes: net assets with donor restrictions and net assets without donor restrictions.

In addition to the fundamental change in net asset classifications, the new standard also includes a number of specific amendments, such as the following:

- Disclosure requirements of qualitative information on how the organization manages its liquid available resources and liquidity risks;
- Reporting requirements of the investment return, net of external and direct internal investment expenses (disclosure of those netted expenses is no longer required).

ASU 2016-14 applies to all non-profit organizations and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted.

The Organization is currently evaluating the impact the adoption of this standard will have on the financial statements.

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 – GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable, all due in less than one year, consist of the following:

	September 30, <u>2016</u>	September 30, <u>2015</u>
Grants:		
The William and Flora Hewlett Foundation	\$ 200,000	\$ 220,000
Anonymous	-	75,000
Resources Legacy Fund	35,000	-
Gaia Fund	<u>15,000</u>	<u>30,000</u>
Total grants receivable	<u>250,000</u>	<u>325,000</u>
Accounts receivable:		
Climate Ride	11,147	-
EarthShare California	4,800	-
Other	<u>805</u>	<u>-</u>
Total accounts receivable	<u>16,752</u>	<u>-</u>
Total grants and accounts receivable	<u>\$ 266,752</u>	<u>\$ 325,000</u>

The Organization often receives multi-year foundation grant awards that are cyclical in nature. Therefore, foundation revenue, and corresponding temporarily restricted balances can show significant variations from year to year.

NOTE 4 – FIXED ASSETS

Fixed assets consist of the following:

	September 30, <u>2016</u>	September 30, <u>2015</u>
Furniture and equipment	\$ 35,727	\$ 35,727
Leasehold improvements	<u>165,135</u>	<u>165,135</u>
Total fixed assets	200,862	200,862
Less: accumulated depreciation	<u>(173,389)</u>	<u>(135,093)</u>
Net fixed assets	<u>\$ 27,473</u>	<u>\$ 65,769</u>

Depreciation expense for the years ended September 30, 2016 and 2015 was \$38,296 and \$42,170, respectively.

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>September 30, 2015</u>	<u>Additions</u>	<u>Released</u>	<u>September 30, 2016</u>
Grants with use restrictions:				
SF Housing Action Coalition	\$ 209,140	\$ 456,787	\$ 451,866	\$ 214,061
Sakana Foundation	-	48,000	48,000	-
	<hr/>			<hr/>
Total grants with use restrictions	209,140	504,787	499,866	214,061
Grants with time restrictions:				
General Support				
Clarence Heller Foundation	12,500	-	12,500	-
William & Flora Hewlett Foundation	332,917	-	235,000	97,917
Homes & Neighborhoods				
Battery Powered	54,525	-	36,350	18,175
Health Trust	21,000	-	21,000	-
John S. & James L. Knight Foundation	37,500	-	37,500	-
Silicon Valley Community Foundation	5,833	65,000	65,416	5,417
The San Francisco Foundation	18,333	30,000	35,000	13,333
New Belgium Family Foundation	-	25,000	9,375	15,625
Local Farms & Ranches				
Gaia Fund	30,000	-	15,000	15,000
Natural Landscapes				
Anonymous	118,750	-	75,000	43,750
Gordon & Betty Moore Foundation	-	190,123	190,123	-
Lisa and Douglas Goldman Fund	23,333	35,000	26,250	32,083
Resources Legacy Fund	-	60,000	21,875	38,125
Wallace Gerbode Foundation	33,334	50,000	83,334	-
William & Flora Hewlett Foundation	-	400,000	233,335	166,665
	<hr/>			<hr/>
Total grants with time restrictions	688,025	855,123	1,097,058	446,090
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Total temporarily restricted net assets	<u>\$ 897,165</u>	<u>\$ 1,359,910</u>	<u>\$ 1,596,924</u>	<u>\$ 660,151</u>

**GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.**
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

A description of the significant restrictions follows:

Grants with use restrictions – Grants pledged or received that are for a specific purpose are included in this category.

The San Francisco Housing Action Coalition (SFHAC) – The SFHAC was formed in 1999 to address housing needs in San Francisco. SFHAC is supported by contributions and dues which are collected by the Organization. The SFHAC does not have a stand-alone board and the director is an employee of the Organization.

Sakana Foundation – To support a 3 month sabbatical for the Chief Executive Officer, and provide training and staff development for the non-sabbatical staff.

Grants with time restrictions – Grants pledged or received that are for future periods are included in this category.

General Operating Support – Grants were received in support of the Organization’s general operating support.

Natural Landscapes – Preserving and protecting natural lands designated as at-risk of development.

Local Farms & Ranches – Preserving and protecting the agricultural lands at risk of development and ensuring that our region can sustain and support growers, ranches, and farms.

Homes & Neighborhoods – Developing sustainable development to make existing communities thrive to meet the varied needs of the Bay Area’s diverse population by providing new homes, walkable streets, parks and opportunities for local businesses.

NOTE 6 – INVESTMENT: RESTRICTED AND DESIGNATED FOR ENDOWMENT

The Organization has established an endowment fund which has 2 components, 1) a permanently restricted endowment (the “Permanent Endowment Fund”) established from contributions restricted by donors and, 2) an unrestricted but designated endowment established from Board designated funds (the “Quasi Endowment Fund”). All permanently restricted bequests or gifts received are added to the Permanent Endowment Fund. If bequests are not restricted, the Board has a policy that 75% of such bequests will be designated as Quasi Endowment Funds. These two funds together are referred to as the Combined Endowment Fund.

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**NOTE 6 – INVESTMENT: RESTRICTED AND DESIGNATED FOR ENDOWMENT
(CONTINUED)**

The Board of Directors has interpreted the Uniform 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, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) 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 (if any). The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors 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, and (7) the Organization’s investment policies. The following is the Organization’s policy with regard to earnings on endowment funds:

Earnings or losses on the Permanent Endowment Fund (including realized or unrealized gains or losses, and interest or dividends) are recorded as unrestricted revenue, and are therefore a component of Unrestricted Net Assets. Within Unrestricted Net Assets the net earnings are classified as Available for Operations or designated as Quasi Endowment based on the following policy established by the Board:

- (a) An annual amount equal to 5% annually of the Combined Endowment Fund will be used for operations and classified as available for operations. Any earnings in excess of this amount will be added to the Quasi Endowment Fund.
- (b) Any net losses incurred on investments are allocated as a reduction of the Quasi Endowment Fund balance.

In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Combined Endowment Fund assets are invested in a well diversified asset mix, including equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% for the years ended September 30, 2016 and 2015 while growing the fund, if possible. Accordingly, the Organization expects its Combined Endowment Fund assets, over time, to produce an average annual rate of return in excess of 5%. Actual returns in any given year may vary from this amount.

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**NOTE 6 – INVESTMENT: RESTRICTED AND DESIGNATED FOR ENDOWMENT
(CONTINUED)**

Activity in the Permanent and Quasi Endowment Funds during the years ended September 30, 2016 and 2015 is summarized as follows:

	<u>Quasi Endowment</u>	<u>Temporarily Restricted</u>	<u>Permanent Endowment</u>	<u>Combined Endowment</u>
Beginning balance at October 1, 2014	\$ 450,060	\$ -	\$ 1,057,382	\$ 1,507,442
Bequests and contributions	67,500	-	-	67,500
Investment return:				
Investment income	32,921	-	-	32,921
Realized and unrealized gains	(35,406)	-	-	(35,406)
5% of combined endowment appropriated for expenditure	<u>(78,875)</u>	<u>-</u>	<u>-</u>	<u>(78,875)</u>
Balance at September 30, 2015	436,200	-	1,057,382	1,493,582
Bequests and contributions	-	-	-	-
Investment return:				
Investment income	34,627	-	-	34,627
Realized and unrealized gains	128,587	-	-	128,587
5% of combined endowment appropriated for expenditure	<u>(78,306)</u>	<u>-</u>	<u>-</u>	<u>(78,306)</u>
Balance at September 30, 2016	<u>\$ 521,108</u>	<u>\$ -</u>	<u>\$ 1,057,382</u>	<u>\$ 1,578,490</u>

The investments are held in index funds, with an asset mix of 63.8% in stocks and 36.2% in bonds and 63.4% in stocks and 36.6% in bonds as of September 30, 2016 and 2015, respectively.

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NOTE 7 – DESIGNATED FOR GREENBELT ALLIANCE INITIATIVE FUND

The Organization has established a fund for amounts collected and spent to support ballot initiative campaigns which are consistent with the Organization’s objectives. Activity in the fund during the years ended September 30, 2016 and 2015 is summarized as follows:

	September 30, 2016	September 30, 2015
GAIF beginning balance	\$ 1,180	\$ 1,180
Contributions to fund	15,000	-
Qualifying expenses	(16,083)	-
GAIF ending balance	\$ 97	\$ 1,180

NOTE 8 – OPERATING LEASES

The Organization has several operating lease arrangements for its office spaces in San Francisco (main office), San Jose, Santa Rosa, and Walnut Creek, expiring at various dates through 2019.

Future minimum required rental payments under these leases are as follows:

Year ending September 30,

2017	\$ 94,820
2018	15,284
2019	1,277
Total	\$ 111,381

Rent expense for the years ended September 30, 2016 and 2015 was \$143,589 and \$139,862, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

There were no related party transactions during the years ended September 30, 2016 and 2015.