

**FUND FOR A BETTER
FUTURE INC.**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2021 AND 2020**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Fund for a Better Future Inc.
Sacramento, California**

Opinion

We have audited the accompanying financial statements of Fund for a Better Future Inc. (Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Organization'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 Fund for a Better Future Inc.'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 the Organization'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.



GILBERT CPAs
Sacramento, California

May 13, 2022

FUND FOR A BETTER FUTURE INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,616,273	\$ 851,140
Prepaid expenses and other assets	12,762	
Total current assets	<u>9,629,035</u>	<u>851,140</u>
INVESTMENT	<u>2,823,000</u>	<u>2,823,000</u>
TOTAL ASSETS	<u>\$ 12,452,035</u>	<u>\$ 3,674,140</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 383,112	\$ 24,987
Grants and contracts payable	1,106,616	
Accrued expenses	79,018	
Total current liabilities	<u>1,568,746</u>	<u>24,987</u>
NET ASSETS:		
Without donor restrictions	1,135,070	503,030
With donor restrictions	<u>9,748,219</u>	<u>3,146,123</u>
Total net assets	<u>10,883,289</u>	<u>3,649,153</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,452,035</u>	<u>\$ 3,674,140</u>

FUND FOR A BETTER FUTURE INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	\$ 68,441,746	\$ 35,026,246
Net assets released from restrictions	<u>(61,839,650)</u>	<u>(32,760,155)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>6,602,096</u>	<u>2,266,091</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Contract revenue	653,891	4,200
Contributions		104,854
Interest and investment income	22,187	19,832
Net assets released from restrictions	<u>61,839,650</u>	<u>32,760,155</u>
Total revenues	<u>62,515,728</u>	<u>32,889,041</u>
EXPENSES:		
Program activities	61,516,870	32,477,342
Supporting services:		
General and administrative	322,766	170,216
Fundraising	<u>44,052</u>	<u>15,043</u>
Total expenses	<u>61,883,688</u>	<u>32,662,601</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>632,040</u>	<u>226,440</u>
INCREASE IN NET ASSETS	7,234,136	2,492,531
NET ASSETS, Beginning of year	<u>3,649,153</u>	<u>1,156,622</u>
NET ASSETS, End of year	<u>\$ 10,883,289</u>	<u>\$ 3,649,153</u>

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

FUND FOR A BETTER FUTURE INC.

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2021 AND 2020

2021				
	Program activities	General and administrative	Fundraising	Total
Grants and contracts	\$ 59,466,298			\$ 59,466,298
Contracted salaries and benefits	1,614,719	\$ 125,904	\$ 31,037	1,771,660
Professional services	180,675	119,498	3,750	303,923
IT and website	159,446	1,519	2,067	163,032
Facilities	82,528	64,105	6,857	153,490
Office expenses and supplies	8,032	2,671	341	11,044
Business insurance		9,069		9,069
Travel	5,172			5,172
Total	\$ 61,516,870	\$ 322,766	\$ 44,052	\$ 61,883,688
2020				
	Program activities	General and administrative	Fundraising	Total
Grants and contracts	\$ 32,410,000			\$ 32,410,000
Contracted salaries and benefits	42,902	\$ 76,804	\$ 9,583	129,289
Professional services		43,236		43,236
IT and website	4,609	8,252	1,030	13,891
Facilities	17,369	31,094	3,880	52,343
Office expenses and supplies	2,462	4,408	550	7,420
Business insurance		5,742		5,742
Travel		680		680
Total	\$ 32,477,342	\$ 170,216	\$ 15,043	\$ 32,662,601

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

FUND FOR A BETTER FUTURE INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 7,234,136	\$ 2,492,531
Reconciliation to net cash used by operating activities		
Net realized gain on investments	(20,607)	
Receipt of donated investments	(8,516,725)	(326,465)
Proceeds from sale of donated investments	8,537,332	326,465
Changes in:		
Contributions receivable	(700)	200,000
Prepaid expenses and other assets	(12,062)	
Accounts payable	358,125	9,346
Grants and contracts payable	1,106,616	
Accrued expenses	79,018	
Net cash provided by operating activities	<u>8,765,133</u>	<u>2,701,877</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment	<u> </u>	<u>(2,823,000)</u>
Net cash used by investing activities	<u> </u>	<u>(2,823,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,765,133	(121,123)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>851,140</u>	<u>972,263</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 9,616,273</u>	<u>\$ 851,140</u>

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

FUND FOR A BETTER FUTURE INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Fund for a Better Future Inc. (Organization) commenced principal operations during 2016. The Organization is an independent, nonprofit organization that pools private contributions and distributes funds to organizations and political campaigns, focusing on upholding democratic values, protecting the environment, promoting health, and advancing social equity. During 2021, the Organization became the fiscal sponsor for Climate Power. Climate Power seeks to enact bold climate action, building political will and public support to help set the stage for future wins.

Basis of presentation – The financial statements are presented in conformity with professional standards applicable to not-for-profit entities. The Organization reports information regarding its position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires (generally, as payments are made to fulfill the purposes of the contribution), 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 Organization has no donor-imposed restrictions that are perpetual in nature.

Revenue recognition – Contributions, including grants and contracts obtained from private foundations, other nonprofit organizations, and individual donors, are recognized in full when received or unconditionally promised, in accordance with professional standards. 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 met. The Organization had one unrecognized conditional contribution from a related party (Note 6) totaling \$15,000,000 at December 31, 2021, which will be recognized as the conditions are met in future periods. The Organization did not have any unrecognized conditional contributions at December 31, 2020. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose.

The Organization's revenue from contracts with customers consists of agreements entered into where each party receives commensurate value. Revenue is recognized as the Organization satisfies various performance obligations outlined in the agreements. Payment terms are outlined in the agreements and vary based on the objectives and structure of the contracts. For the year ended December 31, 2021, all revenue from contracts were recognized at the point in time in which the required performance obligations were met.

FUND FOR A BETTER FUTURE INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability. When the Organization satisfies a performance obligation and becomes entitled to payment, a receivable is recorded. At December 31, 2021, the Organization has \$700 in contracts receivable. There were no receivables or deferred revenue related to contracts with customers at December 31, 2020 or 2019.

Cash and cash equivalents – For financial statement purposes, the Organization considers all investments with a maturity at purchase of three months or less to be cash equivalents.

Investment is stated at fair value. Changes in fair value and realized gains and losses are included in investment income. There were no changes in fair value of realized gains or losses in the year ended December 31, 2021 or 2020.

Functional allocation of expenses – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include contracted salaries and benefits, facilities, IT and website, and office supplies and expenses. Contracted salaries and benefits are allocated based on time and effort. All other expenses are allocated based on the proportion of the number of programs or supporting function employees benefitting from the expenses per month. The Organization accounts for its expenditures in the following categories:

Program activities – Expenditures are related to grants made to other not-for-profit organizations, contracts entered into for services and contributions made to political campaigns within the scope of the Organization’s areas of interest: upholding democratic values, protecting the environment, improving health, and advancing social equity.

General and administrative – Expenditures are related to building and maintaining an efficient business infrastructure, including oversight, business and financial management, governance, general recordkeeping, budgeting, and all management and administration, except for that which is directly attributable to the conduct of program activities.

Fundraising – Expenses are related to time spent on developing new programs, preparing proposals and soliciting contributions.

Grants awarded – The Organization recognizes grant expense at the time grant negotiations are substantially complete with the grantee and the grant award has been approved by management or the Board of Directors. Grants that have been determined to be conditional, which depend on the occurrence of specified uncertain events, are not recorded until the conditions have been met. The Organization has outstanding conditional grants of \$4,625,000 at December 31, 2021. There were no outstanding conditional grants at December 31, 2020.

Income taxes – The Organization, a publicly supported organization, is exempt from income taxes under Internal Revenue Code Section 501(c)(4).

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

FUND FOR A BETTER FUTURE INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the assets or liabilities.

Subsequent events have been evaluated through May 13, 2022, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2021, that require recognition or disclosure in the financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,616,273	\$ 851,140
Investment	<u>2,823,000</u>	<u>2,823,000</u>
Total financial assets	12,439,273	3,674,140
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose or time restrictions	<u>(9,748,219)</u>	<u>(3,146,123)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 2,691,054</u>	<u>\$ 528,017</u>

The Organization is substantially supported by restricted contributions. Because donors' restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year.

FUND FOR A BETTER FUTURE INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following programs at December 31:

	<u>2021</u>	<u>2020</u>
Climate Power	\$ 5,715,066	
Climate Impact Fund	3,105,167	\$ 2,869,500
Beyond Petrochemicals	476,000	
Healthy Communities	374,304	198,942
Other Programs	<u>77,682</u>	<u>77,681</u>
Total	<u>\$ 9,748,219</u>	<u>\$ 3,146,123</u>

4. CONCENTRATIONS

The Organization minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Organization's deposits held with financial institutions in excess of federal depository insurance limits were \$9,139,368 and \$571,105 as of December 31, 2021 and 2020, respectively. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

The Organization had four major donors that accounted for 73% of total contribution revenue in 2021, and two major donors that accounted for 84% of total contribution revenue in 2020.

5. INVESTMENT

The Organization's investment for program related and impact investing purposes at December 31, 2021 and 2020 consists of common shares in a privately held company without readily determinable fair value as it is not traded in active markets. As such, this investment is classified in Level 3 of the fair value hierarchy.

The Organization adjusts the carrying value of non-marketable equity securities up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer, and for impairment, if any (referred to as the measurement alternative). All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in the statement of activities as changes in the appropriate class of net assets based on whether or not a donor-imposed restriction exists.

As of December 31, 2021 and 2020 non-marketable equity securities had a carrying value of \$2,823,000. No remeasurement was deemed necessary during the years ended December 31, 2021 or 2020.

FUND FOR A BETTER FUTURE INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

6. RELATED PARTIES

The President of the Organization during 2021 and 2020 was also the President of Resources Legacy Fund (RLF). Additionally, the Organization, which has no employees, has entered into an agreement with RLF for shared resources of staff, office services, and technology resources.

The Organization was billed \$2,168,857 and \$195,523 by RLF for shared services in 2021 and 2020, respectively. Of these amounts, due to RLF at year end was \$348,220 and \$20,366, respectively.

Additionally, the Organization received contributions from an immediate family member of a member of the Board of Directors. These contributions totaled \$123,978 and \$226,746 in 2021 and 2020, respectively.

At December 31, 2021, the Organization has an outstanding conditional grant from RLF for the Climate Power project in the amount of \$15,000,000.