

**TRUST FOR CONSERVATION  
INNOVATION**

*(A California Nonprofit Public Benefit Corporation)*

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

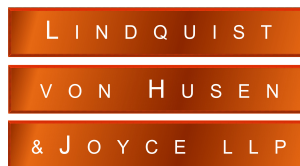
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

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To the Board of Directors  
Trust for Conservation Innovation  
Oakland, California

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SCOTT K. SMITH  
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## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Trust for Conservation Innovation, a California nonprofit public benefit corporation, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits 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 Trust for Conservation Innovation as of December 31, 2016 and 2015, 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated June 1, 2017 on our consideration of Trust for Conservation Innovation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trust for Conservation Innovation's internal control over financial reporting and compliance.

*Lindquist, von Husen and Joyce LLP*

June 1, 2017

TRUST FOR CONSERVATION INNOVATION  
*(A California Nonprofit Public Benefit Corporation)*  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current assets:		
Cash	\$ 418,514	\$ 402,533
Investments (Note 5)	6,139,010	6,933,959
Receivables:		
Grants and pledges (Note 4)	2,181,823	1,157,300
Contracts	94,106	49,178
Other	43,553	62,395
Inventories	45,158	32,293
Prepaid expenses and other assets	83,389	149,951
Total current assets	9,005,553	8,787,609
Property and equipment – net (Note 6)	-	1,997
Grants receivable – net of current portion (Note 4)	-	85,000
Deposits	18,802	18,802
Total assets	<u>\$ 9,024,355</u>	<u>\$ 8,893,408</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 410,974	\$ 870,872
Accrued compensation	155,702	189,229
Deferred revenue	22,509	100,623
Total liabilities	589,185	1,160,724
Net assets:		
Unrestricted net assets:		
Available for operations	2,106,348	1,607,080
Designated for supported projects	342,604	321,240
Total unrestricted net assets	2,448,952	1,928,320
Temporarily restricted net assets (Note 7)	5,986,218	5,804,364
Total net assets	8,435,170	7,732,684
Total liabilities and net assets	<u>\$ 9,024,355</u>	<u>\$ 8,893,408</u>

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

TRUST FOR CONSERVATION INNOVATION  
*(A California Nonprofit Public Benefit Corporation)*  
 STATEMENTS OF ACTIVITIES  
 YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:						
Foundation grants	\$ -	\$ 10,172,166	\$ 10,172,166	\$ -	\$ 10,927,961	\$ 10,927,961
Contributions (including in-kind contributions, see Note 9)	-	5,797,956	5,797,956	-	6,245,669	6,245,669
Government contracts	1,204,819	-	1,204,819	802,425	-	802,425
Fee-for-service contracts	317,356	-	317,356	486,968	-	486,968
Investment return (Note 5)	619	-	619	(84)	-	(84)
Other revenue	263,143	-	263,143	318,781	-	318,781
Assignment/return of grants (Note 8)	-	(121,388)	(121,388)	-	(155,000)	(155,000)
Net assets released from restrictions:						
Fulfillment of purpose restrictions or time lapsed (Note 7)	15,666,880	(15,666,880)	-	15,861,000	(15,861,000)	-
Total support and revenues	17,452,817	181,854	17,634,671	17,469,090	1,157,630	18,626,720
Expenses:						
Program services	15,595,342	-	15,595,342	15,438,317	-	15,438,317
Supportive services:						
Management and general	933,787	-	933,787	799,241	-	799,241
Fundraising	403,056	-	403,056	371,563	-	371,563
Total expenses	16,932,185	-	16,932,185	16,609,121	-	16,609,121
Change in net assets	520,632	181,854	702,486	859,969	1,157,630	2,017,599
Net assets, beginning of year	1,928,320	5,804,364	7,732,684	1,068,351	4,646,734	5,715,085
Net assets, end of year	\$ 2,448,952	\$ 5,986,218	\$ 8,435,170	\$ 1,928,320	\$ 5,804,364	\$ 7,732,684

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

TRUST FOR CONSERVATION INNOVATION  
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 STATEMENTS OF FUNCTIONAL EXPENSES  
 YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				2015			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 3,565,225	\$ 541,521	\$ 230,754	\$ 4,337,500	\$ 3,298,341	\$ 426,234	\$ 175,868	\$ 3,900,443
Payroll taxes and fringe benefits	765,852	122,354	52,332	940,538	854,384	99,025	31,165	984,574
Professional services	4,769,295	109,853	64,651	4,943,799	4,105,308	136,698	95,860	4,337,866
Grants and contributions	4,008,943	-	-	4,008,943	4,655,602	-	-	4,655,602
Travel, conferences, and meetings	1,757,286	3,638	47,828	1,808,752	1,655,414	4,462	56,509	1,716,385
Occupancy	164,571	80,347	-	244,918	227,483	40,220	3,232	270,935
Supplies and equipment	440,423	34,868	4,492	479,783	514,849	59,168	8,894	582,911
Depreciation	222	217	-	439	1,335	2,598	-	3,933
Other expenses	123,525	40,989	2,999	167,513	125,601	30,836	35	156,472
Total expenses	\$ 15,595,342	\$ 933,787	\$ 403,056	\$ 16,932,185	\$ 15,438,317	\$ 799,241	\$ 371,563	\$ 16,609,121

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

TRUST FOR CONSERVATION INNOVATION  
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 STATEMENTS OF CASH FLOWS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 702,486	\$ 2,017,599
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	439	3,933
Loss from disposal of fixed assets	1,558	-
Donated stocks	(4,635)	(6,953)
Net unrealized/realized loss on investments	-	301
(Increase) decrease in assets:		
Grants and pledges receivable	(939,523)	61,764
Contracts receivable	(44,928)	147,665
Other receivable	18,842	(6,558)
Inventories	(12,865)	12,651
Prepaid expenses and other assets	66,562	(60,307)
Deposits	-	(14,619)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(459,898)	258,875
Accrued compensation	(33,527)	71,534
Deferred revenue	(78,114)	35,639
Net cash provided by (used in) operating activities	<u>(783,603)</u>	<u>2,521,524</u>
Cash flows from investing activities:		
Purchases of marketable securities	(2,100,416)	(5,000,014)
Proceeds from sales and redemption of marketable securities	2,900,000	2,400,000
Net cash provided by (used in) investing activities	<u>799,584</u>	<u>(2,600,014)</u>
Net increase (decrease) in cash	15,981	(78,490)
Cash, beginning of year	<u>402,533</u>	<u>481,023</u>
Cash, end of year	<u>\$ 418,514</u>	<u>\$ 402,533</u>

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TRUST FOR CONSERVATION INNOVATION  
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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Trust for Conservation Innovation (TCI) was incorporated in California in October 2001 as a nonprofit public benefit corporation for the purpose of developing and supporting environmental projects seeking to transform public and private enterprises into sustainable operations that conserve and protect the environment for the benefit of the public. TCI's administrative office is located in Oakland, California. TCI supports a wide variety of local, regional, national and international sustainable environmental initiatives. TCI's projects are listed in Note 14.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Method

TCI uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

TCI reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2016 and 2015, TCI did not have any permanently restricted net assets.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if grantors receive no value in exchange for the assets transferred. Contributions received are recorded at their fair value as unrestricted, temporarily restricted, or permanently restricted support depending on the absence or existence of donor imposed restrictions, as applicable.

TCI reports gifts of cash and other assets as restricted support if they are received with donor stipulation that limits the use of the donated assets. When a donor 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 are reported in the statements of activities as net assets released from restrictions.

TCI reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, TCI reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

Government contracts, which are funded on a reimbursement basis, are shown as unrestricted revenue.

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Unconditional promises to give are recognized as contributions revenue in the period when pledges are committed. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

TCI receives various volunteer services throughout the year. Only those donated services that meet the criteria for recognition under accounting principles generally accepted in the United States of America are recognized in the statements of activities.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. For purposes of the statements of cash flows, TCI considers all funds in bank accounts to be cash. Funds in any brokerage accounts, including cash and money market funds, which represent part of the investment portfolio, are reported as investments but not as cash equivalents.

Accounts Receivable

Grants and contracts receivable within one year are recorded at net realizable value. Grants receivable expected to be received in future years are recorded at present value of their estimated cash flows. No allowance for uncollectible accounts has been provided since the receivables are all deemed to be collectible.

Pledges receivable are recorded as support when pledge is unconditional. All pledges are valued at the estimated fair present value at December 31, 2016 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been provided.

Investments

Investments consist of cash, money market funds and stocks, and are reported at fair value in the statements of financial position. Realized and unrealized gains and losses on investments are included as investment return in the statements of activities. Investment income and gains or losses are reflected as increases or decreases in the unrestricted net assets if the restrictions are met (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the investment income and gains or losses are recognized.

Fair Value Measurements

Under accounting principles generally accepted in the United States of America, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

Accounting principles generally accepted in the United States of America establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of TCI. Unobservable inputs, if any, reflects TCI's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that TCI has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

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Level 2 – Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and is affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

Property and Equipment

Property and equipment are stated at cost of acquisition. Contributed property and equipment are recorded at their estimated fair market values at the date of donation. The costs of maintenance and repairs are expensed as incurred while significant renewals and betterments are capitalized. TCI capitalizes acquisitions of property and equipment with a cost and/or basis in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which is generally three to five years.

Deferred Revenue

Deferred revenue includes fees for future events, prepaid rent, and advance payments for contracts.

Inventories

Inventories of egg cartons and Verified Emission Reductions (VERS) are stated at the lower of cost or market.

Income Taxes

TCI is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

TCI believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. TCI's federal and state information returns for the years 2012 through 2015 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of providing program services and supportive services have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services based on employees' time incurred and on usage of resources.

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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

Subsequent Events

Management has evaluated subsequent events through June 1, 2017, the date on which the financial statements were available to be issued.

**NOTE 3 – RELATED-PARTY TRANSACTIONS**

TCI was founded by several staff of California Environmental Associates (CEA), a for-profit environmental consulting firm in San Francisco, California, in an effort to offer a nonprofit platform to their clients who were doing innovative environmental conservation work but did not have the resources to operate an independent nonprofit organization. In 2015, CEA provided staff support and consulting services to Global Cool Cities Alliance. In 2016, CEA provided consulting services to Conservation Alliance for Seafood Solutions and was reimbursed for expenses associated with Global Cool Cities Alliance. TCI expenditures incurred under these arrangements during 2016 and 2015 were \$5,084 and \$6,961, respectively.

In 2016 CEA staff attended a conference sponsored by Conservation Alliance for Seafood Solutions. Revenue received in 2016 and 2015 was \$1,500 and \$-0-, respectively.

Additionally, a TCI board member is an employee of CEA.

**NOTE 4 – GRANTS AND PLEDGES RECEIVABLE**

Grants and pledges receivable at December 31, 2016 and 2015 were expected to be collected in the following periods:

	2016	2015
In one year or less	\$ 2,181,823	\$ 1,157,300
Between one to five years	-	85,000
Total	<u>\$ 2,181,823</u>	<u>\$ 1,242,300</u>

At the time of reporting, management believed that all grants and pledges receivable were collectible and the recorded value of the grants and pledges receivable beyond one year would not have material difference from their present value of future discounted cash flow. Therefore, the accompanying statements do not provide for risk premium discount or allowance for uncollectible receivables.

At December 31, 2016 and 2015, approximately 78% and 89% respectively, of the total grants and pledges receivable were from four and three private foundations and donors, respectively.

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 – INVESTMENTS**

TCI held the following investments at fair value in a brokerage account at December 31, 2016 and 2015:

	2016			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Government Money Market Funds <sup>(1)</sup>	\$ 6,139,010	\$ -	\$ -	\$ 6,139,010
Total	<u>\$ 6,139,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,139,010</u>

	2015			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Government Money Market Funds <sup>(1)</sup>	\$ 6,933,055	\$ -	\$ -	\$ 6,933,055
Stocks	904	-	-	904
Total	<u>\$ 6,933,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,933,959</u>

<sup>(1)</sup> These include cash of \$-0- and \$300,000 at December 31, 2016 and 2015, respectively.

The investment return for 2016 and 2015 consisted of the following:

	2016	2015
Interest and dividend income	\$ 582	\$ 217
Net realized gain from sale of securities	37	-
Unrealized loss	-	(301)
Total	<u>\$ 619</u>	<u>\$ (84)</u>

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Furniture and equipment	\$ 20,309	\$ 39,978
Accumulated depreciation	(20,309)	(37,981)
Total	<u>\$ -</u>	<u>\$ 1,997</u>

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets represent funds which have not yet been expended for donor imposed restrictions or time restrictions.

Temporarily restricted net assets were available for the following purposes:

	<i>December 31, 2015</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2016</i>
Purpose/program restrictions	\$ 5,804,364	\$ 15,848,734	\$ (15,666,880)	\$ 5,986,218
Total	<u>\$ 5,804,364</u>	<u>\$ 15,848,734</u>	<u>\$ (15,666,880)</u>	<u>\$ 5,986,218</u>

	<i>December 31, 2014</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2015</i>
Purpose/program restrictions	\$ 4,646,734	\$ 17,018,630	\$ (15,861,000)	\$ 5,804,364
Total	<u>\$ 4,646,734</u>	<u>\$ 17,018,630</u>	<u>\$ (15,861,000)</u>	<u>\$ 5,804,364</u>

**NOTE 8 – ASSIGNMENT/RETURN OF GRANTS**

Some projects may become an independent nonprofit organization or otherwise separate from TCI during the term of an existing grant period. When that occurs, grant funds associated with a project are either transferred to another nonprofit organization or returned to the original funder.

The following are projects that separated from TCI with grant funds that were returned to a funder:

	<u>2016</u>	<u>2015</u>
Healthy Food Action	\$ -	\$ 55,000
Olazul	-	100,000
Ocean Outcomes	<u>121,388</u>	<u>-</u>
Total	<u>\$ 121,388</u>	<u>\$ 155,000</u>

TRUST FOR CONSERVATION INNOVATION  
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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

**NOTE 9 – CONTRIBUTED SERVICES**

TCI received contributed services as follows:

<u>Type</u> <u>Benefited Project</u>	2016	2015
<u>Professional legal services</u>		
WaterNow	\$ 167,285	\$ 46,476
Ocean Outcomes	48,198	89,701
<u>Event services</u>		
Change Food	12,000	-
Kitchen Table Advisors	3,300	37,978
Piggy Bank	1,350	-
Interfaith Sustainable Food Collaborative	87	300
Friends of Mesa Refuge	-	375
<u>Other professional services</u>		
WaterNow	8,000	4,975
ZeroFoodPrint	3,752	-
Maven's Notebook	1,425	1,250
Kitchen Table Advisors	280	-
Olazul	-	3,750
Friends of Mesa Refuge	-	1,000
Saving Neighborhood Energy	-	500
TCI Core Administration	-	188
Total	<u>\$ 245,677</u>	<u>\$ 186,493</u>

**NOTE 10 – RETIREMENT PLAN**

TCI has a Simple IRA matching retirement plan which is offered to all employees who meet eligibility requirements. TCI contributes dollar for dollar match up to 3% of the employee's compensation. Employer contributions for 2016 and 2015 were \$90,962 and \$91,269, respectively.

**NOTE 11 – CONDITIONAL PROMISES TO GIVE**

During 2010, the Friends of the Mesa Refuge Project received a conditional promise to use a piece of property in perpetuity. The promise was conditioned (a) on the ability of the donor entity to maintain funding for the upkeep of the property and (b) on the determination of the Board of Directors of the donor entity that the stated use of the property continues to be an effective use of their resources and consistent with the charitable needs of the community. Accordingly, TCI has not recorded the full fair value of this promise. The Project became an independent nonprofit organization in early 2016, and TCI utilized the facilities for its program during 2016. The accompanying financial statements include in-kind donations of \$-0- and \$47,000 for the use of the property for 2016 and 2015, respectively.

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TCI receives conditional grants that require grantors' approval of progress towards milestones set in the grant agreements. Revenue is recognized upon meeting the condition(s). The following are the conditional grants with balances that had not yet been recognized as revenue at December 31, 2016 and 2015:

<i>Project</i>	<i>Grant(s) Awarded</i>	<i>Conditional Balance</i>	
		2016	2015
Gulf Wild	\$ 693,700	\$ 568,700	\$ 10,000
Conservation and Community Investment Forum	2,143,608	342,851	859,644
Project Equity	398,000	240,615	-
WaterNow	1,212,728	200,000	153,188
Catch Together	560,000	135,000	-
Private Capital for Public Good	521,971	50,000	250,426
Ocean Outcomes	2,625,000	-	579,000
Menlo Spark	600,000	-	200,000
Azul	100,000	-	65,000
SeaWeb	149,049	-	46,667
Total		<u>\$ 1,537,166</u>	<u>\$ 2,163,925</u>

TCI projects may also make conditional grants to other organizations. Grant expense is recognized upon the grantee meeting the condition specified in the award agreement. The following are conditional grants to other organizations made in 2016 and 2015:

<i>Grantee</i>	<i>Grant(s) Awarded</i>	<i>Conditional Balance</i>	
		2016	2015
GRID Alternatives	\$ 68,250	\$ 34,125	\$ -
MarViva Foundation	118,961	79,704	-
Total		<u>\$ 113,829</u>	<u>\$ -</u>

**NOTE 12 – OPERATING LEASE COMMITMENTS**

In 2015, TCI relocated its main office from San Francisco, CA to downtown Oakland, CA. The lease is for 64 months and commenced on September 1, 2015 with an option to extend for 60 months upon expiration. The base rent for the new premises started at \$6,267, increasing annually by 3%, plus a share of operating costs and property tax of the building. The rent for the first four months was abated. On May 17, 2017, TCI executed an amended lease for the downtown Oakland office to expand the rental space. TCI also has several other non-cancellable operating lease arrangements for its facilities and equipment. The space rental expenses under operating leases for 2016 and 2015 totaled \$201,561 and \$127,587, respectively. The equipment lease expenses for 2016 and 2015 totaled \$3,323 and \$2,444, respectively.



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The estimated future minimum lease payments for the non-cancellable operating leases are as follows:

<i>Year Ending December 31,</i>	<i>Office</i>	<i>Equipment</i>	<i>Total</i>
2017	\$ 105,590	\$ 1,410	\$ 107,000
2018	120,533	-	120,533
2019	124,148	-	124,148
2020	129,566	-	129,566
			<u>\$ 481,247</u>

**NOTE 13 – CONCENTRATION OF CREDIT RISK**

The cash balances at banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per customer per bank. The securities in the brokerage accounts are protected by Security Investor Protection Corporation (SIPC) for a maximum of \$500,000; moreover, brokerage firms usually carry additional insurance to provide further protection for their customers. Neither SIPC nor the additional coverage protects against losses on investments due to market fluctuations.

TCI maintains its cash and investments at two banks and one brokerage firm. TCI's brokerage firm provides additional coverage through Lloyd's of London and other London insurers to provide coverage of up to \$150 million per customer, including cash of up to \$1,150,000, which would become available in the event the SIPC limits were exhausted.

TCI had \$6,139,010 and \$6,933,959 with one brokerage firm at December 31, 2016 and 2015, respectively. TCI has not experienced any losses in its bank and brokerage firm accounts.

**NOTE 14 – TCI PROGRAMS AND PROJECTS**

TCI provided operational, administrative, programmatic, financial and capacity-building services designed to incubate and accelerate program capacity for 49 and 42 local, regional, national and international projects during 2016 and 2015, respectively. The programs and projects are listed in alphabetical order below:

**A Greener World/Animal Welfare Approved** audits, certifies and supports farmers raising their animals according to the highest animal welfare standards, outdoors on pasture or range. Standards have been developed in collaboration with scientists, veterinarians, researchers and farmers and ensure that every certified farm provides their animals with continual access to pasture or range.

**Animal Agriculture Reform Collaborative** brings together sustainable farming, environmental, public health, social and economic justice, and animal welfare organizations across the United States to work toward the shared vision of a just, sustainable animal livestock production system.

**Azul** works to empower Latino leadership for marine conservation by integrating marine conservation as a core priority of the traditional Latino civic leadership infrastructure and by growing marine conservation leadership by people of color.

**Bay Area Resilient by Design** brings together government, community leaders and stakeholders from around the region to address resiliency challenges which affect the neighborhoods, environment and infrastructure in the rapidly changing Bay Area (2016 only).

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**Blue Ridge-Berryessa Partnership** is a collaborative bringing together private landowners, public agencies, nonprofit groups, businesses and the general public to conserve and steward California's upper Putah and Cache Creek Watersheds.

**Building Codes Assistance Project** provides high-level support for energy code adoption across the country by influencing model code development, providing core code adoption and compliance support, and serving as the national hub for energy code support work.

**California Rangeland Conservation Coalition** brings together ranchers, conservationists, and government entities to conserve and enhance the ecological values and economic viability of California's working rangelands.

**Californians for a Healthy & Green Economy (CHANGE)** is a growing coalition of 35+ environmental health and justice, policy, labor, reproductive health, and other public interest organizations who are working to create a better system for regulating toxic chemicals in California.

**Catch Together** partners with fishermen and fishing communities to make sustainable seafood impact investments, strengthen fishing communities and support ocean conservation. (2016 only).

**Change Food** helps individuals change the way they eat by raising public awareness and educating consumers about opportunities to shift the U.S. food supply to a regional, sustainable food system where healthy, nutritious food is accessible by all.

**Chemical Strategies Partnership** works to reduce chemical use, waste, risks and cost through the transformation of the chemical supply chain (2015 only).

**Congo Education Partners** educates future stewards of the Congo rainforest by building the capacity of Djolu Technical College of Rural Development (ISDR-Djolu) in biodiversity conservation, sustainable agriculture, and other rural sciences.

**Conservation Alliance for Seafood Solutions** connects leading conservation groups that work with businesses representing over 80% of the North American grocery and food-service markets with the goal of helping businesses make progress on their commitments to sustainable seafood.

**Conservation and Community Investment Forum** works with partners to advance innovative and direct solutions to accelerate the delivery, replicability and scalability of conservation and sustainable community development successes.

**Databranch** increases data collection, system design, and data analysis that works across institutional silos and engages the public in stewardship of natural resources (2016 only).

**Envaya** enables grassroots civil society organizations in developing countries to easily create websites, publish their latest news, interact with grantmakers and collaborate with other organizations and people around the world.

**Farmscape Foundation** beautifies communities by reclaiming abandoned lots and turning them into community gardens and urban farms (2016 only).

**Finance for Food** catalyzes an increase in the pace and scale of the transition to a sustainable food system through education and training for sustainable food system entrepreneurs.

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**Food Commons** is developing a new physical, financial and organizational infrastructure for localized food economies that are fair, just and sustainable for the health and well-being of our people, our communities, and the planet.

**Friends of the Mesa Refuge** is a supporting project of Mesa Refuge, a writers' retreat located in Point Reyes Station, California that provides a quiet and inspiring space for people to write about ways to create a more just and sustainable world.

**Global Cool Cities Alliance** is dedicated to advancing policies and actions that reduce excess urban heat in order to promote cool buildings, cool cities, and to mitigate the effects of climate change through global cooling.

**GMO Science** serves as a core communication platform and educational "hub" for science-based information about the impacts of genetically engineered food crops to human and ecological health (2016 only).

**Grumeti Community and Wildlife Conservation Fund** contributes to conserving Tanzania's Serengeti ecosystem in partnership with local communities and other stakeholders through ecological conservation and community outreach along the western corridor of Serengeti National Park. Grumeti Fund is a Tanzanian nongovernmental organization and in the U.S., Grumeti Fund is a fiscally-sponsored project of Trust for Conservation Innovation.

**Gulf Wild Institute** seeks to conserve marine resources through sustainable fishing practices, community education, and research that informs public policy and seafood sustainability.

**Healthy Food Action** makes it simple for health professionals to speak out and lend their unique, collective voice to local, regional and national public policy debates about food and farming.

**Interfaith Sustainable Food Collaborative** is a regional program that connects congregations in Sonoma and Marin counties of California with local farmers and gardeners to increase access to sustainable food and strengthen local economies.

**Junglekeepers** works in collaboration with local Peruvian nongovernmental organizations and indigenous communities to employ preventive and sustainable solutions for the long-term protection of the rainforest ecosystems at the headwaters of the Madre de Dios and Las Piedras rivers.

**Kitchen Table Advisors** provides farmers with business and financial advising and helps farmers access the tools, knowledge and resources they need on their path to becoming resilient and viable businesses.

**Locally-Managed Marine Area (LMMA) Network Coordination** provides support to the LMMA Network of practitioners and researchers who share knowledge, skills, and resources to learn collectively how to improve marine management activities and measurably increase conservation impact.

**MarViva Foundation** is a regional non-governmental organization based in Costa Rica, Panama, and Colombia that promotes the conservation and sustainable use of marine and coastal resources in the Eastern Tropical Pacific (ETP). In the U.S., MarViva Foundation is a fiscally-sponsored project of the Trust for Conservation Innovation.

**Maven's Notebook: A water, science and policy blog** provides a timely and unbiased free and public source of information about the complicated and controversial details of water flow, water supply, water quality and environmental disputes in California.

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**Menlo Spark** joins together businesses, residents, and government to achieve a climate neutral community in Menlo Park, California by the year 2025, serving as a national leader in sustainability and climate action, generating significant local benefits, and serving as an example to similar cities and towns across the country.

**Nextcourse**, together with participants and partners, helps underserved communities access the nourishment and empowerment that real food can provide and attain a meaningful quality of life (2015 only).

**Ocean Outcomes** works hand-in-hand with commercial fishermen to improve high risk fisheries by co-designing, implementing, and monitoring effective on-the-water fishery practice improvements and supply change policy improvements.

**Olazul** partners with fishermen to create alternative livelihoods that fulfill their immediate economic needs while protecting marine resources for future generations.

**Permacouture Institute** explores innovative sustainable plant-based and recycled fibers and dyes, and expands the way designers can enhance their creations by looking closely at patterns already found in nature (2015 only).

**Piggy Bank** provides an open forum for access to information on all heritage breed pigs and to business plans written by other farmers, to benefit the food system (2016 only).

**Private Capital for Public Good** is developing and launching a Social Impact Bond that will bring the first environmental pay-for-success instrument, focused on forest resilience, to market.

**Project Equity** fosters economic resiliency with low-income communities and a sustainable economy that works for all (2016 only).

**Root Solutions** promotes environmental and resource stewardship by developing and disseminating tools that solve environmental challenges at their root – human behavior.

**Sane Energy Project** works to stop the expansion of hydrofracked shale gas and fossil fuel infrastructure and to encourage, instead, a rapid and complete transition to renewable energy and zero fossil fuel dependence.

**Saving Neighborhood Energy** develops affordable and accessible financial products to encourage energy efficiency upgrades alongside financial savings across California's underserved markets, with an emphasis on low- and moderate-income homeowners (2015 only).

**SeaWeb Asia Pacific** is dedicated to accelerating ocean conservation in the Asia Pacific region through innovation communications initiatives designed to increase public awareness, advance science-based solutions and mobilize decision makers.

**ShadowView Foundation** provides effective and efficient unmanned aerial vehicles (UAVs, or drones) to conservation organizations that are battling to protect our natural environment. ShadowView Foundation is a Dutch nonprofit organization and in the U.S., ShadowView Foundation is a fiscally-sponsored project of Trust for Conservation Innovation (2015 only).

**Sierra National Monument** strives to bring nature to people by extending nature's reach and ensuring that forests, rivers, deserts and surrounding areas are cared for in the long term and interconnected by migratory corridors so that wildlife and human life can thrive.

**Sustaining Our Urban Landscape (SOUL)** drives a resilient and equitable New Orleans through strengthening the local water and food systems by installing urban forests and green infrastructure (2016 only).

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**Upper Amazon Conservancy** works to protect the biological and cultural diversity of the upper Amazon River in southeastern Peru by building the capacity of local indigenous communities to participate in and benefit from conservation activities.

**WaterNow** promotes the transition to a resilient and secure water future that preserves the health of the natural world by bringing together business, community leaders, and experts to advance innovation and catalyze action.

**Widening Circles** is a grassroots, participatory environmental alliance active in New York State, focused on cultivating synergistic, ever-expanding circles of awareness, kinship and conservation (2015 only).

**Zero FoodPrint** helps restaurants become leaders in fighting climate change and achieving carbon neutrality through education and operations analysis, certification, and a mix of carbon offsets and food-related emissions-reductions projects.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Trust for Conservation Innovation, which comprise the statement of financial position as of December 31, 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, and have issued our report thereon dated June 1, 2017.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Trust for Conservation Innovation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trust for Conservation Innovation's internal control. Accordingly, we do not express an opinion on the effectiveness of Trust for Conservation Innovation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trust for Conservation Innovation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lindquist, von Husen and Joyce LLP*

June 1, 2017