

**TRUST FOR CONSERVATION  
INNOVATION**

*(A California Nonprofit Public Benefit Corporation)*

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

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

	Page
Independent Auditor's Report .....	1
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7
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 <i>Government Auditing Standards</i> .....	18

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

**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, 2017 and 2016, 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, 2017 and 2016, 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 6, 2018 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 solely 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 the effectiveness of Trust for Conservation Innovation's 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 6, 2018

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current assets:		
Cash	\$ 280,532	\$ 418,514
Investments (Note 4)	7,742,382	6,139,010
Receivables:		
Grants and pledges (Note 3)	2,163,188	2,181,823
Contracts	155,763	94,106
Other	39,907	43,553
Inventories	-	45,158
Prepaid expenses and other assets	92,337	83,389
Total current assets	10,474,109	9,005,553
Property and equipment – net (Note 5)	6,572	-
Grants receivable – net of current portion (Note 3)	178,334	-
Deposits	9,467	18,802
Total assets	\$ 10,668,482	\$ 9,024,355
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 366,212	\$ 410,974
Accrued compensation	239,733	155,702
Deferred revenue	15,670	22,509
Total liabilities	621,615	589,185
Net assets:		
Unrestricted net assets:		
Available for operations	2,234,717	2,106,348
Designated for supported projects	567,169	342,604
Total unrestricted net assets	2,801,886	2,448,952
Temporarily restricted net assets (Note 6)	7,244,981	5,986,218
Total net assets	10,046,867	8,435,170
Total liabilities and net assets	\$ 10,668,482	\$ 9,024,355

*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, 2017 AND 2016

	2017			2016		
	<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	\$ -	\$ 10,892,322	\$ 10,892,322	\$ -	\$ 10,172,166	\$ 10,172,166
Contributions	-	5,904,795	5,904,795	-	5,552,279	5,552,279
In-kinds contributions (Note 8)	-	231,985	231,985	-	245,677	245,677
Government contracts	863,117	-	863,117	1,204,819	-	1,204,819
Fee-for-service contracts	230,971	-	230,971	317,356	-	317,356
Investment return (Note 4)	24,483	-	24,483	619	-	619
Other revenue	308,593	-	308,593	263,143	-	263,143
Assignment/return of grants (Note 7)	-	-	-	-	(121,388)	(121,388)
Net assets released from restrictions:						
Fulfillment of purpose restrictions or time lapsed (Note 6)	15,770,339	(15,770,339)	-	15,666,880	(15,666,880)	-
Total support and revenues	<u>17,197,503</u>	<u>1,258,763</u>	<u>18,456,266</u>	<u>17,452,817</u>	<u>181,854</u>	<u>17,634,671</u>
Expenses:						
Program services	15,022,342	-	15,022,342	15,595,342	-	15,595,342
Supportive services:						
Management and general	1,276,264	-	1,276,264	933,787	-	933,787
Fundraising	545,963	-	545,963	403,056	-	403,056
Total expenses	<u>16,844,569</u>	<u>-</u>	<u>16,844,569</u>	<u>16,932,185</u>	<u>-</u>	<u>16,932,185</u>
Change in net assets	352,934	1,258,763	1,611,697	520,632	181,854	702,486
Net assets, beginning of year	<u>2,448,952</u>	<u>5,986,218</u>	<u>8,435,170</u>	<u>1,928,320</u>	<u>5,804,364</u>	<u>7,732,684</u>
Net assets, end of year	<u>\$ 2,801,886</u>	<u>\$ 7,244,981</u>	<u>\$ 10,046,867</u>	<u>\$ 2,448,952</u>	<u>\$ 5,986,218</u>	<u>\$ 8,435,170</u>

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

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	<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	\$ 3,126,992	\$ 756,228	\$ 161,016	\$ 4,044,236	\$ 3,565,225	\$ 541,521	\$ 230,754	\$ 4,337,500
Payroll taxes and fringe benefits	664,280	131,751	62,333	858,364	765,852	122,354	52,332	926,258
Professional services	4,256,718	137,743	95,141	4,489,602	4,769,295	109,853	64,651	4,958,079
Grants and contributions	5,202,955	-	-	5,202,955	4,008,943	-	-	4,008,943
Travel, conferences, and meetings	1,224,448	11,093	203,544	1,439,085	1,757,286	3,638	47,828	1,808,752
Occupancy	96,628	99,815	2,765	199,208	164,571	80,347	-	244,918
Supplies and equipment	329,969	79,779	7,098	416,846	440,423	34,868	4,492	479,783
Depreciation	-	-	-	-	222	217	-	439
Other expenses	120,352	59,855	14,066	194,273	123,525	40,989	2,999	167,513
<b>Total expenses</b>	<b>\$ 15,022,342</b>	<b>\$ 1,276,264</b>	<b>\$ 545,963</b>	<b>\$ 16,844,569</b>	<b>\$ 15,595,342</b>	<b>\$ 933,787</b>	<b>\$ 403,056</b>	<b>\$ 16,932,185</b>

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

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,611,697	\$ 702,486
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	439
Loss from disposal of property and equipment	-	1,558
Donated stocks	(52,322)	(4,635)
Transfer of inventories	45,158	-
(Increase) decrease in assets:		
Grants and pledges receivable	(159,699)	(939,523)
Contracts receivable	(61,657)	(44,928)
Other receivable	3,646	18,842
Inventories	-	(12,865)
Prepaid expenses and other assets	(8,948)	66,562
Deposits	9,335	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(44,762)	(459,898)
Accrued compensation	84,031	(33,527)
Deferred revenue	(6,839)	(78,114)
Net cash provided by (used in) operating activities	1,419,640	(783,603)
Cash flows from investing activities:		
Purchases of marketable securities	(5,451,050)	(2,100,416)
Proceeds from sales and redemption of marketable securities	3,900,000	2,900,000
Purchases of property and equipment	(6,572)	-
Net cash provided by (used in) investing activities	(1,557,622)	799,584
Net increase (decrease) in cash	(137,982)	15,981
Cash, beginning of year	418,514	402,533
Cash, end of year	\$ 280,532	\$ 418,514

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

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

**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 initiatives. TCI's projects are listed in Note 13.

**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, 2017 and 2016, 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.

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.

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 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.

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.

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, advance payments for contracts and prepaid membership fees.

Inventories

Inventories of egg cartons and Verified Emission Reductions (VERS) were 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 2013 through 2016 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.

Subsequent Events

Management has evaluated subsequent events through June 6, 2018, the date on which the financial statements were available to be issued.

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

Reclassification

Certain amounts previously reported in the 2016 financial statements were reclassified to conform to the 2017 presentation for comparative purposes.

**NOTE 3 – GRANTS AND PLEDGES RECEIVABLE**

Grants and pledges receivable at December 31, 2017 and 2016 were expected to be collected in the following periods:

	2017	2016
In one year or less	\$ 2,163,188	\$ 2,181,823
Between one to five years	178,334	-
Total	\$ 2,341,522	\$ 2,181,823

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, 2017 and 2016, approximately 57% and 78% respectively, of the total grants and pledges receivable were from four private foundations and donors.

**NOTE 4 – INVESTMENTS**

TCI held the following investments at fair value in a brokerage account at December 31, 2017 and 2016:

	2017			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Government Money Market Funds <sup>(1)</sup>	\$ 7,742,382	\$ -	\$ -	\$ 7,742,382
Total	\$ 7,742,382	\$ -	\$ -	\$ 7,742,382
	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	\$ 6,139,010	\$ -	\$ -	\$ 6,139,010

<sup>(1)</sup> These include cash of \$630,000 and \$-0- at December 31, 2017 and 2016, respectively.

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

The investment return for 2017 and 2016 consisted of the following:

	2017	2016
Interest and dividend income	\$ 21,050	\$ 582
Net realized gain from sale of securities	3,228	37
<b>Total</b>	<b>\$ 24,278</b>	<b>\$ 619</b>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Furniture and equipment	\$ 26,881	\$ 20,309
Accumulated depreciation	(20,309)	(20,309)
<b>Total</b>	<b>\$ 6,572</b>	<b>\$ -</b>

**NOTE 6 – 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, 2016</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2017</i>
Purpose/program restrictions	\$ 5,986,218	\$ 17,029,102	\$ (15,770,339)	\$ 7,244,981
<b>Total</b>	<b>\$ 5,986,218</b>	<b>\$ 17,029,102</b>	<b>\$ (15,770,339)</b>	<b>\$ 7,244,981</b>
	<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
<b>Total</b>	<b>\$ 5,804,364</b>	<b>\$ 15,848,734</b>	<b>\$ (15,666,880)</b>	<b>\$ 5,986,218</b>

**NOTE 7 – 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.

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017	2016
Ocean Outcomes	\$ -	\$ 121,388
Total	\$ -	\$ 121,388

**NOTE 8 – CONTRIBUTED SERVICES**

TCI received contributed services as follows:

<u>Type</u> <u>Benefited Project</u>	2017	2016
<u>Professional Legal Services</u>		
WaterNow	\$ 73,000	\$ 167,285
Ocean Outcomes	-	48,198
Project Equity	60,000	-
Catch Together	25,000	-
Bay Area Resiliency Competition	4,312	-
<u>Event Services</u>		
Change Food	-	12,000
Kitchen Table Advisors	37,638	3,300
Piggy Bank	-	1,350
Interfaith Sustainable Food Collaborative	-	87
<u>Other Professional Services</u>		
WaterNow	-	8,000
ZeroFoodPrint	-	3,752
Maven’s Notebook	8,672	1,425
Kitchen Table Advisors	-	280
Animal Agricultural Reform Collaborative	3,000	-
California Rangeland Conservation Coalition	4,203	-
Sustaining Our Urban Landscape	15,400	-
Upper Amazon Conservancy	760	-
Total	\$ 231,985	\$ 245,677

**NOTE 9 – RETIREMENT PLAN**

TCI has a Simple IRA matching retirement plan which is offered to all employees who meet eligibility requirements. TCI contributes a dollar for dollar match up to 3% of the employee’s compensation. Employer contributions for 2017 and 2016 were \$85,950 and \$90,962, respectively.

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

**NOTE 10 – CONDITIONAL PROMISES TO GIVE**

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, 2017 and 2016:

<i>Project</i>	<i>Grant(s) Awarded</i>	<i>Conditional Balance</i>	
		2017	2016
Gulf Wild <sup>(1)</sup>	\$ 668,700	\$ -	\$ 568,700
Conservation and Community Investment Forum	2,863,608	540,000	342,851
Project Equity	398,000	67,428	240,615
WaterNow	1,199,740	299,765	200,000
Catch Together	560,000	-	135,000
Private Capital for Public Good	450,000	-	50,000
ChangeScale	175,000	75,000	-
Bay Area Resiliency Competition	4,663,801	1,000,000	-
Kitchen Table Advisors	15,000	10,000	-
Total		\$ 1,992,193	\$ 1,537,166

<sup>(1)</sup> During 2017, Gulf Wild became an independent nonprofit organization at which time grant funds were transferred to the newly formed Gulf Wild organization.

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 2017 and 2016:

<i>Grantee</i>	<i>Grant(s) Awarded</i>	<i>Conditional Balance</i>	
		2017	2016
GRID Alternatives	\$ 68,250	\$ -	\$ 34,125
MarViva Foundation	118,961	11,896	79,704
Total		\$ 11,896	\$ 113,829

**NOTE 11 – 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 per month, 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, which calls for an additional monthly rent of \$3,200 commencing July 1, 2017, subject to annual increases of 3% starting September 1, 2017. TCI also has several other non-cancellable operating lease arrangements for its facilities and equipment. The space rental expenses under operating leases for 2017 and 2016 totaled \$137,010 and \$201,561, respectively.

TRUST FOR CONSERVATION INNOVATION  
*(A California Nonprofit Public Benefit Corporation)*  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	<u>Year Ending December 31,</u>
2018	\$ 149,753
2019	126,968
2020	132,386
2021	<u>705</u>
	<u>\$ 409,812</u>

**NOTE 12 – 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 \$7,742,382 and \$6,139,010 with one brokerage firm at December 31, 2017 and 2016, respectively. TCI has not experienced any losses in its bank and brokerage firm accounts.

**NOTE 13 – TCI PROGRAMS AND PROJECTS**

TCI provided operational, administrative, programmatic, financial and capacity-building services designed to incubate and accelerate program capacity for 41 and 49 local, regional, national and international projects during 2017 and 2016, 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 (2016 only).

**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.

TRUST FOR CONSERVATION INNOVATION  
*(A California Nonprofit Public Benefit Corporation)*  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

**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 cultivate sustainable seafood impact investments, strengthen fishing communities and support ocean conservation.

**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.

**ChangeScale** supports environmental education organizations in the San Francisco and Monterey Bay Area, to inspire all generations with the capacity to create healthy communities and a healthy planet (2017 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.

**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.

**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.

TRUST FOR CONSERVATION INNOVATION  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

**Friends of Mesa Refuge** supports 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 (2016 only).

**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.

**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 (2016 only).

**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.

**Marhaver Lab** focuses on the reproduction and growth cycles of the Caribbean's most fragile corals, and the development of new tools to help young corals survive (2017 only).

**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.

**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.

TRUST FOR CONSERVATION INNOVATION  
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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

**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 (2016 only).

**Olazul** partners with fishermen to create alternative livelihoods that fulfill their immediate economic needs while protecting marine resources for future generations (2016 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.

**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.

**Project Wayfinder** is re-imagining adolescent education, to inspire and empower the next generation with skills, knowledge and confidence to contribute to the betterment of the world (2017 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.

**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.

**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.

**the databranch** increases data collection, system design, and data analysis that works across institutional silos and engages the public in stewardship of natural resources.

**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.

**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, 2017, 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 6, 2018.

*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 6, 2018