

Kevin P. Martin & Associates, P.C.



SECOND NATURE, INC.

Financial Statements

June 30, 2020



SECOND NATURE, INC.

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June 30, 2020

Independent Auditors' Report

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Independent Auditors' Report

To the Board of Directors of
Second Nature, Inc.

We have audited the accompanying financial statements of Second Nature, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization has adopted ASU No. 2018-08, *Clarified Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2019. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Numin P. Martine & Chute-PC.

Danvers, Massachusetts
December 1, 2020

SECOND NATURE, INC.

Statement of Financial Position

As of June 30, 2020

With Comparative Totals as of June 30, 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 898,951	\$ 558,592
Accounts receivable	1,385	20,000
Grant receivable	40,000	-
Prepaid expenses	<u>18,667</u>	<u>33,289</u>
Total current assets	<u>959,003</u>	<u>611,881</u>
Fixed Assets		
Office furniture and equipment	2,285	3,755
Computer and equipment	<u>13,494</u>	<u>22,399</u>
Total fixed assets	15,779	26,154
Less: accumulated depreciation	<u>(15,779)</u>	<u>(24,573)</u>
Total net fixed assets	<u>-</u>	<u>1,581</u>
Other Assets		
Certificate of deposit	<u>25,439</u>	<u>25,356</u>
Total other assets	<u>25,439</u>	<u>25,356</u>
Total Assets	<u>\$ 984,442</u>	<u>\$ 638,818</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 4,932	\$ 17,458
Accrued expenses	91,068	80,784
Note payable - PPP	<u>139,000</u>	<u>-</u>
Total current liabilities	<u>235,000</u>	<u>98,242</u>
Total Liabilities	<u>235,000</u>	<u>98,242</u>
Net Assets		
Net assets without donor restrictions	553,118	448,988
Net assets with donor restrictions	<u>196,324</u>	<u>91,588</u>
Total net assets	<u>749,442</u>	<u>540,576</u>
Total Liabilities and Net Assets	<u>\$ 984,442</u>	<u>\$ 638,818</u>

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

SECOND NATURE, INC.

Statement of Activities

For the Year Ended June 30, 2020
With Comparative Totals for the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenue and Support				
Membership dues	\$ 982,176	\$ -	\$ 982,176	\$ 1,049,198
Grants and contributions	174,551	420,000	594,551	390,080
In-kind contributions	-	-	-	2,690
Conference revenue	402,862	-	402,862	282,704
Miscellaneous revenue	42,707	-	42,707	13,328
Interest revenue	2,886	-	2,886	268
Net assets released from restrictions	315,265	(315,265)	-	-
Total revenue and support	<u>1,920,447</u>	<u>104,735</u>	<u>2,025,182</u>	<u>1,738,268</u>
Expenses				
Program services	1,508,283	-	1,508,283	1,490,007
General and administrative	139,968	-	139,968	219,798
Fundraising	168,065	-	168,065	62,087
Total expenses	<u>1,816,316</u>	<u>-</u>	<u>1,816,316</u>	<u>1,771,892</u>
Total Change in Net Assets	104,131	104,735	208,866	(33,624)
Net Assets at Beginning of Year	<u>448,987</u>	<u>91,589</u>	<u>540,576</u>	<u>574,200</u>
Net Assets at End of Year	<u>\$ 553,118</u>	<u>\$ 196,324</u>	<u>\$ 749,442</u>	<u>\$ 540,576</u>

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

SECOND NATURE, INC.

Statement of Cash Flows

For the Year Ended June 30, 2020
With Comparative Totals for the Year Ended June 30, 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ 208,866	\$ (33,624)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,581	2,649
Interest on certificate of deposit	(83)	(21)
Decrease (increase) in assets		
Accounts receivable	18,615	(12,141)
Grant receivable	(40,000)	40,000
Prepaid expenses	14,622	(22,064)
Increase (decrease) in liabilities		
Accounts payable	(12,526)	(40,761)
Accrued expenses	10,284	17,194
Net Cash Provided by (Used in) Operating Activities	201,359	(48,768)
Cash Flows from Financing Activities		
Proceeds from note payable - PPP	139,000	-
Net Cash Provided by Investing Activities	139,000	-
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 340,359	\$ (48,768)
Cash and Cash Equivalents - Beginning	558,592	607,360
Cash and Cash Equivalents - Ending	\$ 898,951	\$ 558,592
Supplement Data for Noncash Investing and Financing Activities		
Disposition of fully depreciated fixed assets	\$ 23,465	\$ -

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

SECOND NATURE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2020 Total</u>	<u>2019 Total</u>
Functional Expenses					
Salaries & wages	\$ 715,881	\$ 90,870	\$ 133,834	\$ 940,585	\$ 807,903
Conference	354,232	-	-	354,232	309,143
Employee benefits & payroll taxes	137,241	17,421	25,657	180,319	175,827
Professional fees	146,828	11,420	4,894	163,142	271,006
Rent	67,881	5,280	2,263	75,424	96,316
Office costs	30,949	14,075	1,031	46,055	56,762
Travel, lodging, meals	43,680	-	-	43,680	40,205
Utilities	6,026	469	201	6,696	6,006
Insurance	4,142	322	138	4,602	6,075
Depreciation	1,423	111	47	1,581	2,649
Total Functional Expenses	<u>\$ 1,508,283</u>	<u>\$ 139,968</u>	<u>\$ 168,065</u>	<u>\$ 1,816,316</u>	<u>\$ 1,771,892</u>

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

SECOND NATURE, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Second Nature, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Organization was incorporated on April 30, 1993, as a nonprofit organization. The Organization is committed to accelerating climate action in, and through, higher education. The Organization does this by mobilizing a diverse array of higher education institutions to act on bold climate commitments, to scale campus climate initiatives, and to create innovative climate solutions. The Organization aligns, amplifies, and bridges the sector's efforts with other global leaders to advance urgent climate priorities.

The following program divisions are listed in order of relative importance based upon total program expenditures:

Presidents' Climate Leadership Commitments - The Organization believes colleges and universities must exercise leadership in their communities and throughout society by providing the knowledge, research, practice, and informed graduates to create a positive and sustainable future. The Presidents' Climate Leadership Commitments have been catalysts for actions on hundreds of campuses and in many communities across the nation. The Climate Leadership Network is made up of the over 400 Commitment signatories, is overseen by a Steering Committee of 18 presidents, and is facilitated by the Organization. Higher Education presidents and chancellors can join the Climate Leadership Network by signing either the Carbon or the Resilience Commitment, or the integrated Climate Commitment as follows:

Climate: The Climate Commitment integrates carbon neutrality with climate resilience and provides a systems approach to mitigating and adapting to a changing climate.

Carbon: The Carbon Commitment is focused on reducing Greenhouse Gas emissions and achieving carbon neutrality as soon as possible.

Resilience: The Resilience Commitment is focused on climate adaptation and community capacity-building to deal with a changing climate and resulting extremes.

SECOND NATURE, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Carbon Credit and Purchasing Program (C2P2 Program) - The C2P2 Program is an initiative to support colleges and universities in developing and marketing carbon offsets as a way to accelerate their progress towards campus carbon neutrality. Eligible schools can develop carbon credits on their campuses through energy conservation, energy efficiency, renewable energy, and LEED certified buildings. Proceeds from carbon sales are invested into sustainability projects on campus, allowing schools to achieve greater emissions reductions and pushing communities to develop clean, efficient energy systems. The Carbon Credit and Purchasing Program develops credits to the Verified Carbon Standard (VCS) through a methodology designed specifically for campus-based projects. As the manager of C2P2, the Organization provides technical and logistical support to schools participating in the program.

University Climate Change Coalition (UC3 Program) - The UC3 Program is a coalition of leading North American research universities that will prototype a collaborative model designed to help local communities achieve their climate goals and accelerate the transition to a low-carbon future.

The distinguished universities from the United States, Canada and Mexico that make up UC3 have committed to mobilize their resources and expertise to accelerate local and regional climate action in partnership with businesses, cities and states, foundations and other organizations.

(b) Basis of Presentation

The Statement of Activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

(c) Standards of Accounting and Reporting

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

SECOND NATURE, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(c) *Standards of Accounting and Reporting - continued*

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Net assets with donor restrictions also includes the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

(d) *Cash and Cash Equivalents*

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The Organization maintains its cash balances at a financial institution located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2020.

(e) *Certificate of Deposit*

The Organization carries an investment in a certificate of deposit with an original term longer than three months. Interest is recorded when earned. This balance is related to a Letter of Credit obtained in lieu of a security deposit for the office space, (see Note 2).

(f) *Revenue Recognition*

The Organization earns revenue as follows:

Membership Dues - Membership dues are recognized and recorded as unrestricted support. All membership dues are considered to be available for unrestricted use unless specifically restricted by the donor.

SECOND NATURE, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(f) Revenue Recognition - continued

Grants - The Organization receives funding various grantors for direct and indirect program costs associated with specific programs and projects. Various grants are subject to certain restrictions, which are met by incurring qualifying expenses for the particular program or project that is funded by the grant. Revenue from such grants is recognized when the funds have been expended on activities stipulated in the grant agreement. For unconditional grants, revenue is recognized as contribution revenue that increases net assets with donor restrictions at the time the grant is received or pledged and the funds are released from restriction when the restriction has been met.

Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Contributions with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

Conference Revenue - Conference revenue is primarily derived from contributions collected and fees charged for the annual Climate Leadership Summit. Conference revenue is recognized when earned.

Consulting Fees - Consulting fees are recognized as services are rendered at rates established by parties under contractual arrangements.

Substantially all of the Organization's revenue is derived from its activities in the United States of America. During the year ended June 30, 2020, the Organization derived approximately 49% of its total revenue from membership dues, 30% from grants and contributions, 20% from conferences and 1% from advisory fees and other. All revenue is recorded at the estimated net realizable amounts.

SECOND NATURE, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(g) *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2020, management has determined any allowance would be immaterial.

The Organization does not have a policy to accrue interest on receivables. The Organization has no policies requiring collateral or other security to secure the accounts receivable.

(h) *Grants and Promises to Give*

Conditional grants and promises to give are not recognized in the financial statements until the conditions are substantially met and the promises become unconditional. Unconditional grants and pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional grants and pledges receivable that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows.

(i) *Fixed Assets*

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the Statement of Activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Office furniture and equipment	5 years
Computer equipment	3-5 years

Fixed assets are reviewed for impairment if the use of the asset significantly changes or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

(j) *Fundraising Expense*

Fundraising expense relates to the activities of raising general and specific contributions to the Organization and promoting special events.

SECOND NATURE, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(k) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon time charges.

(l) Use of Estimates

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

(m) Income Taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1) of the IRC.

(n) Summarized Financial Information for 2019

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year.

Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

SECOND NATURE, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(o) *Recent Accounting Standard Adopted*

On July 1, 2019, the Organization adopted ASU 2018-08, *Not-for Profit Entities (Topic 958), Clarified Scope and Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify and improve the guidance in U.S. GAAP for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional. Adoption of this standard did not have a significant impact on recognition of contribution revenue in 2019 or on the Organization's opening net asset balance as of July 1, 2019.

(p) *Recent Accounting Standards*

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. ASU 2020-05 deferred the implementation date of ASU 2016-02 and ASU 2014-09 by one year. These ASUs are described below.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1 - identify the contract(s) with the customer; Step 2 - Identify the performance obligations in the contract; Step 3 - determine the transaction price; Step 4 - Allocate the transaction price to the performance obligations in the contract and Step 5 - recognize revenue when (or as) the entity satisfies a performance obligation. Services within the scope of ASU 2014-09 primarily include program service fees. The ASU was set to be effective for fiscal years beginning after December 15, 2018 and has been extended to be effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In March 2016, FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. In December 2016, FASB Issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. These ASUs will be adopted concurrent with the Agency's adoption of ASU 2014-09.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

SECOND NATURE, INC.

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(p) Recent Accounting Standards - continued

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* and ASU 2018-11, *Leases (Topic 842), Targeted Improvements*. In December 2019, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the Organization's adoption of ASU 2016-02.

(2) Letter of Credit

The Organization obtained a \$18,000 letter of credit which is to be used in lieu of a security deposit on its lease for office space. The letter of credit is collateralized by a certificate of deposit, the balance of which was \$25,439 as of June 30, 2020, (see Note 1(e)). For the year ended June 30, 2020, no amounts were drawn on the letter of credit.

(3) Cash Held for Others

The Organization acted as the representative of a network of higher education institutions who are participating in the C2P2 Program, see Note 1(a). The Organization collected payments from verified carbon units (VCU) buyers of the C2P2 Program and subsequently disbursed the money to various third party VCU sellers. During the year ended June 30, 2020, the Organization collected and payments of \$341,785. As of June 30, 2020, the asset and liability balance related to such activities amounted to zero. During the year ended June 30, 2020, the Organization earned a \$40,769 fee in connection with these activities, which is included in miscellaneous revenue.

(4) Note Payable - PPP

The Organization received a Payroll Protection Program loan from Citizens Bank during the fiscal year ended June 30, 2020 in the original amount of \$139,000 with a maturity date of April 23, 2022. The loan bears interest at a rate of 1%, which is deferred for the first 6 months. Management expects that the loan will be substantially forgiven during the year ended June 30, 2021 and as such the loan has been presented as a current liability on the statement of financial position. The SBA has disclosed criteria for forgiveness which include but is not limited to maintaining the full-time equivalent number of employees over a certain time period and expending the funds on eligible expenses over the covered period. The Organization will recognize forgiveness of the loan in full or in part when the SBA determines the amount of forgiveness and notifies the Organization.

SECOND NATURE, INC.

Notes to Financial Statements

June 30, 2020

(5) Operating Lease Commitments

The Organization leases office space under a 5-year operating lease agreement with an expiration date through March, 2022. The lease requires the Organization to maintain a \$25,000 letter of credit in lieu of a security deposit, (see Note 2). The Organization is also liable for certain real estate tax increases and operating cost adjustments under the office lease terms.

The minimum annual operating non-cancelable lease commitments on property for the Organization are as follows:

2021	\$ 67,927
2022	49,033

Rent expense for the year ended June 30, 2020 was \$75,424.

(6) Employee Benefits

The Organization offers a Simple IRA Plan to its employees and substantially all eligible employees of the Organization may participate in this plan. The Organization provides a maximum matching contribution of 100% of the first 3% of salary invested in the plan by a participant. The Organization made contributions of \$59,160 for the year then ended June 30, 2020.

(7) Related Party Transactions

During the year ended June 30, 2020, the Organization received a \$100,000 contribution from a board member.

(8) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. A summary of the activity for the year ending June 30, 2020 is as follows:

Restriction:	Campaign for Environmental <u>Literacy</u>	Clean Energy Purchasing <u>Strategies</u>
Beginning Balance	\$ 28,423	\$ 63,166
Additions	420,000	-
Releases	<u>(252,099)</u>	<u>(63,166)</u>
Ending Balance	\$ <u>196,324</u>	\$ <u>-</u>

SECOND NATURE, INC.

Notes to Financial Statements

June 30, 2020

(9) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the Board approves that action. However, amounts already appropriated from either the donor-restricted endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

Financial assets at year end	
Cash and cash equivalents	\$ 898,951
Accounts and grants receivable	<u>41,385</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 900,336</u>

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(10) COVID-19 - Risks and Uncertainties

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. At this stage, the limited impact to the Organization resulted in a loss of revenues and other adverse effects to the Organization's financial position, results of operations, and cash flows. Further, the Organization's liquidity as of June 30, 2020 is documented at Note 9. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. The Organization does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

(11) Subsequent Events

The Organization has performed an evaluation of subsequent events through December 1, 2020, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in these financial statements.