

Our City Forest

Audited Financial Statements

June 30, 2021 and 2020

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Independent Auditors' Report

Board of Directors
Our City Forest

Opinion

We have audited the accompanying financial statements of Our City Forest (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Our City Forest as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Our City Forest and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Our City Forest's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Our City Forest's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Our City Forest's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2022, on our consideration of Our City Forest'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 Our City Forest'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 Our City Forest's internal control over financial reporting and compliance.



BOITANO & SARGENT
San Jose, California
April 20, 2022

Our City Forest
Statements of Financial Position
June 30, 2021 and 2020

| Assets | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 901,769 | \$ 926,576 |
| Short-term investments | 15,826 | 11,141 |
| Government grants receivable | 317,496 | 188,458 |
| Accounts receivable, net | 400,308 | 170,758 |
| Inventory | 184,719 | 135,333 |
| Payroll tax refund receivable | - | 19,715 |
| Prepaid expenses | 19,361 | 12,303 |
| Total current assets | <u>1,839,479</u> | <u>1,464,284</u> |
| Property and equipment | | |
| Vehicles | 224,359 | 220,659 |
| Office equipment | 14,989 | 14,989 |
| Furniture and fixtures | 7,288 | 7,288 |
| Nursery | 166,348 | 71,394 |
| Accumulated depreciation | (268,204) | (249,704) |
| Total net property and equipment | <u>144,780</u> | <u>64,626</u> |
| Total assets | <u><u>\$ 1,984,259</u></u> | <u><u>\$ 1,528,910</u></u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 32,685 | \$ 29,131 |
| Accrued expenses | 32,225 | 24,971 |
| Federal loan payable | 292,764 | 149,764 |
| Total current liabilities | <u>357,674</u> | <u>203,866</u> |
| Total liabilities | <u>357,674</u> | <u>203,866</u> |
| Net assets | | |
| Without donor restrictions | 1,561,017 | 1,229,941 |
| With donor restrictions | 65,568 | 95,103 |
| Total net assets | <u>1,626,585</u> | <u>1,325,044</u> |
| Total liabilities and net assets | <u><u>\$ 1,984,259</u></u> | <u><u>\$ 1,528,910</u></u> |

The accompanying notes are an integral part of these financial statements

Our City Forest
Statements of Activities
For the Years Ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|--------------|--------------|
| Net assets without donor restrictions | | |
| Support and revenue | | |
| Contributions and support | \$ 228,462 | \$ 207,153 |
| Government grants | 1,347,157 | 896,098 |
| Fees for services | 200,884 | 264,461 |
| Other revenue | 21,468 | 13,404 |
| In-kind contributions | 19,200 | 19,200 |
| Realized and unrealized gains and other income | 6,070 | 1,132 |
| Net assets released from restrictions | 167,188 | 140,826 |
| Total support and revenue | 1,990,429 | 1,542,274 |
| Expenses | | |
| Program services | 1,461,308 | 1,179,567 |
| Management and general | 198,484 | 147,040 |
| Fundraising | 35,136 | 33,854 |
| Total expenses | 1,694,928 | 1,360,461 |
| Increase in net assets without donor restrictions | 295,501 | 181,813 |
| Net assets with donor restrictions | | |
| Government and matching grants | 137,308 | 127,308 |
| Contributions and support | 420 | - |
| Corporation and foundation grants | 35,500 | - |
| Net assets released from restrictions | (167,188) | (140,826) |
| Increase (decrease) in net assets with donor restrictions | 6,040 | (13,518) |
| Change in net assets | 301,541 | 168,295 |
| Net assets, beginning of year | 1,325,044 | 1,156,749 |
| Net assets, end of year | \$ 1,626,585 | \$ 1,325,044 |

The accompanying notes are an integral part of these financial statements

Our City Forest
Statement of Functional Expenses
For the Year Ended June 30, 2021

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-----------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Wages and related expenses | | | | |
| Salaries | \$ 998,706 | \$ 87,178 | \$ 21,081 | \$ 1,106,965 |
| Payroll taxes | 78,585 | 6,940 | 1,660 | 87,185 |
| Benefits | 100,656 | 16,310 | 8,224 | 125,190 |
| Total wages and related expenses | <u>1,177,947</u> | <u>110,428</u> | <u>30,965</u> | <u>1,319,340</u> |
| Services and supplies | | | | |
| Communication | 8,090 | 1,063 | 270 | 9,423 |
| Depreciation | 21,439 | 5,360 | - | 26,799 |
| Dues and fees | 4,699 | 2,603 | - | 7,302 |
| Equipment and fuel | 31,282 | - | - | 31,282 |
| Field supplies | 41,822 | - | - | 41,822 |
| Insurance | 38,142 | 3,464 | - | 41,606 |
| Office expenses | 37,979 | 9,429 | 3,901 | 51,309 |
| Professional services | 7,556 | 52,925 | - | 60,481 |
| Rent | 79,800 | - | - | 79,800 |
| Site preparation | 460 | - | - | 460 |
| Staff and board development | 40 | 4,341 | - | 4,381 |
| Supplies | 8,159 | 8,487 | - | 16,646 |
| Travel | 1,379 | 384 | - | 1,763 |
| Uniform | 2,514 | - | - | 2,514 |
| Total services and supplies | <u>283,361</u> | <u>88,056</u> | <u>4,171</u> | <u>375,588</u> |
| Total expenses | <u>\$ 1,461,308</u> | <u>\$ 198,484</u> | <u>\$ 35,136</u> | <u>\$ 1,694,928</u> |

The accompanying notes are an integral part of these financial statements

Our City Forest
Statement of Functional Expenses
For the Year Ended June 30, 2020

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-----------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Wages and related expenses | | | | |
| Salaries | \$ 757,216 | \$ 57,461 | \$ 21,569 | \$ 836,246 |
| Payroll taxes | 58,878 | 4,860 | 1,724 | 65,462 |
| Benefits | 101,256 | 11,513 | 7,953 | 120,722 |
| Total wages and related expenses | <u>917,350</u> | <u>73,834</u> | <u>31,246</u> | <u>1,022,430</u> |
| Services and supplies | | | | |
| Communication | 8,208 | 1,258 | 67 | 9,533 |
| Depreciation | 16,607 | 4,152 | - | 20,759 |
| Dues and fees | 4,513 | 1,687 | - | 6,200 |
| Equipment and fuel | 28,001 | - | - | 28,001 |
| Field supplies | 49,365 | - | - | 49,365 |
| Insurance | 35,226 | 2,286 | - | 37,512 |
| Office expenses | 24,178 | 5,419 | 2,541 | 32,138 |
| Professional services | 6,668 | 52,257 | - | 58,925 |
| Rent | 71,868 | - | - | 71,868 |
| Site preparation | 920 | - | - | 920 |
| Staff and board development | 2,184 | 654 | - | 2,838 |
| Supplies | 10,128 | 5,403 | - | 15,531 |
| Travel | 1,667 | 90 | - | 1,757 |
| Uniform | 2,684 | - | - | 2,684 |
| Total services and supplies | <u>262,217</u> | <u>73,206</u> | <u>2,608</u> | <u>338,031</u> |
| Total expenses | <u>\$ 1,179,567</u> | <u>\$ 147,040</u> | <u>\$ 33,854</u> | <u>\$ 1,360,461</u> |

The accompanying notes are an integral part of these financial statements

Our City Forest
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

| | 2021 | 2020 |
|--|------------|------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 301,541 | \$ 168,295 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 26,799 | 20,759 |
| Gain on sale of equipment | (1,400) | - |
| Realized and unrealized gains on investments | (4,685) | (1,122) |
| Decrease (increase) in: | | |
| Government grants receivable | (129,038) | 415,355 |
| Accounts receivable, net | (229,550) | (59,133) |
| Inventory | (49,386) | (40,165) |
| Payroll tax refund receivable | 19,715 | (19,715) |
| Prepaid expenses | (7,058) | 20,872 |
| Increase (decrease) in: | | |
| Accounts payable | 3,554 | 14,551 |
| Accrued expenses | 7,254 | 6,991 |
| Net cash provided (used) by operating activities | (62,254) | 526,688 |
| Cash flows from investing activities | | |
| Proceeds from sale of equipment | 1,400 | - |
| Purchases of property and equipment | (106,953) | (31,134) |
| Net cash used by investing activities | (105,553) | (31,134) |
| Cash flows from financing activities | | |
| Proceeds from federal loan payable | 143,000 | 149,764 |
| Net cash provided by financing activities | 143,000 | 149,764 |
| Net increase (decrease) in cash and cash equivalents | (24,807) | 645,318 |
| Cash and cash equivalents, beginning of year | 926,576 | 281,258 |
| Cash and cash equivalents, end of year | \$ 901,769 | \$ 926,576 |

The accompanying notes are an integral part of these financial statements

Our City Forest
Notes to Financial Statements
June 30, 2021 and 2020

Note 1 – Organization and Nature of Activities

Our City Forest (the Organization) is a California nonprofit public benefit corporation founded in 1994 for the purpose of creating a sustainable community by involving the people of Silicon Valley in the development and protection of the urban forest.

Note 2 – Summary of Significant Accounting Policies

(a) Recently Adopted Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The Organization adopted this standard during the year ended June 30, 2020. The update had no impact on prior year net assets.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This standard outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an organization expects to receive in exchange for those goods or services. The Organization adopted this standard during the year ended June 30, 2020. Adoption resulted in no significant changes in the way the Organization recognizes revenue, and, therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

(b) Future Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard will take effect for all non-public companies for fiscal years beginning after December 15, 2021.

(c) Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

(d) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid investments with original maturities of 90 days or less, excluding cash received with a donor-imposed restriction that limits its use to long-term purposes.

(e) Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

(f) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Our City Forest
Notes to Financial Statements
June 30, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (continued)

(g) Property and Equipment

Property and equipment are capitalized at cost or fair value at the date of donation. It is Our City Forest's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Depreciation is provided over the estimated useful life of the asset and is computed on the straight-line method.

(h) Fair Value of Financial Instruments and Short-Term Investments

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level I – Inputs are quoted prices in active markets for identical assets.

Level II – Inputs are quoted prices in active or inactive markets for the same or similar assets.

Level III – Inputs are estimates using the best information available when there is little or no market.

The Organization is required to measure short-term investments, consisting of marketable securities, and related revenue at fair value using Level I inputs.

(i) Inventory

Inventory is stated at lower of cost or market and primarily consists of trees and stakes used in the Organization's normal course of program operations.

(j) Income Taxes

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

(k) Contributed Services

Contributed services that create or enhance non-financial assets or that require specialized skills, are recorded at their fair value in the period received. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but the value of these services does not meet the criteria for recognition as contributed services and are not reflected in the financial statements.

(l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions. The estimates and assumptions affect the assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(m) Functional Allocation of Expenses

The costs of providing various program services and general and administrative expenses have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to the related program or supporting services benefited. Accordingly, certain costs have been allocated among program services and supporting services benefited based on management's estimates. General and administrative 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.

Our City Forest
Notes to Financial Statements
June 30, 2021 and 2020

Note 3 – Government Grants Receivable

The Organization considers all government grants fully collectible; therefore, no allowance for uncollectibles was recorded. As of June 30, 2021 and 2020, government grants receivable consist of the following:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| AmeriCorp grant | \$ 217,496 | \$ 127,211 |
| Environmental Enhancement & Mitigation | - | 61,247 |
| Open Space Authority | 100,000 | - |
| Total | <u>\$ 317,496</u> | <u>\$ 188,458</u> |

Note 4 – Accounts Receivable

Management utilizes the reserve method of accounting for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. As of June 30, 2021 and 2020, management believed all outstanding accounts receivable are fully collectible.

Note 5 – Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 901,769 | \$ 926,576 |
| Short-term investments | 15,826 | 11,141 |
| Government grants receivable | 317,496 | 188,458 |
| Accounts receivable, net | 400,308 | 170,758 |
| Payroll tax refund receivable | - | 19,715 |
| | <u>1,635,399</u> | <u>1,316,648</u> |
| Less: | | |
| Funds with donor restrictions | <u>65,568</u> | <u>95,103</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,569,831</u> | <u>\$ 1,221,545</u> |

Note 6 – Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions as of June 30 were available for the following purposes:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| AmeriCorps Matching Grant | \$ - | \$ 26,081 |
| County Trees | 3,255 | 3,255 |
| County Mitigation | 44,250 | 44,250 |
| Rent | 4,342 | 4,342 |
| Other | <u>13,721</u> | <u>17,175</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 65,568</u> | <u>\$ 95,103</u> |

Our City Forest
Notes to Financial Statements
June 30, 2021 and 2020

Note 7 – Compensated Absences

Our City Forest has a combined vacation and sick pay compensation policy. Vacation and sick time is accumulated on the basis of length of service. As of June 30, 2021 and 2020, an accrual for this obligation is included in accrued expenses in the amount of \$16,679 and \$16,757, respectively.

Note 8 – Government Grants

For the years ended June 30, 2021 and 2020, government grants consist of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------|---------------------|-------------------|
| Federal Awards | \$ 570,252 | \$ 411,868 |
| State and Local Awards | 776,905 | 484,230 |
| Total | <u>\$ 1,347,157</u> | <u>\$ 896,098</u> |

For the years ended June 30, 2021 and 2020, government and matching grants included in net assets with donor restrictions on the Statements of Activities consist of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------|-------------|-------------|
| State and Local Awards | \$ 137,308 | \$ 127,308 |

Note 9 – Pension Plans

Our City Forest sponsors a defined contribution plan under IRC Section 403(b). The plan covers all employees who meet the eligibility requirements. The Organization may contribute up to fifteen percent of participating employees' salaries to the plan. Employer contributions are discretionary each year and become fully vested after seven years of service. For the years ended June 30, 2021 and 2020, contributions to the 403(b) plan were \$21,934 and \$21,881, respectively.

Note 10 – Payroll Tax Refund Receivable

During the year ending June 30, 2021, the Organization became aware that unemployment insurance had been remitted to the state of California on employees who did not qualify for the insurance benefits. The Organization requested refunds from the state of California for those periods that fell within the three year statute of limitations for which a refund claim can be filed. The entire balance was received during the year ended June 30, 2021.

Note 11 – In-Kind Contributions

For the years ended June 30, 2021 and 2020, in-kind contributions consist of the following:

| | <u>2021</u> | <u>2020</u> |
|----------------|-------------|-------------|
| Facility usage | \$ 19,200 | \$ 19,200 |

Note 12 – Concentration of Risk

The Organization maintains cash balances at two banks. On occasion, balances may temporarily exceed the FDIC insurance limit of \$250,000.

Excluding in-kind contributions, government grants account for 75% and 68% of the Organization's total revenue for the years ended June 30, 2021 and 2020, respectively.

Our City Forest
Notes to Financial Statements
June 30, 2021 and 2020

Note 13 – Lease Commitments

The Organization leased office space located on King Road in San Jose, CA until August 2021 at a base rent of \$3,600 per month and an additional \$1,500 per month for usage of the parking lot at that same location. As of September 1, 2021, the Organization is leasing office space located on Clark Street in San Jose, CA. The lease term is for one year, ending August 31, 2022, at a base rent of \$4,700 per month. Future minimum lease payments for the years ending June 30 are as follows:

| | |
|------|------------------|
| 2022 | \$ 47,000 |
| 2023 | <u>9,400</u> |
| | <u>\$ 56,400</u> |

Note 14 – COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The outbreak has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The uncertainties arising from the virus may present business risks with respect to the Organization and its future financial results.

Under the Paycheck Protection Program (PPP), the Organization entered into promissory notes evidencing unsecured loans in the amount of \$149,764 on April 28, 2020, through Customers Bank and also \$143,000 on March 23, 2021, through Heritage Bank of Commerce. The PPP was established under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and is administered by the U.S. Small Business Administration (SBA). Subject to the terms of the notes, the loans bear interest at a fixed rate of one percent (1%) per annum, with the first 6 months of interest deferred. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of permitted and eligible payroll costs, mortgage interest, rent and utilities. Interest payable on the note may be forgiven only if the SBA agrees to pay such interest on the forgiven principal amount of the note. Both loans were forgiven in November 2021.

Note 15 – Evaluation of Subsequent Events

The Organization has evaluated subsequent events to June 30, 2021, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through April 20, 2022, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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INDEPENDENT AUDITORS' 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

Board of Directors
Our City Forest

We have audited, in accordance with the 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, the financial statements of Our City Forest (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Our City Forest's internal control over financial reporting (internal control) as a basis for designing 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 Our City Forest's internal control. Accordingly, we do not express an opinion on the effectiveness of Our City Forest'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Our City Forest'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 financial statements. 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.



BOITANO & SARGENT
San Jose, California
April 20, 2022