

SEVENTH GENERATION ADVISORS

(A Not-for-Profit Corporation)

FINANCIAL STATEMENTS

For The Years Ended
February 29, 2024
and
February 28, 2023

SEVENTH GENERATION ADVISORS

(A Not-for-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT



To the Board of Directors
Seventh Generation Advisors
Santa Monica, California

Opinion

We have audited the accompanying financial statements of Seventh Generation Advisors (the “Organization”), a California not-for-profit corporation, which comprise the statements of financial position as of February 29, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of February 29, 2024 and 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

David C. Papotta, CPA

David C. Papotta, CPA
Simi Valley, California

October 18, 2024

SEVENTH GENERATION ADVISORS

(A Not-for-Profit Corporation)

STATEMENT OF FINANCIAL POSITION

As Of

	<u>02/28/23</u>	<u>02/29/24</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,424,438	\$ 758,259
Investments	7,957,448	10,512,550
Prepays and other current assets	-	-
Total Current Assets	<u>9,381,886</u>	<u>11,270,809</u>
Property and equipment, net	<u>942</u>	<u>942</u>
Total Assets	<u>\$ 9,382,828</u>	<u>\$ 11,271,751</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ -	\$ -
Due to related parties	-	-
Total Current Liabilities	<u>-</u>	<u>-</u>
Long-term debt: (EIDL)	<u>153,200</u>	<u>143,644</u>
Total Liabilities	<u>153,200</u>	<u>143,644</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	9,224,628	11,123,107
With donor restrictions	<u>5,000</u>	<u>5,000</u>
Total Liabilities and Net Assets	<u>\$ 9,382,828</u>	<u>\$ 11,271,751</u>

See accompanying notes to financial statements

SEVENTH GENERATION ADVISORS

(A Not-for-Profit Corporation)

STATEMENT OF ACTIVITIES For The Years Ended

	Without Donor Restrictions	
	<u>02/28/23</u>	<u>02/29/24</u>
REVENUES AND SUPPORT		
Grants	\$ 2,004,340	\$ 1,784,422
Contract services	303,202	198,667
Public support		
Individuals	119,059	36,952
Corporate	25,000	89,800
Net investment income (loss)	<u>(694,530)</u>	<u>1,791,321</u>
Total Revenues and Support	<u>1,757,071</u>	<u>3,901,162</u>
EXPENSES		
Program services	(542,818)	(440,684)
Support services	<u>(84,752)</u>	<u>(93,147)</u>
Total Expenses	<u>(627,570)</u>	<u>(533,831)</u>
COMMUNITY OUTREACH GRANTS	<u>(1,812,313)</u>	<u>(1,468,852)</u>
Changes in net assets	(682,812)	1,898,479
Net assets at beginning of year	<u>9,907,440</u>	<u>9,224,628</u>
Net assets at end of year	<u>\$ 9,224,628</u>	<u>\$11,123,107</u>

See accompanying notes to financial statements

SEVENTH GENERATION ADVISORS

(A Not-for-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended February 28, 2024

	Program Services	Support Services Management & General	Total
EXPENSES			
Salaries and related, including management fees to related party	\$ 171,450	\$ 59,050	\$ 230,500
Outside services	171,318	-	171,318
Utom scholarships	16,500	-	16,500
Travel including airfare, hotel and meals	51,442	-	51,442
Professional fees	-	27,500	27,500
Telephone	15,545	-	15,545
Wai Ola project	-	-	-
Office expenses	3,549	1,423	4,972
Alta Sea project	6,239	-	6,239
Insurance	-	2,763	2,763
Dues and subscriptions	2,886	-	2,886
Tools and supplies	730	-	730
Repairs and maintenance	1,000	-	1,000
Depreciation	-	-	-
Advertising and promotion	-	2,269	2,269
Miscellaneous	25	142	167
Total Expenses	<u>\$ 440,684</u>	<u>\$ 93,147</u>	<u>\$ 533,831</u>

See accompanying notes to financial statements

SEVENTH GENERATION ADVISORS

(A Not-for-Profit Corporation)

STATEMENT OF CASH FLOWS For The Years Ended

	<u>02/28/23</u>	<u>02/29/24</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (682,812)	\$ 1,898,479
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	762	-
(Increase) decrease in operating assets:		
Prepays and other current assets	-	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(700)	-
Due to related parties	-	-
Net cash provided by (used in) operating activities	<u>(682,750)</u>	<u>1,898,479</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchase) of investments, net	573,962	(2,555,102)
Purchase of equipment	-	-
Net cash provided by (used in) investing activities	<u>573,962</u>	<u>(2,555,102)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayment) of EIDL	-	(9,556)
Net cash provided by (used in) financing activities	<u>-</u>	<u>(9,556)</u>
Net increase (decrease) in cash and cash equivalents	(108,788)	(666,179)
Cash and cash equivalents – beginning of year	<u>1,533,226</u>	<u>1,424,438</u>
Cash and cash equivalents – end of year	<u>\$ 1,424,438</u>	<u>\$ 758,259</u>
Supplemental disclosure of cash flow information:		
Cash paid during the years for interest and income taxes were zero.		

See accompanying notes to financial statements

SEVENTH GENERATION ADVISORS

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024

Note 1 Nature of Organization

Seventh Generation Advisors (the “Organization”) was incorporated in the State of California during March 2007, but had no significant operations until December 2019. The Organization’s mission is to empower individuals and organizations to create and adopt solutions that protect our environment and fight climate change, based on the ancient First Nations philosophy that the decisions we make today should result in a sustainable world seven generations into the future. We recognize the link between climate, conservation and the health and well-being of all living things and we strive to initiate, support and implement projects that support this interconnection. We have cultivated deep partnerships in diverse issue areas that enables us to work at this intersection.

The Organization carries out its mission as follows:

- **Provide expertise and guidance:** To decision-makers in government, business, non-profit, academia, and other stakeholders (based on its team’s deep expertise in each of these sectors) on environmental policies that address the urgent need to take action. This work spans from sharing knowledge to designing and implementing new projects.
- **Partner:** With non-profit organizations and other key stakeholders on campaigns and initiatives that utilize bold tactics, including creative communications, value added project management, fundraising and investor education/outreach (based on its experience with environmental advocacy and celebrity empowerment/engagement, among other relevant skills).
- **Research and Educate:** It educates through speeches, op-eds, books, and blogs (including numerous widely published books and op-ed contributions through social media and news outlets).
- **Support and Coordinate:** As advisors it is uniquely positioned to serve as a hub of facilitation and support for its partners and projects.

Through the following programs:

- **Chimpanzees in Need** – Assist with costs for vital veterinary care, feeding and housing for the wild animals that are still at Southern California’s Wildlife Waystation.
- **Utom River Fund** - Manage the fund’s investments to maximize sustainable growth to ensure long-term funding for the Utom River (Santa Clara River in Ventura County) environmental and cultural goals.
- **Friends of KBLA** – Partner with KBLA Talk 1580 AM that gives disenfranchised fellow citizens a voice; an empowering, sustainable, and restorative language.
- **GEMA Fund** – Partner with Global Environment Media Association whose content platform is designed to educate, engage, and empower audiences to tell positive stories of progress about our planet.
- **Wai Ola Alliance Hawaii People’s Fund** – Assist with raising urgently needed support from Donors, Foundations and Corporations to protect the vital water resources and sacred lands of Hawaii.

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024

Note 2 Summary of Significant Accounting Policies

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

Basis of Presentation - The records of the Organization are maintained on the accrual basis of accounting in accordance with U.S. GAAP. Using this method, revenue is recognized when earned and expenses are recognized when incurred.

U.S. GAAP, effective with the adoption of FASB Accounting Standards Update (ASU) 2016-14, requires that the Organization present information about its financial position and activities in two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.
- Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations. Some of which are temporary in nature that may or will be met either by actions of the Organization and/or passage of time. Others are perpetual in nature that must be maintained in perpetuity. Investment income generated from these funds is typically available for general support of the Organization's programs and operations.

There was only \$5,000 of net assets with donor restrictions at February 29, 2024 and 2023.

Cash and Cash Equivalents (Concentration of Credit Risk) - For purposes of the statement of cash flows, management considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The original carrying value of cash and cash equivalents approximates fair value due to the short maturities of those financial instruments.

The Federal Deposit Insurance Corporation insures cash in checking, money market and savings accounts up to \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash and cash equivalents, as it banks with a large national institution.

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024

Note 2 Summary of Significant Accounting Policies (continued)

Property and Equipment (Depreciation) - Property and equipment are reported at cost or, if donated, at the approximate fair value at the date of donation. Donations are recorded as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 7 years, which was \$- for the year ended February 29, 2024. The Organization's policy is to capitalize asset purchases in excess of \$500.

These assets are regularly evaluated for recoverability, and when an impairment of the ultimate recoverability of the assets exists, a write-down is recorded. Impairments exist when management estimates that the undiscounted cash flows from the use and eventual disposition of these assets is less than their book values. No impairment losses were recorded during 2024 through 2020, nor does management believe they will occur in the near future.

Revenue Recognition (Significant Donors) - Revenues from the following program is recognized when:

- Contract Services – Oversight of environmental projects implementation is recognized on time-and-material fixed price contracts to the extent of billable rates applied to hours delivered, plus material and other out-of-pocket expenses incurred.

One significant donor accounted for 75% of the Organization's revenues during 2024. Two significant donors accounted for 70% and 23% of the Organization's revenues during 2023.

Income Tax Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization is classified as a private foundation under IRC Section 509(a)(2).

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 method for tax and financial reporting.

U.S. GAAP provides accounting and disclosure guidance about positions taken by an Organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt Organization tax returns are more likely than not to be sustained upon examination, except for the matters described in Note 6. The Organization's returns are subject to examination by federal and state taxing authorities, generally for four years after they are filed.

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024

Note 2 Summary of Significant Accounting Policies (continued)

Advertising - The Organization expenses advertising costs as they are incurred. However, advertising expenses have been minimal since inception through 2024.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services - Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received. During the current year, the Organization did not have any donated services received that were required to be reported.

Note 3 Liquidity

The Organization does not have any significant restrictions on its funds. And the Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term program and operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of its liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

Note 4 Investments

The Organization's investments in stocks and mutual funds totaling \$10.5 and \$8.0 million were valued by management using only Level 1 input techniques at February 29, 2024 and 2023, respectively. The Organization holds these investments for the purpose of raising money to support future program needs.

These stock and mutual fund investments with readily determinable fair values are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses and other investment income are included in the change in net assets, net of advisory fees and similar expenses.

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024

Note 4 Investments (continued)

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities the Organization can access.
- Level 2 inputs are other observable data for the asset or liability (other than quoted prices included within Level 1).
- Level 3 inputs are unobservable data for the asset or liability and rely on management's own assumptions about the data that market participants would use in pricing the asset or liability. This unobservable data should be developed based on the best information available in the circumstances and may include the Organization's own data.

Note 5 Economic Injury Disaster Loan

The Organization obtained a \$150,000 Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA) dated May 21, 2020, that now requires monthly principal and interest (effective rate of 2.75%) installments of \$641 beginning June 2022, which matures May 2052. This loan is secured by substantially all the assets of the Organization, and has an outstanding balance of \$143,644 at February 29, 2024.

Note 6 Income Taxes

Provision for Income Taxes - Although the Organization is exempt from federal and state income tax liability, the California Attorney General (AG) and taxing agencies have been scrutinizing any charity with activities that may result in discovery of Unrelated Business Income (UBI) and corresponding income taxes. As shown in the statement of activities, the Organization has had significant net income, but management and its tax counsel believe no provision for income taxes is necessary even after factoring in possible UBI.

Unrecognized Tax Obligation - Again management and its tax counsel believe its tax positions will be sustained, however, the UBI and other matters under scrutiny for certain programs by the AG and taxing agencies lack clear guidance. Management cannot predict the outcome of any audits and any follow up from taxing agencies and an estimate of any tax assessment is undeterminable. As a result, no liability has been recorded by the Organization and any tax payments for the 2024 through 2021 filings will be charged to activities in the period of determination.

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024

Note 7 Related Party Transactions

Management Company - The Organization entered into an advisory and program support agreement with a company, SGC Advisors, that is controlled by one of its officers. This management agreement expires December 31 of each year, but has annual renewal options that have been exercised since its inception in 2019. This related party manages certain programs on behalf of the Organization, and in return currently receives approximately \$15,000 per month, plus reimbursement of any mutually approved out-of-pocket expenses.

Management fees charged by this related party amounted to \$140,500 and \$190,950 during 2024 and 2023, respectively, and there was no balance due this related party at February 29, 2024 and 2023.

Landlord (Lease Commitment) - The Organization does not have any lease agreement for administrative facilities, and instead is supplied with shared office space and other resources from SGC Advisors under the above agreement.

Other Not-for-Profit Corporation - During 2024 and 2023 the Organization made \$300,000 and \$200,000, respectively, of donations to a related party, Wishtoyo Foundation. Additional details about these grants are described in Note 8. The Organization and this related party shares Board members.

As described above, the Organization, SGC Advisors, and Wishtoyo Foundation have engaged in intercompany transactions and have common Board members. The existence of this common management and control may result in different operating results or financial position of the Organization if it were autonomous. U.S. GAAP requires that the Organization test entities with common control and engage in intercompany transactions to determine whether the entity is a variable interest entity that should be consolidated into the Organization's financial statements. But through the adoption of ASU No. 2018-17, management has elected the private company exemption, and thus is not applying variable-interest entity guidance and related consolidation considerations on these related parties or other commonly controlled entities.

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NOTES TO FINANCIAL STATEMENTS

February 29, 2024

Note 8 Community Outreach Grants

The Organization's Board of Directors has stipulated that 50% or more of the end of year increase in net assets (profits), excluding government assistance, must be donated to another charity, preferably in the local environmental community. For 2024, Save the Chimps and similar organizations received approximately \$370,000; Wishtoyo Foundation received \$300,000; and CA Native Plant Society, Santa Ynez Band of Chumash Indians, Center for Biological Diversity and KBLA each received \$200,000; all of which were included in the \$1,468,852 in community outreach grants as shown on the statement of activities. For 2023, Save the Chimps and similar organizations received approximately \$1 million and CA Native Plant Society, Santa Ynez Band of Chumash Indians, Center for Biological Diversity and Wishtoyo Foundation each received \$200,000, all of which were included in the \$1,812,313 in community outreach grants as shown on the statement of activities.

Note 9 Uncertainties

In the ordinary course of conducting business, the Organization becomes involved in various disputes resulting in claims or assessments made against the Organization. There are no pending disputes that management believes will have a material effect on the Organization's financial position or results of activities.

Note 10 Subsequent Events

Subsequent events have been evaluated through October 18, 2024, which is the date the financial statements were available to be issued.

Worldwide Emergencies - The Coronavirus Pandemic was a major disruption to the entire world and now we are all reeling from the more recent Russia-Ukraine and Israel-Hamas conflicts. And the not-for-profit industry is not immune to a significant downturn when the economy slows or worse goes into a recession because of worldwide emergencies like these. Accordingly, such changes could materially affect the Organization's account balances and the amounts shown in the statement of financial position at February 29, 2024.