

MATTER OF TRUST, INC.

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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### FINANCIAL SECTION

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ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of Matter of Trust, Inc.:

We have reviewed the accompanying statement of financial position of Matter of Trust, Inc. (a California Nonprofit Public Benefit Corporation) as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Deborah K. Daly, CPA  
Pleasanton, California  
June 27, 2016

Matter of Trust, Inc.  
Statement of Financial Position  
December 31, 2015

|   | <u>Total<br/>2015</u>  |
|---|------------------------|
| <b>ASSETS</b>                             |                        |
| Cash                                      | \$31,659               |
| Prepaid expenses                          | <u>2,899</u>           |
| <b>TOTAL CURRENT ASSETS</b>               | <u>34,558</u>          |
| Deposits                                  | <u>15,000</u>          |
| <b>TOTAL ASSETS</b>                       | <u><u>\$49,558</u></u> |
| <b>LIABILITIES</b>                        |                        |
| Accounts payable                          | \$5,231                |
| Accrued compensation                      | <u>3,445</u>           |
| <b>TOTAL CURRENT LIABILITIES</b>          | <u>8,676</u>           |
| <b>NET ASSETS</b>                         |                        |
| Unrestricted                              | <u>40,882</u>          |
| <b>TOTAL NET ASSETS</b>                   | <u>40,882</u>          |
| <b>TOTAL LIABILITIES &amp; NET ASSETS</b> | <u><u>\$49,558</u></u> |

See independent accountant's review report and notes to the financial statements.

Matter of Trust, Inc.  
Statement of Activities  
For the year ended December 31, 2015

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total<br/>2015</u> |
|---|---------------------|-----------------------------------|-----------------------|
| Support and Revenue                       |                     |                                   |                       |
| Support                                   |                     |                                   |                       |
| Donations                                 | \$109,984           |                                   | \$109,984             |
| Grants & awards                           | 199,500             | \$145,000                         | 344,500               |
| Revenue                                   |                     |                                   |                       |
| Facility rental                           | 5,091               |                                   | 5,091                 |
| Program fees                              | 8,534               |                                   | 8,534                 |
| Eco-Center gift shop                      | 16,504              |                                   | 16,504                |
| Restrictions released                     |                     |                                   |                       |
| Purpose and time restrictions released    | 145,000             | (145,000)                         |                       |
| Total revenue and support                 | <u>484,613</u>      |                                   | <u>484,613</u>        |
| Expenses                                  |                     |                                   |                       |
| Program services                          |                     |                                   |                       |
| Manmade Surplus                           | 114,013             |                                   | 114,013               |
| Natural Abundance                         | 56,236              |                                   | 56,236                |
| Eco-Education                             | 242,887             |                                   | 242,887               |
| Supporting services                       |                     |                                   |                       |
| Management and general                    | 42,549              |                                   | 42,549                |
| Fund-raising                              | 5,376               |                                   | 5,376                 |
| Total expenses                            | <u>461,061</u>      |                                   | <u>461,061</u>        |
| Changes in net assets                     | <u>23,552</u>       |                                   | <u>23,552</u>         |
| Net assets at beginning of year           |                     |                                   |                       |
| As previously reported                    | 12,344              |                                   | 12,344                |
| Prior period adjustments                  | 4,986               |                                   | 4,986                 |
| Net assets at beginning of year, restated | <u>17,330</u>       |                                   | <u>17,330</u>         |
| Net assets at end of year                 | <u>\$40,882</u>     |                                   | <u>\$40,882</u>       |

See independent accountant's review report and notes to the financial statements.

Matter of Trust, Inc.  
Statement of Functional Expenses  
For the year ended December 31, 2015

|                            | Program Services   |                      |                   |                           | Supporting Services     |                  |                              | Total     |
|----------------------------|--------------------|----------------------|-------------------|---------------------------|-------------------------|------------------|------------------------------|-----------|
|                            | Manmade<br>Surplus | Natural<br>Abundance | Eco-<br>Education | Program<br>Services Total | Management<br>& General | Fund-<br>Raising | Supporting<br>Services Total | 2015      |
| Salaries & wages           |                    |                      | \$41,006          | \$41,006                  | \$13,821                |                  | \$13,821                     | \$54,827  |
| Payroll taxes              |                    |                      | 4,484             | 4,484                     | 1,511                   |                  | 1,511                        | 5,995     |
| Employee benefits          |                    |                      | 1,176             | 1,176                     | 397                     |                  | 397                          | 1,573     |
| Total compensation         |                    |                      | 46,666            | 46,666                    | 15,729                  |                  | 15,729                       | 62,395    |
| Conferences / meetings     |                    |                      | 2,276             | 2,276                     |                         |                  |                              | 2,276     |
| Cost of goods sold         |                    |                      | 6,127             | 6,127                     |                         |                  |                              | 6,127     |
| Donations                  |                    |                      | 300               | 300                       |                         |                  |                              | 300       |
| Dues, fees & other charges | \$1,000            |                      | 448               | 1,448                     | 2,898                   |                  | 2,898                        | 4,346     |
| Insurance                  | 1,645              | \$790                | 3,486             | 5,921                     | 592                     | \$66             | 658                          | 6,579     |
| Interest expense           |                    |                      |                   |                           | 163                     |                  | 163                          | 163       |
| Marketing / outreach       |                    |                      | 2,474             | 2,474                     | 966                     | 966              | 1,932                        | 4,406     |
| Outside services           | 107,969            | 13,082               | 62,886            | 183,937                   | 21,685                  | 4,289            | 25,974                       | 209,911   |
| Postage                    |                    | 12                   | 435               | 447                       | 25                      |                  | 25                           | 472       |
| Printing                   |                    | 177                  | 231               | 408                       |                         |                  |                              | 408       |
| Program materials          | 1,900              | 33,846               | 9,336             | 45,082                    |                         |                  |                              | 45,082    |
| Rent                       |                    | 7,660                | 97,900            | 105,560                   |                         |                  |                              | 105,560   |
| Telephone / internet       | 1,363              | 654                  | 2,888             | 4,905                     | 491                     | 55               | 546                          | 5,451     |
| Travel                     | 136                | 15                   | 2,846             | 2,997                     |                         |                  |                              | 2,997     |
| Utilities                  |                    |                      | 4,588             | 4,588                     |                         |                  |                              | 4,588     |
| Total expenses             | \$114,013          | \$56,236             | \$242,887         | \$413,136                 | \$42,549                | \$5,376          | \$47,925                     | \$461,061 |

See independent accountant's review report and notes to the financial statements.

Matter of Trust, Inc.  
Statement of Cash Flows  
For the year ended December 31, 2015

|   | Total<br>2015 |
|---|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |               |
| Increase (decrease) in net assets   | \$23,552      |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: |               |
| Prior period adjustments  | 4,986         |
| (Increase) decrease in operating assets   |               |
| Prepaid expenses & deferred charges   | (17,899)      |
| Increase (decrease) in operating liabilities  |               |
| Accounts payable  | 1,996         |
| Accrued compensation  | 3,445         |
| NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES  | 16,080        |
| BEGINNING CASH AND CASH EQUIVALENTS   | 15,579        |
| ENDING CASH AND CASH EQUIVALENTS  | \$31,659      |

See independent accountant's review report and notes to the financial statements.

NOTE A – SUMMARY OF ACTIVITIES:

Matter of Trust, Inc. (the Organization) was formed in 1998 under the Connecticut Revised Nonstock Corporation Act and subsequently incorporated in California in 2003 under the Public Benefit Corporation laws. Matter of Trust, Inc. are eco-enthusiasts for renewable resources with programs that promote recycling, sorting waste into useful stockpiles, diverting compostables from landfills and providing eco-education.

NOTE B – PROGRAMS

The Organization accomplishes its mission through three main programs and several projects within those programs:

**Manmade Surplus:** The Organization matches individuals and businesses that wish to donate goods to participants who wish to receive those goods via the Excess Access project. This online project provides members with the ability to donate goods and materials to those in need which results in keeping those items out of the waste stream. This project has expanded beyond the United States and now is available in Canada, Mexico, United Kingdom, France, Australia and New Zealand.

**Natural Abundance:** The Organization provides an awareness on large scale green/brown waste recycling with the goal of creating enough compost to cover millions of acres of government owned grazed rangelands, through the Global Compost Project. Information disseminated includes composting soil everywhere to help boost photosynthesis so nature can sequester more carbon back into the earth. In addition, the Clean Wave project uses hair clippings and other fiber waste donations that are collected and transformed into felted oil spill adsorbant hair mats and “booms” to clean contaminated water ways and storm drains.

**Eco-Education:** Provides education in the Organization’s Eco-Center which is an access point where youth and families learn about the eco-industrial revolutionary period of today with the goal of having students become a part of the solution. This includes internships and the summer LEAF Academy. In addition, visitors can purchase various recycling and renewable resource related items in the Eco-Center gift shop.

NOTE C – SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Temporarily restricted net assets include those, which are subject to a donor restriction and for which the restriction was not met at the end of the current reporting period. Permanently restricted net assets include those assets which are subject to non-expiring donor restrictions, such as endowments. The Organization currently has no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



NOTE C - SIGNIFICANT ACCOUNTING POLICIES (continued):

Income Taxes

The Organization is not classified as a private foundation and is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code and Section 23701(d) of the California Code. The Organization is considered a publicly supported organization. The Financial Accounting Standards Boards prescribes a recognition threshold and a measurement attribute for financial statement recognition of tax positions taken or expected to be taken on a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies and does not believe any material tax positions exist. The Organization's federal and state informational returns for the years ending December 31, 2012 through December 31, 2014 are subject to examination by regulatory agencies; generally for three years after they have been filed.

Fair Value Measurements

Fair value is defined as 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. In determining fair value, the Organization uses a fair value hierarchy which is categorized into three levels as follows:

Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these balances does not entail a significant degree of judgment. Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets from those willing to trade that are not active or for which other inputs can be corroborated by market data. Level 3 – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement and represent the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization currently does not have any assets being measured at fair value.

Indirect Cost Allocations

Shared expenses (such as occupancy, telephone, supplies, etc) are allocated to program and supporting services based on employees working in each area as estimated by management.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash accounts, regardless of maturity, to be cash and cash equivalents.

Revenue Recognition

The Organization recognizes support and revenue on the accrual basis of accounting. The Organization's programs are supported primarily by grants and awards from foundations and donations from individuals and corporations.

Contributions

Contributions are recognized when a donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of any donor restriction and depending on whether the restriction is met in the current reporting period. Restricted contributions are reported as increases in temporarily restricted net assets and reclassified to unrestricted net assets when donor restrictions are fulfilled.

Matter of Trust, Inc.  
Notes to Financial Statements  
December 31, 2015

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (continued):

In-Kind Contributions

Donated equipment and other donated goods are recorded at their estimated fair market value on the day of donation. Donated services are recognized as contributions if the services create or enhance a financial asset or require specialized skills which the donor has and would otherwise be purchased by the Organization. During the year ended December 31, 2015 the Organization received donated services from unpaid volunteers who assist in program services that do not satisfy the criteria for recognition under generally accepted accounting principles. Management estimates approximately 3,000 hours were contributed to the Organization by various volunteers during the year ended December 31, 2015.

NOTE D – OPERATING LEASES

The Organization is obligated under a non-cancelable lease agreement for office space in San Francisco. The lease agreement expires in March 2016. Future minimum lease payments are \$23,871 for the year ending December 31, 2016. Rent expense, under this agreement, for the year ending December 31, 2015 is \$105,560.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

For the year ended December 31, 2015 the Organization's temporarily restricted net asset activity is as follows:

| <u>Restricted Purpose</u>         | <u>Beginning</u> | <u>Additions</u> | <u>Released</u>    | <u>Ending</u> |
|-----------------------------------|------------------|------------------|--------------------|---------------|
| LEAF Academy                      | \$0              | \$25,000         | (\$25,000)         | \$0           |
| Eco-Center                        | \$0              | \$100,000        | (\$100,000)        | \$0           |
| Heart of the City Farmers' Market | \$0              | \$20,000         | (\$20,000)         | \$0           |
| Total                             | <u>\$0</u>       | <u>\$145,000</u> | <u>(\$145,000)</u> | <u>\$0</u>    |

NOTE F – PRIOR PERIOD ADJUSTMENT

During the year ending December 31, 2015 management made the decision to convert their accounting method from cash to accrual basis. This resulted in a decrease in net assets of \$2,514. In addition, an adjustment was required to recognize the full deposit under the lease agreement. This resulted in an increase in net assets of \$7,500. The total adjustment to net assets is an increase of \$4,986.

NOTE G – RELATED PARTIES

The Secretary of the Board is married to the Treasurer of the Board. The Secretary is also the managing Executive Director of the Organization and has worked pro-bono / voluntarily for the Organization since its inception. In addition, the Secretary and the Treasurer have contributed significant donations to the Organization.

NOTE H – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end, December 31, 2015, through June 27, 2016 the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.