KPMG

SIERRA CLUB FOUNDATION

Financial Statements

December 31, 2019

(With Independent Auditors' Report Thereon)

SIERRA CLUB FOUNDATION

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KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The Board of Directors
Sierra Club Foundation:

We have audited the accompanying financial statements of Sierra Club Foundation (the Foundation), which comprise the balance sheet as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows 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 U.S. generally accepted accounting principles; 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 auditors' 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 Foundation as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2 to the financial statements, in 2019, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

San Francisco, California
May 15, 2020

SIERRA CLUB FOUNDATION

Balance Sheet

December 31, 2019
(With comparative totals as of December 31, 2018)

Assets		2019	2018
Cash and cash equivalents	$	46,173,320	25,820,793
Contributions receivable, pledges, and bequests, net		23,236,843	27,930,288
Contributions receivable, other		15,142,931	5,564,357
Contributions receivable, charitable trusts, net		7,623,311	6,235,776
Investments		109,978,996	90,482,632
Assets held under split interest agreements		16,699,604	13,728,394
Other assets		3,992,984	3,342,985
Total assets	$	222,847,989	173,105,225
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	2,723,101	763,161
Grants payable		12,775,382	10,853,782
Liabilities under split interest agreements		15,873,220	14,038,736
Total liabilities		31,371,703	25,655,679
Net assets:			
Without donor restrictions:			
Undesignated		17,985,730	15,670,327
Designated		60,331,311	24,615,757
Total without donor restrictions		78,317,041	40,286,084
With donor restrictions		113,159,245	107,163,462
Total net assets		191,476,286	147,449,546
Total liabilities and net assets	$	222,847,989	173,105,225

See accompanying notes to financial statements.

SIERRA CLUB FOUNDATION

Statement of Activities

Year ended December 31, 2019
(With summarized totals for the year ended December 31, 2018)

	Year ended December 31, 2019			Year ended December 31, 2018
	Without donor restrictions	With donor restrictions	Total	Total
Revenues, gains, and other support:				
Contributions	$ 50,046,442	56,844,492	106,890,934	93,532,837
Contributions related to split-interest agreements	528,208	—	528,208	647,843
Bequests	4,847,885	3,545,091	8,392,976	6,509,305
Total contributions	55,422,535	60,389,583	115,812,118	100,689,985
Net gains (losses) from investments	9,742,893	6,657,250	16,400,143	(5,158,382)
Interest and dividends	1,310,900	428,660	1,739,560	1,792,310
Net change in value of split-interest agreements	(237,460)	2,750,426	2,512,966	(1,483,523)
Other income	1,469,358	—	1,469,358	1,163,708
Net assets released from restrictions	64,230,136	(64,230,136)	—	—
Total revenues, gains, and other support	131,938,362	5,995,783	137,934,145	97,004,098
Expenses:				
Program services	80,102,181	—	80,102,181	73,777,145
Support services:				
Administrative	1,812,040	—	1,812,040	1,768,386
Fundraising	11,993,184	—	11,993,184	9,388,357
Total expenses	93,907,405	—	93,907,405	84,933,888
Change in net assets	38,030,957	5,995,783	44,026,740	12,070,210
Net assets, beginning of year	40,286,084	107,163,462	147,449,546	135,379,336
Net assets, end of year	$ 78,317,041	113,159,245	191,476,286	147,449,546

See accompanying notes to financial statements.

SIERRA CLUB FOUNDATION

Statement of Functional Expenses

Year ended December 31, 2019
(With summarized totals for the year ended December 31, 2018)

	Year ended December 31, 2019					Year ended December 31, 2018
		Support services				
	Program services	Administrative	Fundraising	Subtotal	Total	Total
Grants	$ 79,693,272	—	—	—	79,693,272	73,450,839
Reimbursement for fundraising services	—	—	10,023,000	10,023,000	10,023,000	6,999,996
Fundraising – other	—	—	752,689	752,689	752,689	1,041,138
Salaries	239,414	797,307	7,617	804,924	1,044,338	1,022,946
Employee benefits and taxes	73,762	267,745	2,509	270,254	344,016	312,626
Professional services	27,183	449,373		449,373	476,556	388,123
Rent	20,309	73,168	326	73,494	93,803	93,791
Board of directors meetings	—	50,462	—	50,462	50,462	41,695
Office equipment and supplies	6,913	12,597	68	12,665	19,578	18,877
Software and hosting services	—	—	1,206,386	1,206,386	1,206,386	1,331,760
Depreciation	3,736	13,460	60	13,520	17,256	19,899
Travel	10,750	30,495	144	30,639	41,389	38,555
Insurance	5,466	19,691	88	19,779	25,245	21,006
Bank charges	—	3,855	—	3,855	3,855	6,289
Printing and copying	2,842	10,239	46	10,285	13,127	12,598
Regulatory compliance fees	—	14,877	—	14,877	14,877	22,168
Postage and shipping	446	1,607	7	1,614	2,060	2,121
Publications	—	14,561	—	14,561	14,561	13,136
Miscellaneous	18,088	52,603	244	52,847	70,935	96,325
	$ 80,102,181	1,812,040	11,993,184	13,805,224	93,907,405	84,933,888

See accompanying notes to financial statements.

SIERRA CLUB FOUNDATION

Statement of Cash Flows

Year ended December 31, 2019
(With comparative totals for the year ended December 31, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 44,026,740	12,070,210
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,256	19,899
Contributions of investment securities and noncash gifts	(2,681,241)	(2,642,375)
Contributions restricted for long-term investment	(21,460)	(1,045,193)
Net (gain) loss on investments	(16,400,143)	5,158,382
Changes in operating assets and liabilities:		
Contributions receivable, net	(6,272,664)	(25,362,435)
Other assets	(665,237)	(323,451)
Accounts payable	1,959,940	615,424
Grants payable	1,921,600	2,152,448
Liabilities under split-interest agreements	1,903,713	429,801
Net cash provided by (used in) operating activities	23,788,504	(8,927,290)
Cash flows from investing activities:		
Proceeds from sale of investments	84,030,893	68,189,812
Purchase of investments	(84,515,102)	(73,593,746)
Purchase of property and equipment	(2,018)	(5,840)
Change in assets held under split-interest agreements	(2,971,210)	506,305
Net cash used in investing activities	(3,457,437)	(4,903,469)
Cash flows from financing activity:		
Contributions restricted for long-term investment	21,460	1,045,193
Net cash provided by financing activity	21,460	1,045,193
Net change in cash and cash equivalents	20,352,527	(12,785,566)
Cash and cash equivalents, beginning of year	25,820,793	38,606,359
Cash and cash equivalents, end of year	$ 46,173,320	25,820,793

See accompanying notes to financial statements.

(1) Nature of Operations

The mission of Sierra Club Foundation (the Foundation) is to promote efforts to educate and empower people to protect and improve the natural and human environment. The Foundation primarily fulfills its mission through fiscal sponsorship of Sierra Club's charitable programs, including those of its state and local affiliates.

The Foundation retains variance power, as defined by accounting principles generally accepted in the United States of America (U.S. GAAP), over all charitable funds it receives and, as such, directs grants to Sierra Club and other organizations that will best fulfill the Foundation's charitable mission. For grants to Sierra Club, as fiscal sponsor, the Foundation exercises control and discretion over reimbursement of project expenditures as defined in Internal Revenue Service (IRS) regulations.

Grants are provided to organizations to support charitable, educational, scientific, and legal endeavors. The Foundation provides limited support for lobbying activities as permitted by Section 501(h) of the Internal Revenue Code. No support is provided for political activities.

(2) Basis of Presentation and Summary of Significant Accounting Policies

These financial statements, which are presented on the accrual basis of accounting in accordance with U.S. GAAP, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor imposed restrictions.

Net assets and changes therein are classified as follows:

Net assets without donor restrictions – Net assets not subject to donor imposed restrictions. It is the policy of the Foundation to designate donor gifts without restriction at the discretion of the board of directors. The board of directors has designated certain net assets without donor restrictions primarily for the following uses:

Designated for geographic and other program expenditures – Funds available for regional, local, and other programs throughout the United States

Designated for gift annuity payments – Funds available for beneficiary payments to meet the obligation under gift annuity contracts

Designated for endowment – Gifts without donor restrictions designated by the board of directors to provide long-term support for specific programs

Designated for donor-advised granting – Funds designated for donor-advised grants are available for distribution upon recommendation by the donor

Net assets with donor restrictions – Net assets subject to donor imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, 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 endowments and other funds subject to donor-imposed stipulations requiring that they be maintained permanently by the Foundation. The income from these assets is available for either general operations or specific programs as specified by the donor.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions.

Contributions of gifts in-kind, including investment securities, are recorded as revenue at their estimated fair value in the period received. Contributions are recorded as support without donor restrictions unless the donor has stipulated the period the asset is to be used, in which case, the contribution is recorded as support with donor restrictions.

Program services expenses are primarily grants to Sierra Club as the Foundation fulfills its fiscal sponsorship of Sierra Club's charitable environmental programs. Grants are the means through which the Foundation achieves its mission to "protect and improve natural and human environment."

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of funds in checking accounts and money market demand accounts with an original maturity of three months or less. These accounts are at financial institutions that are Federal Deposit Insurance Corporation insured up to $250,000. The balances in excess of insurance limits at December 31, 2019 and 2018 are $45,541,583 and $9,769,799, respectively. The Foundation may draw on these deposits and funds at any time.

(b) Investments

Investments in marketable equity securities and all debt securities are reported at fair value. Investments in alternative investments, such as hedge funds, limited liability companies, and limited partnerships, are also reported at fair value or net asset value (NAV) as estimated by management based upon information provided by the general partner.

(c) Split Interest Agreements

The Foundation enters into split interest agreements in the form of gift annuities, trusts, and pooled income funds. The donated assets are held by the Foundation and invested. Payments are made to the donor or the donor's designee for a specified period of time or until the beneficiary's death, after which time the Foundation may use the remaining funds for operations or a restricted use specified by the donor. The donated trust asset investments are recorded at current fair value or at an estimated fair value based on the latest available information. The Foundation utilizes an IRS-approved annuity table to actuarially calculate the liability associated with the estimated donor payments under these arrangements. The present value of the actuarially determined liability resulting from these gifts is recorded at the date of gift and adjusted annually thereafter. The resulting liability is reported in the balance sheet as “liabilities under split-interest agreements,” and the net change is reported in the statement of activities as “net change in value of split interest agreements.”

(d) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, contributions receivable, and accounts payable approximate fair value because of the short-term maturity of these financial instruments. Contributions receivable are recorded with payments due in excess of one year discounted using risk-adjusted rates to approximate fair value. Charitable trusts receivable are held at fair value using the income approach employing present value techniques that maximize the use of observable inputs for interest rates, yield curves, and life expectancy tables, and are adjusted annually. The carrying amounts of the annuity and life income payable are based on life expectancies and quoted market prices, discounted at risk-adjusted rates. The values recorded for contributions and charitable trusts receivable and for annuity and life income payable based on the above valuation methodologies approximate fair values at December 31, 2019 and 2018.

(e) Grants

Grants are made by the Foundation for programs preapproved by the board of directors and are not recorded as expense until prescribed conditions are substantially met.

(f) Functional Expense Allocation

The allocation between program and support expenses is based on the assignment of payroll, related personnel costs, occupancy, and other office expenses using estimates of time spent on program versus fundraising or administrative activities, as well as direct assignment of certain expenses to relevant activities.

(g) Use of Estimates

Management of the Foundation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates.

(h) Tax-Exempt Status

The Foundation has been recognized by the IRS as an organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and has been recognized by the California Franchise Tax Board as an organization that is tax-exempt under Section 23701(d) of the Revenue and Taxation Code of the State of California and is not generally subject to state or federal taxes on income. In addition, the IRS has determined that the Foundation is a public charitable organization as defined in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code and thus the Foundation is exempt from the excise tax on investment income.

(i) Uncertainty in Income Taxes

The Foundation is subject to income taxes in the United States and California on unrelated business income. The Foundation has identified and evaluated its significant tax positions for which the statute of limitations remains open and determined there is no material unrecognized benefit or liability to be recorded. The Foundation's federal returns are currently open under the statute of limitations for the year ended December 31, 2016 and subsequent years, and California returns are open for the year ended December 31, 2015 and subsequent years. The Foundation does not anticipate that there will be any material changes in the unrecognized tax positions over the next 12 months. There have been no related tax penalties or interest classified as a tax expense in the statement of activities.

(j) Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 Foundation's financial statements for the year ended December 31, 2018, from which the summarized information is derived.

(k) Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update remove or modify certain disclosure requirements. The new standard is effective for the Foundation on January 1, 2020. The adoption of ASU No. 2018-13 is not expected to have a significant impact on the Foundation's related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction. Additional guidance about when a contribution should be recognized is also included in the amendments. These amendments apply to both resources received by a recipient and given by a resource provider. The Foundation adopted this standard on a modified prospective basis in 2019 as a resource recipient. As a result of this standard, the Foundation has considered barriers that must be overcome before contributions are recognized.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require presentation of amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents on the statement of cash flows. The Foundation adopted this standard retrospectively in 2019. The adoption of this standard did not have a material impact to the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The standard introduces new requirements to increase transparency and comparability amongst organizations for leasing transactions for both lessees and lessors. ASU No. 2016-02 requires a lessee to record right-of-use asset and a lease liability for all leases with terms longer than 12 months. The leases will be either financing or operating, with classification affecting the pattern of expense recognition. As the result of ASU No. 2019-10, *Effective Dates*, which includes Topic 842, the new standard is effective for the Foundation on January 1, 2021. However, the FASB has tentatively decided to defer this effective date for one year. Management is in the process of determining the effect of the standard on its ongoing financial reporting.

(l) Reclassifications

Certain money market fund, cash and cash equivalent balances in the 2018 financial statements and notes have been reclassified to conform to the 2019 presentation.

(3) Contributions Receivable, Pledges, and Bequests

Contributions receivable, pledges, and bequests, net consist of the following as of December 31:

		2019	2018
Receivable due in less than one year	$	12,058,731	15,136,386
Receivable due in one to five years		12,245,000	13,537,700
Total contributions receivable		24,303,731	28,674,086
Less:			
Allowance for doubtful accounts		—	(38,042)
Amount representing discount (4.75% in 2019 and 5.5% in 2018)		(1,066,888)	(705,756)
Contributions receivable, pledges, and bequests, net	$	23,236,843	27,930,288

As of December 31, 2019, the Foundation has not yet recognized a conditional gift in the amount of $21,950,000 pledged in 2019. Future contributions and contributions receivable, pledges, and bequests, net will be recognized as the conditions of the gift are met.

(4) Contributions Receivable, Charitable Trusts, and Other

Contributions receivable, other consist of the following as of December 31:

		2019	2018
Receivable due in less than one year	$	15,142,931	5,564,357
Contributions receivable, other	$	15,142,931	5,564,357

Contributions receivable, charitable trusts, net consist of the following as of December 31:

		2019	2018
Receivable due in less than one year	$	5,620	5,620
Receivable due in one to five years		43,589	52,894
Receivable due in greater than five years		7,574,102	6,177,262
Contributions receivable, charitable trusts, net	$	7,623,311	6,235,776

For the years ended December 31, 2019 and 2018, the changes in beneficial interest in trusts held by third parties classified as Level 3 fair value measurements are as follows:

		2019		
		Charitable remainder trusts	**Charitable lead trusts**	**Total**
Beginning balance	$	6,149,104	86,672	6,235,776
Change in value of beneficial interest		1,400,009	6,002	1,406,011
Distributions		—	(18,476)	(18,476)
Ending balance	$	7,549,113	74,198	7,623,311
Change in value of beneficial interest for the period included in changes in net assets for assets still held at the end of the reporting period	$	1,400,009	6,002	1,406,011

		2018		
		Charitable remainder trusts	**Charitable lead trusts**	**Total**
Beginning balance	$	7,045,908	103,235	7,149,143
Change in value of beneficial interest		(734,080)	15,716	(718,364)
Transfer to split-interest investments		(162,724)	—	(162,724)
Distributions		—	(32,279)	(32,279)
Ending balance	$	6,149,104	86,672	6,235,776
Change in value of beneficial interest for the period included in changes in net assets for assets still held at the end of the reporting period	$	(720,649)	14,378	(706,271)

The Foundation values trusts using a discounted cash flows technique. The following table summarizes the significant unobservable inputs the Foundation used to value trusts categorized as Level 3 assets as of December 31, 2019:

Trust name	Fair value of beneficial interest	Unobservable inputs	Quantitative data
Remainder Trust A	$ 6,539,712	Discount rate	7 %
		Life expectancy	22.1 years
		Payout rate	5 %
All other trusts	1,083,599	Discount rate	7 %
		Life expectancy	2.5–55.3 years
		Payout rate	4.5%–9%
	$ 7,623,311		

The following table summarizes the significant unobservable inputs the Foundation used to value trusts categorized as Level 3 assets as of December 31, 2018:

Trust name	Fair value of beneficial interest	Unobservable inputs	Quantitative data
Remainder Trust A	$ 5,618,429	Discount rate	7 %
		Life expectancy	22.9 years
		Payout rate	5 %
All other trusts	617,347	Discount rate	7 %
		Life expectancy	1–53 years
		Payout rate	4.5%–9%
	$ 6,235,776		

(5) Investments

Accounting Standards Codification Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs are quoted prices in active markets for identical investments that the Foundation has the ability to access at the measurement date.

- Level 2 – Inputs are inputs other than quoted prices within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.
- Level 3 – Unobservable inputs for the investment, including estimates by partnership managers based on the best information available.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

For the valuation of mutual funds, U.S. government/agency securities, domestic fixed income investments, and publicly traded equity investments, the Foundation used quoted prices in principal active markets for identical assets as of the valuation date.

For the valuation of municipal bonds, international equity, and certain limited partnership and limited liability company investments, the Foundation used significant other observable inputs, particularly dealer or quoted market prices for comparable investments as of the valuation date, as well as NAV as a practical expedient to estimate fair value. For the valuation of hedge funds, certain limited partnerships, certain limited liability companies, and real estate investments, the Foundation used NAV as a practical expedient to estimate the fair value.

Investments in partnerships and limited liability companies that do not have readily available market values are stated at estimated fair value. These investments include a diverse range of vehicles, including private equity, long-short equity funds, absolute return funds, and real estate. The valuation of these investments is based on the most recent NAV provided by the general partner, usually as of December 31, which corresponds to the Foundation's year-end. To evaluate the overall reasonableness of the valuation carrying value, management obtains and considers the audited financial statements of such investments. Management believes this method provides a reasonable estimate of fair value. However, the recorded value may differ from the market value had a readily available market existed for such investments, and those differences could be material.

Investment transactions are recorded on trade date, which may result in both investment receivables and payables on unsettled investment trades; however, there were no such transactions as of December 31, 2019 or 2018. Gains and losses on investments resulting from market fluctuations are recorded in the statement of activities in the period that such fluctuations occur. Realized and unrealized gains or losses on sales of investments are calculated on an adjusted cost basis.

The following tables present investments that are measured at fair value on a recurring basis:

Description	December 31, 2019	Fair value measurements at December 31, 2019: Quoted prices in active markets for identical assets (Level 1)	Fair value measurements at December 31, 2019: Significant other observable inputs (Level 2)
Money market funds, cash and cash equivalents	$ 3,066,694	3,066,694	—
Mutual funds:			
Domestic equity	18,362,633	18,362,633	—
International equity	6,081,632	6,081,632	—
Real estate	3,764,481	3,764,481	—
Bonds	8,713,243	8,227,474	485,769
U.S. government and government agency securities	7,427,888	7,427,888	—
Municipal bonds	1,704,326	—	1,704,326
Domestic fixed income	9,616,096	9,616,096	—
Domestic equity	18,034,474	18,034,474	—
International equity	19,441,969	—	19,441,969
Subtotal investments at fair value	96,213,436	$ 74,581,372	21,632,064
Alternative investments valued at NAV	13,765,560		
Total	$ 109,978,996		

Description		Fair value measurements at December 31, 2018	
	December 31, 2018	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**
Money market, cash and cash equivalents	$ 7,073,672	7,073,672	—
Mutual funds:			
Domestic equity	10,034,474	10,034,474	—
International equity	1,581,915	1,581,915	—
Real estate	3,595,512	3,595,512	—
Bonds	7,822,342	7,476,094	346,248
U.S. government and government agency securities	8,864,029	8,864,029	—
Municipal bonds	2,481,114	—	2,481,114
Domestic fixed income	8,583,595	8,583,595	—
Domestic equity	16,118,977	16,118,977	—
International equity	9,601,952	—	9,601,952
Subtotal investments at fair value	75,757,582	$ 63,328,268	12,429,314
Alternative investments valued at NAV	14,725,050		
Total	$ 90,482,632		

It is the Foundation’s policy to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no such transfers in the year ended December 31, 2019 or 2018.

The following tables present the Foundation's investments measured at net asset value as of December 31, 2019 and 2018:

Description		Balance as of December 31, 2019	Unfunded commitments	Redemption frequency	Redemption notice period
Limited partnership (i)	$	10,196,925	—	Quarterly	30 days
Limited partnership (ii)		554,185	704,721	Nonredeemable	—
Limited partnership (iii)		2,772,679	—	Nonredeemable	—
Limited partnership (iv)		241,771	—	Quarterly	90 days
				Quarterly – up to 25% or	45 days or
Total	$	13,765,560	704,721		

Description		Balance as of December 31, 2018	Unfunded commitments	Redemption frequency	Redemption notice period
Limited partnership (i)	$	7,925,436	—	Quarterly	30 days
Limited partnership (ii)		826,840	822,248	Nonredeemable	—
Limited partnership (iii)		2,234,086	—	Nonredeemable	—
Limited partnership (iv)		248,520	—	Quarterly	90 days
				Quarterly – up to 25% or	45 days or
Hedge fund (v)		3,490,168	—	Annually – 100%	30 days
Total	$	14,725,050	822,248		

(i) Limited partnership includes a long-only investment management strategy to generate excess returns with integration of sustainability research within a rigorous fundamental equity analysis framework. All of the investments in this portfolio are traded on active markets.

(ii) Limited partnerships in this category are long-term, multimanager investment partnerships employing globally diversified private investment strategies, including buy-out, growth capital, and secondary market interests. Some partnerships will terminate after all holdings are liquidated, but no later than 15 years after the start of the partnerships (2022–2023).

(iii) Limited partnership energy company that acquires and manages income-generating energy efficiency projects, and other energy-related businesses, as well as finances the construction and/or operation of these and sustainable businesses.

(iv) Limited partnership that invests in start-up companies with the potential to reduce GHG emissions by 1 gigaton (CO_2 equivalents) per year.

(v) This hedge fund invests in long/short equity with a focus on renewable energy solutions.

Investment management fees and performance allocations of $333,081 and $297,050 for the years ended December 31, 2019 and 2018, respectively, have been included as a reduction of interest and dividend revenue in the statements of activities or, in the case of a hedge fund performance allocation, as a reduction in net gains.

(6) Assets Held under Split-interest Agreements

The fair values of assets held under split-interest agreements consist of the following as of December 31, 2019:

Description	Total	In active markets identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Cash and cash equivalents	$ 561,074	561,074	—	—
Mutual funds:				
Domestic equity mutual funds	5,340,821	5,340,821	—	—
International equity mutual funds	3,359,732	3,359,732	—	—
Real estate mutual funds	2,271,541	2,271,541	—	—
Domestic bonds mutual funds	1,889,126	1,889,126	—	—
International bond mutual funds	654,173	654,173	—	—
U.S. government and government agency securities	1,542,642	1,542,642	—	—
Promissory note	95,118	—	—	95,118
Interest in perpetual trusts	949,518	—	—	949,518
Cash surrender value of life insurance				—
policies	35,859	—	35,859	—
Total	$ 16,699,604	15,619,109	35,859	1,044,636

The fair values of assets held under split-interest agreements consist of the following as of December 31, 2018:

Description		Total	In active markets identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Cash and cash equivalents	$	399,649	399,649	—	—
Mutual funds:					
Domestic equity mutual funds		3,873,036	3,873,036	—	—
International equity mutual funds		2,569,633	2,569,633	—	—
Real estate mutual funds		1,885,816	1,885,816	—	—
Domestic bonds mutual funds		1,745,869	1,745,869	—	—
International bond mutual funds		649,041	649,041	—	—
U.S. government and government agency securities		1,625,541	1,625,541	—	—
Promissory note		107,652	—	—	107,652
Interest in perpetual trusts		837,271	—	—	837,271
Cash surrender value of life insurance policies		34,886	—	34,886	—
Total	$	13,728,394	12,748,585	34,886	944,923

It is the Foundation’s policy to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no such transfers in the year ended December 31, 2019 or 2018.

For the valuation of mutual funds, the Foundation used quoted prices in principal active markets for identical assets as of the valuation date.

For the valuation of cash surrender value of life insurance policies, the Foundation used significant other observable inputs, including dealer market prices for comparable investments and life insurance company surrender value estimates as of the valuation date.

For the valuation of interests in perpetual trusts, the Foundation used significant other unobservable inputs, primarily trustee valuations.

The following tables present the Foundation's activities for assets held under split-interest agreements measured at fair value on a recurring basis, all of which are valued using significant unobservable inputs (Level 3) for the years ended December 31, 2019 and 2018:

	2019		
	Interest in perpetual trusts	**Interest in promissory note**	**Total**
Beginning balance	$ 837,271	107,652	944,923
Total gains (losses) included in changes in net assets	112,247	(12,534)	99,713
	$ 949,518	95,118	1,044,636

	2018		
	Interest in perpetual trusts	**Interest in promissory note**	**Total**
Beginning balance	$ 928,096	121,262	1,049,358
Total losses included in changes in net assets	(90,825)	—	(90,825)
Payment of principal	—	(13,610)	(13,610)
	$ 837,271	107,652	944,923

(7) Liabilities under Split-interest Agreements

The Foundation has liabilities associated with a variety of gift agreements including pooled income funds, annuities, and charitable remainder trusts. The Foundation has recorded its estimated remainder interest in the value of the split-interest agreements, discounted at various rates, as contribution revenue in the year of the gift. The difference between the fair value of trust assets and the contribution revenue is recorded as a liability under split interest agreements and is updated annually based life expectancies and quoted market prices, discounted at risk-adjusted rates. For charitable gift annuities payable, a liability, which is a general obligation of the Foundation, is recorded for the present value of estimated annuity payments, discounted at various rates ranging from 2% to 7%, and is updated annually.

As of December 31, 2019, $430,208 is recorded within liabilities under split-interest agreements related to charitable gift annuities held in the state of Washington.

(8) Net Assets without Donor Restrictions

Net assets without donor restrictions are designated by the board of directors for the following purposes as of December 31:

		2019	2018
Geographic and other program expenditures	$	51,287,681	17,945,147
Gift annuity payments		6,839,341	4,739,138
Endowment		1,808,838	1,547,923
Donor advised granting		395,451	383,549
Total designated net assets without donor restrictions	$	60,331,311	24,615,757

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31:

		2019	2018
Time restrictions:			
Trusts	$	13,257,098	10,646,467
Life insurance policies		35,859	34,886
Pledges contribution receivable		22,868,692	27,863,551
Other contribution receivable		6,196,301	—
Total time restrictions		42,357,950	38,544,904
Program restrictions:			
National climate, clean energy, and lands protection		20,453,515	22,998,970
Outings and outdoor environment education		1,526,685	1,420,445
Environmental law		4,323,287	5,874,825
Global population		108,204	96,989
Geographic and other		6,341,324	5,622,513
Total program restrictions		32,753,015	36,013,742
Endowments:			
Endowments to be held in perpetuity		27,352,876	27,331,415
Endowments income and appreciation		8,309,517	3,163,481
Term and other		864,019	753,528
Total endowments		36,526,412	31,248,424
Charitable trusts and gift annuities to be held in perpetuity		1,521,868	1,356,392
Total net assets with donor restrictions	$	113,159,245	107,163,462

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donor.

	2019	2018
Purpose restrictions fulfilled	$ 62,150,745	55,456,290
Time restrictions expired:		
In-kind donation	268,857	339,641
Endowment spending allocation	1,729,968	1,570,635
Terminated trusts	80,566	142,067
	2,079,391	2,052,343
	$ 64,230,136	57,508,633

(10) Liquidity and Availability of Financial Assets

The Foundation's financial assets available for general expenditure within one year of the balance sheet date are as follows:

	2019	2018
Cash and cash equivalents	$ 46,173,320	25,820,793
Contributions receivable	46,003,085	39,730,421
Investments	109,978,996	90,482,632
Total financial assets	202,155,401	156,033,846
Less:		
Restricted by donors for programs	(38,949,316)	(36,013,742)
Donor-restricted endowments	(36,526,412)	(31,248,424)
Donor-restricted charitable gift annuities and perpetual trusts	(1,035,210)	(930,421)
Designated net assets	(60,331,311)	(24,615,757)
Illiquid portion of investments	(3,326,864)	(3,096,926)
Restricted contributions receivable and unrestricted contributions due in greater than one year	(35,479,196)	(36,367,690)
Financial assets available to meet cash needs for general expenditures within one year	$ 26,507,092	23,760,886

The Foundation's liquidity management includes a policy of structuring its financial assets to be available to meet its grant-making and general expenditures, liabilities, and other obligations as they come due. Cash and cash equivalents and money market securities, as reported on the balance sheet at December 31, 2019 and 2018, are the primary liquid resources used by the Foundation to meet these obligations. Financial assets invested in long-term investments can be liquidated within one year with the exception of

$3,326,864, or 3.2%, and $3,096,926, or 3.7%, held in illiquid investments, as of December 31, 2019 and 2018, respectively (note 5). The Foundation's board-designated net assets include donor-advised funds and funds designated for specific programs or geographic regions that, while the board of directors does not intend to spend for purposes other than those identified, could be spent for operations, if necessary.

(11) Endowments

The board of directors of the Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation has a policy of appropriating for distribution each year 5% of its endowment funds' average fair value over the prior three years (excluding those funds with deficiencies due to unfavorable market fluctuations). In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate exceeding expected inflation. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to provide investment growth in excess of annual payments. Actual returns in any given year may vary from this goal. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's endowment consists of approximately 58 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and endowment funds without donor restrictions, and funds designated by its board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of December 31, 2019 is as follows:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	36,526,412	36,526,412
Board-designated endowment funds		1,808,838	—	1,808,838
Total endowment funds	$	1,808,838	36,526,412	38,335,250

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	31,248,424	31,248,424
Board-designated endowment funds		1,547,923	—	1,547,923
Total endowment funds	$	1,547,923	31,248,424	32,796,347

Changes in endowment net assets for the year ended December 31, 2019 is as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$	1,547,923	31,248,424	32,796,347
Investment return:				
Investment income		21,925	406,406	428,331
Net appreciation		324,792	6,545,003	6,869,795
Total investment return		346,717	6,951,409	7,298,126
Contributions		—	21,460	21,460
Appropriation of endowment assets for expenditure		(85,802)	(1,694,881)	(1,780,683)
Endowment net assets, end of year	$	1,808,838	36,526,412	38,335,250

(Continued)

Changes in endowment net assets for the year ended December 31, 2018 is as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$	1,704,776	33,293,384	34,998,160
Investment return:				
Investment income		5,281	107,919	113,200
Net appreciation (depreciation)		(80,536)	(1,627,436)	(1,707,972)
Total investment return		(75,255)	(1,519,517)	(1,594,772)
Contributions		—	1,045,192	1,045,192
Appropriation of endowment assets for expenditure		(81,598)	(1,570,635)	(1,652,233)
Endowment net assets, end of year	$	1,547,923	31,248,424	32,796,347

Description of amounts classified as net assets with donor restrictions (endowment only) as of December 31 is as follows:

		2019	2018
The portion of endowment funds that is required to be retained in perpetuity either by explicit donor restriction or by UPMIFA	$	27,352,876	27,331,415
The portion of endowment funds that is subject to purpose or time restrictions		9,173,536	3,917,009
Total endowment funds with donor restrictions	$	36,526,412	31,248,424

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There was a deficiency of $0 and $47,856 in two funds as of December 31, 2019 and 2018, respectively.

(12) Lease Obligations

The Foundation has a sublease with Sierra Club in Oakland, California, effective May 1, 2016. Rental expense under the sublease for each of the years ended December 31, 2019 and 2018 was $93,803.

Future minimum lease payments under operating leases having remaining terms in excess of one year are as follows as of December 31, 2019:

Fiscal year:		
2020	$	84,976
2021		87,428
2022		90,027
2023		92,850
2024		95,598
2025		98,421
2026		58,755
	$	608,055

(13) Transactions with related parties

The Foundation considers members of the board of directors, corporate officers, key employees, and their immediate family members to be related parties. For the years ended December 31, 2019 and 2018, contributions from related parties included in revenue totaled $1,364,801 and $2,380,200, respectively. There were no contributions receivable from related parties as of December 31, 2019 or 2018. Included in investments is an international equities fund valued at $19,441,969 and $9,601,952 as of December 31, 2019 and 2018, respectively, which is managed by a registered investment adviser whose founder and CEO is a member of the board of directors.

(14) Transactions with the Sierra Club and its Chapters

The Foundation had the following transactions with the Sierra Club and its chapters:

- In accordance with a contract between the Foundation and the Sierra Club, the Foundation incurred $10,023,000 and $6,999,996 to reimburse Sierra Club for fundraising expenses for the years ended December 31, 2019 and 2018, respectively.

- In accordance with the terms of the fiscal sponsorship relationship and an agreement between the Foundation and Sierra Club regarding the use of software hosting services, the two organizations share the use of the software hosting services, and Sierra Club reimburses the Foundation for the portion of the use that is not for qualified charitable expenditures. During the years ended December 31, 2019 and 2018, respectively, Sierra Club paid $1,320,313 and $1,148,659 for the software services.

- The Foundation receives certain gifts and makes grants on an advisory basis to the Sierra Club and its chapters and groups. The Foundation made grants to the Sierra Club National Programs of $71,202,421 and $63,521,815 for the years ended December 31, 2019 and 2018, respectively, and to the Sierra Club chapters of $8,258,624 and $8,314,715 for the years ended December 31, 2019 and 2018, respectively.

- Accounts receivable from the Sierra Club are $1,191,684 and $1,524,699 as of December 31, 2019 and 2018, respectively, related to certain contributions the Sierra Club has processed on the Foundation’s behalf included in other assets in the balance sheets.

- Grants payable to the Sierra Club were $12,760,382 and $10,734,164 as of December 31, 2019 and 2018, respectively, which are all due within one year from the respective year-end.

- Foundation employees who started prior to April 1, 2013 participate in Sierra Club's Employee Benefit Plan, a contributory defined-benefit plan that covers substantially all of its employees. The benefits are based on years of service and the employee's compensation history. Employees are eligible to participate and become vested after two years of service. Employee benefit plan expense was $56,394 and $40,373 for the years ended December 31, 2019 and 2018, respectively.

Substantially all the Foundation's employees are eligible to participate in Sierra Club's health, dental, and vision benefits plans. The Foundation paid $173,884 and $173,771 for the years ended December 31, 2019 and 2018, respectively, for these benefits on behalf of its employees.

(15) Gift Annuities

The Foundation maintains a separate account as a reserve fund adequate to meet the future payments under all outstanding gift annuity agreements. The funds, recorded in investments on the balance sheet, are held by a broker custodian and are managed by professional investment managers. Investments are made in securities with readily determinable fair values and debt securities (all Level 1), all of which are measured at fair value.

(16) 403(b) Defined Contribution Plan

The Foundation has a 403(b) defined contribution plan, which covers substantially all employees who meet certain minimum requirements. The Foundation matches 100% of employee contributions up to 5% of eligible compensation and provides a non-elective contribution for employees hired after April 1, 2013. Foundation contributions to the plan for matching a non-elective contributions totaled $39,427 and $33,094, respectively, for the years ended December 31, 2019 and 2018.

(17) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through May 15, 2020, the date at which the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, and on March 13, 2020, the President of the United States declared a state of national emergency. As a result, there has been instability in the financial markets. One indicator, the S&P 500 Index, has declined approximately 10% between December 31, 2019 and April 30, 2020. Management anticipates that the Foundation may experience declines in market values that are significant.