



SIERRA CLUB FOUNDATION

Financial Statements

December 31, 2021

(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:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sierra Club Foundation (the Foundation), which comprise the balance sheet as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 U.S. generally accepted accounting principles, 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 Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 Company'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 Company'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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

San Francisco, California
May 13, 2022

SIERRA CLUB FOUNDATION

Balance Sheet

December 31, 2021

(With comparative totals as of December 31, 2020)

Assets	2021	2020
Cash and cash equivalents	\$ 34,838,857	54,090,282
Contributions receivable, pledges, and bequests, net	21,135,369	14,753,289
Contributions receivable, charitable trusts, net	9,266,322	8,383,308
Contributions receivable, other	8,716,148	3,590,104
Investments	164,494,606	139,940,444
Assets held under split-interest agreements	28,269,872	17,789,617
Other assets	6,391,903	6,210,539
Total assets	\$ 273,113,077	244,757,583
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 963,244	1,707,941
Grants payable	15,164,708	11,880,772
Liabilities under split-interest agreements	23,071,009	16,602,354
Total liabilities	39,198,961	30,191,067
Net assets:		
Without donor restrictions:		
Undesignated	43,999,029	36,137,694
Designated	67,145,993	61,601,939
Total without donor restrictions	111,145,022	97,739,633
With donor restrictions	122,769,094	116,826,883
Total net assets	233,914,116	214,566,516
Total liabilities and net assets	\$ 273,113,077	244,757,583

See accompanying notes to financial statements.

SIERRA CLUB FOUNDATION

Statement of Activities

Year ended December 31, 2021

(With summarized totals for the year ended December 31, 2020)

	Year ended December 31, 2021			Year ended December 31, 2020
	Without donor restrictions	With donor restrictions	Total	Total
Revenues, gains, and other support:				
Contributions	\$ 26,310,778	57,330,387	83,641,165	74,832,481
Contributions related to split-interest agreements	480,330	5,041,946	5,522,276	727,392
Bequests	10,766,008	530,043	11,296,051	16,825,302
Total contributions	37,557,116	62,902,376	100,459,492	92,385,175
Net gains from investments	9,962,111	3,374,386	13,336,497	20,758,432
Interest and dividends	2,641,019	1,042,987	3,684,006	1,650,919
Net change in value of split-interest agreements	(737,401)	440,380	(297,021)	1,161,124
Other income	1,270,422	—	1,270,422	1,433,184
Net assets released from restrictions	61,817,918	(61,817,918)	—	—
Total revenues, gains, and other support	112,511,185	5,942,211	118,453,396	117,388,834
Expenses:				
Program services	84,646,169	—	84,646,169	80,625,761
Support services:				
Administrative	1,838,382	—	1,838,382	1,872,055
Fundraising	12,621,245	—	12,621,245	11,800,788
Total expenses	99,105,796	—	99,105,796	94,298,604
Change in net assets	13,405,389	5,942,211	19,347,600	23,090,230
Net assets, beginning of year	97,739,633	116,826,883	214,566,516	191,476,286
Net assets, end of year	\$ 111,145,022	122,769,094	233,914,116	214,566,516

See accompanying notes to financial statements.

SIERRA CLUB FOUNDATION

Statement of Functional Expenses

Year ended December 31, 2021

(With summarized totals for the year ended December 31, 2020)

	Year ended December 31, 2021				Total	Year ended
	Program services	Support services				December 31,
		Administrative	Fundraising	Subtotal		2020
						Total
Grants	\$ 84,269,934	—	—	—	84,269,934	80,223,680
Reimbursement for fundraising services	—	—	10,444,436	10,444,436	10,444,436	9,499,996
Fundraising – other	—	—	914,826	914,826	914,826	932,829
Salaries	241,494	951,852	1,670	953,522	1,195,016	1,216,230
Employee benefits and taxes	62,271	263,756	456	264,212	326,483	369,434
Professional services	27,183	406,266	—	406,266	433,449	404,590
Rent	19,281	69,976	49	70,025	89,306	93,793
Board of directors meetings	—	—	—	—	—	13,289
Office equipment and supplies	8,612	23,576	18	23,594	32,206	24,179
Software and hosting services	—	—	1,259,746	1,259,746	1,259,746	1,365,625
Depreciation	1,518	5,509	4	5,513	7,031	11,806
Travel	1,927	6,806	5	6,811	8,738	24,398
Insurance	7,571	27,478	19	27,497	35,068	22,963
Bank charges	—	12,496	—	12,496	12,496	13,077
Printing and copying	1,320	4,791	3	4,794	6,114	15,854
Regulatory compliance fees	—	11,566	—	11,566	11,566	9,626
Postage and shipping	2,800	10,162	7	10,169	12,969	5,528
Publications	—	35,176	—	35,176	35,176	30,273
Miscellaneous	2,258	8,972	6	8,978	11,236	21,434
	<u>\$ 84,646,169</u>	<u>1,838,382</u>	<u>12,621,245</u>	<u>14,459,627</u>	<u>99,105,796</u>	<u>94,298,604</u>

See accompanying notes to financial statements.

SIERRA CLUB FOUNDATION

Statement of Cash Flows

Year ended December 31, 2021

(With comparative totals for the year ended December 31, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 19,347,600	23,090,230
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,031	11,806
Contributions of investment securities and noncash gifts	(2,378,484)	(3,088,004)
Contributions restricted for long-term investment	(78,793)	(86,308)
Net gain on investments	(13,336,497)	(20,758,432)
Net change in value of split-interest agreement	(297,021)	1,161,124
Changes in operating assets and liabilities:		
Contributions receivable, net	(12,391,139)	19,276,384
Other assets	(188,395)	(2,229,361)
Accounts payable	(744,696)	(1,015,160)
Grants payable	3,283,936	(894,610)
Change in split-interest agreements	(10,799,776)	149,383
Net cash (used in)/provided by operating activities	(17,576,234)	15,617,052
Cash flows from investing activities:		
Proceeds from sale of investments	34,970,888	24,595,921
Purchase of investments	(43,975,252)	(31,292,306)
Net cash used in investing activities	(9,004,364)	(6,696,385)
Cash flows from financing activity:		
Proceeds from contributions from split-interest agreements	9,096,133	—
Payments on split-interest agreements	(1,845,753)	(1,090,013)
Contributions restricted for long-term investment	78,793	86,308
Net cash provided by/(used in) financing activity	7,329,173	(1,003,705)
Net change in cash and cash equivalents	(19,251,425)	7,916,962
Cash and cash equivalents, beginning of year	54,090,282	46,173,320
Cash and cash equivalents, end of year	\$ 34,838,857	54,090,282

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2021

(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 include 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.

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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, 2021 and 2020 are \$33,597,540 and \$53,101,638, 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 net asset value (NAV) as estimated by management based upon information provided by the general partner. The Foundation may temporarily hold cash and cash equivalents for investing purposes and treats these amounts as investments based on the Foundation's policy.

(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

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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 pooled income funds, annuities, and charitable remainder trusts based on the above valuation methodologies approximate fair values at December 31, 2021 and 2020.

(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

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December 31, 2021

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, 2017 and subsequent years, and California returns are open for the year ended December 31, 2016 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 2020 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, 2020, from which the summarized information is derived.

(k) Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Assets*, to address stakeholders' concerns regarding the lack of transparency about how certain gifts-in-kind are valued and used in a not-for-profit's programs and other activities. The standard introduces enhanced presentation and disclosure requirements. The standard is effective for the Foundation on January 1, 2022. Early adoption is permitted. The Foundation does not expect the adoption of ASU 2020-07 to have a material effect on its 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 among 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, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, and 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, the new standard is effective for the Foundation on January 1, 2022. The Foundation does not expect the adoption of ASU 2016-02 to have a material effect on its financial statements.

(l) Reclassifications

Certain reclassifications have been made in these financial statements to conform 2020 information to the 2021 presentation.

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Notes to Financial Statements

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(3) Contributions Receivable, Pledges, and Bequests

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

	2021	2020
Receivable due in less than one year	\$ 13,179,767	6,654,802
Receivable due in one to five years	9,210,000	9,200,000
Total contributions receivable	22,389,767	15,854,802
Less:		
Amount representing discount (3.25% in 2021 and 2020)	(1,254,398)	(1,101,513)
Contributions receivable, pledges, and bequests, net	\$ 21,135,369	14,753,289

(4) Contributions Receivable, Charitable Trusts

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

	2021	2020
Receivable due in less than one year	\$ —	5,620
Receivable due in one to five years	—	5,056
Receivable due in greater than five years	9,266,322	8,372,632
Contributions receivable, charitable trusts, net	\$ 9,266,322	8,383,308

For the years ended December 31, 2021 and 2020, the changes in beneficial interest in trusts held by third parties classified as Level 3 fair value measurements are as follows:

	2021		
	Charitable remainder trusts	Charitable lead trusts	Total
Beginning balance	\$ 8,372,632	10,676	8,383,308
Change in value of beneficial interest	893,690	—	893,690
Distributions	—	(10,676)	(10,676)
Ending balance	\$ 9,266,322	—	9,266,322
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	\$ 893,690	—	893,690

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	2020		
	Charitable remainder trusts	Charitable lead trusts	Total
Beginning balance	\$ 7,549,113	74,198	7,623,311
Change in value of beneficial interest	823,519	1,042	824,561
Distributions	—	(64,564)	(64,564)
Ending balance	<u>\$ 8,372,632</u>	<u>10,676</u>	<u>8,383,308</u>
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	\$ 823,519	1,042	824,561

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, 2021:

Trust name	Fair value of beneficial interest	Unobservable inputs	Quantitative data
Remainder Trust A	\$ 8,205,689	Discount rate	7 %
		Life expectancy	21.1 years
		Payout rate	5 %
All other trusts	1,060,633	Discount rate	7 %
		Life expectancy	6.2–54.3 years
		Payout rate	4.5%–9%
	<u>\$ 9,266,322</u>		

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Notes to Financial Statements

December 31, 2021

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, 2020:

Trust name	Fair value of beneficial interest	Unobservable inputs	Quantitative data
Remainder Trust A	\$ 7,388,214	Discount rate	7 %
		Life expectancy	21.1 years
		Payout rate	5 %
All other trusts	995,094	Discount rate	7 %
		Life expectancy	6.2–54.3 years
		Payout rate	4.5%–9%
	<u>\$ 8,383,308</u>		

(5) Contributions Receivable, Other

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

	<u>2021</u>	<u>2020</u>
Receivable due in less than one year	\$ 8,716,148	3,590,104
Contributions receivable, other	\$ 8,716,148	3,590,104

(6) 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.

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For the valuation of mutual funds, U.S. government/agency securities, domestic fixed income investments, domestic and international 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. 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, 2021 or 2020. 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 and included within net gains from investments on the statement of activities.

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Notes to Financial Statements

December 31, 2021

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

Description	Fair value measurements at December 31, 2021		
	December 31, 2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Money market funds, cash, and cash equivalents	\$ 4,046,602	4,046,602	—
Mutual funds:			
Domestic equity	29,928,722	29,928,722	—
International equity	14,619,930	14,619,930	—
Bonds	9,940,713	9,940,713	—
U.S. government and government agency securities	8,468,816	—	8,468,816
Municipal bonds	1,902,922	—	1,902,922
Domestic fixed income	18,118,748	—	18,118,748
Domestic equity	42,413,591	42,413,591	—
International equity	13,701,152	13,701,152	—
Subtotal investments at fair value	143,141,196	\$ <u>114,650,710</u>	<u>28,490,486</u>
Alternative investments valued at NAV	<u>21,353,410</u>		
Total	\$ <u><u>164,494,606</u></u>		

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December 31, 2021

Description	Fair value measurements at December 31, 2020		
	December 31, 2020	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Money market funds, cash and cash equivalents	\$ 1,851,178	1,851,178	—
Mutual funds:			
Domestic equity	25,919,084	25,919,084	—
International equity	10,678,364	10,678,364	—
Bonds	10,045,377	9,468,948	576,429
U.S. government and government agency securities	5,332,627	5,332,627	—
Municipal bonds	2,305,784	—	2,305,784
Domestic fixed income	12,475,277	12,475,277	—
Domestic equity	30,509,925	30,509,925	—
International equity	22,958,089	—	22,958,089
Subtotal investments at fair value	122,075,705	\$ <u>96,235,403</u>	<u>25,840,302</u>
Alternative investments valued at NAV	<u>17,864,739</u>		
Total	\$ <u>139,940,444</u>		

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The following tables present the Foundation's investments measured at net asset value as of December 31, 2021 and 2020:

Description	Balance as of December 31, 2021	Unfunded commitments	Redemption frequency	Redemption notice period
Limited partnership (i)	\$ 14,762,681	—	Quarterly	30 days
Limited partnership (ii)	328,487	669,806	Nonredeemable	—
Limited partnership (iii)	4,138,540	—	Quarterly	90 days
Limited partnership (iv)	389,652	—	Quarterly	90 days
Limited partnership (v)	1,600,293	1,625,189	Nonredeemable	—
Limited liability company (vi)	133,757	1,854,005	Nonredeemable	—
Total	<u>\$ 21,353,410</u>	<u>4,149,000</u>		

Description	Balance as of December 31, 2020	Unfunded commitments	Redemption frequency	Redemption notice period
Limited partnership (i)	\$ 12,265,875	—	Quarterly	30 days
Limited partnership (ii)	395,745	664,860	Nonredeemable	—
Limited partnership (iii)	3,221,416	—	Quarterly	90 days
Limited partnership (iv)	241,590	—	Quarterly	90 days
Limited partnership (v)	1,740,113	1,805,905	Nonredeemable	—
Total	<u>\$ 17,864,739</u>	<u>2,470,765</u>		

- (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 buyout, 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 (CO2 equivalents) per year.

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

(vi) Limited liability company that is invested in healthcare, energy, and the financial services sector.

Investment management fees and performance allocations of \$443,540 and \$595,729 for the years ended December 31, 2021 and 2020, 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 from investments.

(7) Assets Held under Split-interest Agreements

The fair values of assets held under split-interest agreements consist of the following as of December 31, 2021:

<u>Description</u>	<u>Total</u>	<u>In active markets identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant other unobservable inputs (Level 3)</u>
Cash and cash equivalents	\$ 977,752	977,752	—	—
Mutual funds:				
Domestic equity	6,968,458	6,968,458	—	—
International equity	4,190,973	4,190,973	—	—
Real estate	3,107,434	3,107,434	—	—
Domestic bonds	4,789,361	2,612,130	2,177,231	—
International bonds	792,235	792,235	—	—
U.S. government and government agency securities	6,355,654	2,002,402	4,353,252	—
Interest in perpetual trusts	1,061,083	—	—	1,061,083
Cash surrender value of life insurance policies	26,922	—	26,922	—
Total	<u>\$ 28,269,872</u>	<u>20,651,384</u>	<u>6,557,405</u>	<u>1,061,083</u>

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The fair values of assets held under split-interest agreements consist of the following as of December 31, 2020:

<u>Description</u>	<u>Total</u>	<u>In active markets identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant other unobservable inputs (Level 3)</u>
Cash and cash equivalents	\$ 622,429	622,429	—	—
Mutual funds:				
Domestic equity	5,572,176	5,572,176	—	—
International equity	3,609,158	3,609,158	—	—
Real estate	2,473,025	2,473,025	—	—
Domestic bonds	2,111,581	2,111,581	—	—
International bonds	751,104	751,104	—	—
U.S. government and government agency securities	1,663,221	1,663,221	—	—
Interest in perpetual trusts	949,745	—	—	949,745
Cash surrender value of life insurance policies	37,178	—	37,178	—
Total	<u>\$ 17,789,617</u>	<u>16,802,694</u>	<u>37,178</u>	<u>949,745</u>

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.

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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, 2021 and 2020:

	2021		
	Interest in perpetual trusts	Interest in promissory note	Total
Beginning balance	\$ 949,745	—	949,745
Total gains (losses) included in changes in net assets	111,338	—	111,338
Payment of principal	—	—	—
	\$ 1,061,083	—	1,061,083
	2020		
	Interest in perpetual trusts	Interest in promissory note	Total
Beginning balance	\$ 949,518	95,118	1,044,636
Total gains (losses) included in changes in net assets	227	(2,162)	(1,935)
Payment of principal	—	(92,956)	(92,956)
	\$ 949,745	—	949,745

(8) 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 on 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, 2021, \$542,290 is recorded within liabilities under split-interest agreements related to charitable gift annuities held in the state of Washington.

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(9) 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:

	<u>2021</u>	<u>2020</u>
Geographic and other program expenditures	\$ 54,680,405	50,344,820
Gift annuity payments	9,737,586	8,585,639
Endowment	2,161,968	2,049,879
Donor-advised granting	<u>566,034</u>	<u>621,601</u>
Total designated net assets without donor restrictions	\$ <u>67,145,993</u>	<u>61,601,939</u>

(10) Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Time restrictions:		
Trusts	\$ 20,150,405	14,923,687
Life insurance policies	42,903	37,178
Pledges contribution receivable	19,033,155	13,620,161
Other contribution receivable	<u>635,120</u>	<u>934,645</u>
Total time restrictions	<u>39,861,583</u>	<u>29,515,671</u>
Program restrictions:		
National climate, clean energy, and lands protection	20,936,177	27,983,024
Outings and outdoor environment education	1,423,459	1,280,445
Environmental law	4,497,350	4,213,996
Geographic and other	<u>10,886,662</u>	<u>11,242,072</u>
Total program restrictions	<u>37,743,648</u>	<u>44,719,537</u>
Endowments:		
Endowments to be held in perpetuity	27,517,978	27,439,184
Endowments income and appreciation	15,098,562	12,819,963
Term and other	<u>853,328</u>	<u>810,074</u>
Total endowments	43,469,868	41,069,221
Charitable trusts and gift annuities to be held in perpetuity	<u>1,693,995</u>	<u>1,522,454</u>
Total net assets with donor restrictions	\$ <u>122,769,094</u>	<u>116,826,883</u>

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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.

	2021	2020
Purpose restrictions fulfilled	\$ 58,977,439	54,276,271
Time restrictions expired:		
In-kind donation	653,237	683,747
Endowment spending allocation	2,153,785	1,966,601
Terminated trusts	33,457	—
	2,840,479	2,650,348
	\$ 61,817,918	56,926,619

(11) 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:

	2021	2020
Cash and cash equivalents	\$ 34,838,857	54,090,282
Contributions receivable	39,117,840	26,726,701
Investments	164,494,606	139,940,444
Total financial assets	238,451,303	220,757,427
Less:		
Restricted by donors for programs	(37,743,648)	(44,719,537)
Donor-restricted endowments	(43,469,868)	(41,069,221)
Donor-restricted charitable gift annuities and perpetual trusts	(1,135,610)	(1,027,969)
Designated net assets	(67,145,993)	(61,601,939)
Illiquid portion of investments	(2,120,163)	(3,617,161)
Restricted contributions receivable and unrestricted contributions due in greater than one year	(27,146,232)	(21,335,495)
Financial assets available to meet cash needs for general expenditures within one year	\$ 59,689,789	47,386,105

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, 2021 and 2020, 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

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\$2,120,163, or 1.0%, and \$3,617,161, or 3.0%, held in illiquid investments, as of December 31, 2021 and 2020, 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.

(12) 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.

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Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	43,469,868	43,469,868
Board-designated endowment funds	<u>2,161,968</u>	<u>—</u>	<u>2,161,968</u>
Total endowment funds	<u>\$ 2,161,968</u>	<u>43,469,868</u>	<u>45,631,836</u>

Endowment net asset composition by type of fund as of December 31, 2020 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	41,069,221	41,069,221
Board-designated endowment funds	<u>2,049,879</u>	<u>—</u>	<u>2,049,879</u>
Total endowment funds	<u>\$ 2,049,879</u>	<u>41,069,221</u>	<u>43,119,100</u>

Changes in endowment net assets for the year ended December 31, 2021 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,049,879	41,069,221	43,119,100
Investment return:			
Investment income	51,028	983,976	1,035,004
Net appreciation	<u>168,970</u>	<u>3,260,777</u>	<u>3,429,747</u>
Total investment return	219,998	4,244,753	4,464,751
Contributions	—	78,793	78,793
Appropriation of endowment assets for expenditure	<u>(107,909)</u>	<u>(1,922,899)</u>	<u>(2,030,808)</u>
Endowment net assets, end of year	<u>\$ 2,161,968</u>	<u>43,469,868</u>	<u>45,631,836</u>

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Changes in endowment net assets for the year ended December 31, 2020 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,808,838	36,526,412	38,335,250
Investment return:			
Investment income	17,579	355,707	373,286
Net appreciation	<u>319,545</u>	<u>6,267,976</u>	<u>6,587,521</u>
Total investment return	337,124	6,623,683	6,960,807
Contributions	—	86,308	86,308
Appropriation of endowment assets for expenditure	<u>(96,083)</u>	<u>(2,167,182)</u>	<u>(2,263,265)</u>
Endowment net assets, end of year	\$ <u><u>2,049,879</u></u>	<u><u>41,069,221</u></u>	<u><u>43,119,100</u></u>

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

	<u>2021</u>	<u>2020</u>
The portion of endowment funds that is required to be retained in perpetuity either by explicit donor restriction or by UPMIFA	\$ 27,517,977	27,439,184
The portion of endowment funds that is subject to purpose or time restrictions	<u>15,951,891</u>	<u>13,630,037</u>
Total endowment funds with donor restrictions	\$ <u><u>43,469,868</u></u>	<u><u>41,069,221</u></u>

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. The Foundation had no such funds below the level in 2021 or 2020.

(13) Lease Obligations

The Foundation has a sublease with Sierra Club in Oakland, California, effective May 1, 2016. Rental expense under the sublease for the years ended December 31, 2021 and 2020 was \$87,428 and \$93,792, respectively.

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Future minimum lease payments under operating leases having remaining terms in excess of one year are as follows as of December 31, 2021:

Fiscal year:		
2022	\$	90,027
2023		92,850
2024		95,598
2025		98,421
2026		<u>58,755</u>
	\$	<u>435,651</u>

(14) 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, 2021 and 2020, contributions from related parties included in revenue totaled \$2,029,439 and \$1,814,513, respectively. There were no contributions receivable from related parties as of December 31, 2021 or 2020.

(15) 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 \$10,444,436 and \$9,499,996 to reimburse Sierra Club for fundraising expenses for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, respectively, Sierra Club paid \$1,366,418 and \$1,384,270 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 \$74,057,226 and \$69,091,079 for the years ended December 31, 2021 and 2020, respectively, and to the Sierra Club chapters of \$9,761,861 and \$9,624,483 for the years ended December 31, 2021 and 2020, respectively.
- Accounts receivable from the Sierra Club are \$1,967,532 and \$1,812,803 as of December 31, 2021 and 2020, respectively, related to certain contributions the Sierra Club has processed on the Foundation's behalf included in other assets in the balance sheets.

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- Grants payable to the Sierra Club were \$15,164,708 and \$11,820,493 as of December 31, 2021 and 2020, 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 \$36,865 and \$37,152 for the years ended December 31, 2021 and 2020, respectively.
- Substantially all the Foundation's employees are eligible to participate in Sierra Club's health, dental, and vision benefits plans. The Foundation paid \$168,869 and \$168,869 for the years ended December 31, 2021 and 2020, respectively, for these benefits on behalf of its employees.

(16) 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.

(17) 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 non-elective contributions totaled \$32,397 and \$28,123, respectively, for the years ended December 31, 2021 and 2020.

(18) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through May 13, 2022, the date at which the financial statements were available to be issued.