Stewardship Council

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2022 and 2021

PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL
AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of
Pacific Forest and Watershed Lands Stewardship Council
Roseville, California

Opinion

We have audited the accompanying financial statements of Pacific Forest and Watershed Lands Stewardship Council (the Stewardship Council), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stewardship Council as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stewardship Council'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 Stewardship Council'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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expense budget to actual analysis on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Richardson & Company, LLP

May 23, 2023

PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 5,117,057	$ 4,683,453
Prepaid expenses	36,151	55,696
Investments	4,909,181	14,063,274
Property and equipment, net	2,442	6,806
Total assets	$ 10,064,831	$ 18,809,229
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 1,341,431	$ 153,520
Accrued expenses and other liabilities	600,775	1,221,873
Accrued payroll and compensated absences	72,263	74,895
Grants payable	31,515	45,311
Total liabilities	2,045,984	1,495,599
Net assets with donor restrictions	8,018,847	17,313,630
Total liabilities and net assets	$ 10,064,831	$ 18,809,229

The accompanying notes are an integral part of these financial statements.

PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

	Unrestricted	With Donor Restrictions	Total
Support and revenue:			
Net investment losses	$ -	$ (138,850)	$ (138,850)
Loss on disposal of property and equipment	-	(487)	(487)
Total net losses	-	(139,337)	(139,337)
Net assets released from restrictions	9,155,446	(9,155,446)	-
Total support and revenue	9,155,446	(9,294,783)	(139,337)
Expenses:			
Program:			
Land Conservation	9,143,384	-	9,143,384
Youth Investment	12,062	-	12,062
Total expenses	9,155,446	-	9,155,446
Change in net assets	-	(9,294,783)	(9,294,783)
Net assets:			
Beginning of year	-	17,313,630	17,313,630
End of year	$ -	$ 8,018,847	$ 8,018,847

The accompanying notes are an integral part of these financial statements.

PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	Unrestricted	With Donor Restrictions	Total
Support and revenue:			
Net investment losses	$ -	$ (29,566)	$ (29,566)
Total net investment losses	-	(29,566)	(29,566)
Net assets released from restrictions	6,171,185	(6,171,185)	-
Total support and revenue	6,171,185	(6,200,751)	(29,566)
Expenses:			
Program:			
Land Conservation	6,161,599	-	6,161,599
Youth Investment	9,586	-	9,586
Total expenses	6,171,185	-	6,171,185
Change in net assets	-	(6,200,751)	(6,200,751)
Net assets:			
Beginning of year	-	23,514,381	23,514,381
End of year	$ -	$ 17,313,630	$ 17,313,630

The accompanying notes are an integral part of these financial statements.

PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Land Conservation	Youth Investment	Management and General	Total
Expenses:				
Grant awards	$ 7,806,637	$ -	$ -	$ 7,806,637
Salaries, wages, and benefits	337,155	1,646	318,943	657,744
Consultants and professional services	112,369	-	212,529	324,898
Land transaction costs	164,674	-	-	164,674
Insurance	-	-	49,421	49,421
Rent and facilities	19,667	-	-	19,667
Legal	2,218	-	16,648	18,866
Accounting	-	-	51,474	51,474
Office supplies and expense	11,758	-	39,822	51,580
Conferences, meetings, and training	950	-	-	950
Depreciation	-	-	3,684	3,684
Bank charges	-	-	1,724	1,724
Travel and field reviews	1,285	-	1,973	3,258
Newsletters and public notices	-	-	869	869
	8,456,713	1,646	697,087	9,155,446
Allocation of management and general expenses	686,671	10,416	(697,087)	-
Total expenses	$ 9,143,384	$ 12,062	$ -	$ 9,155,446

The accompanying notes are an integral part of these financial statements.

PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Land Conservation	Youth Investment	Management and General	Total
Expenses:				
Grant awards	$ 4,929,898	$ -	$ -	$ 4,929,898
Salaries, wages, and benefits	395,387	2,199	327,341	724,927
Consultants and professional services	231,695	-	62,776	294,471
Land transaction costs	50,914	-	-	50,914
Insurance	25,513	-	19,004	44,517
Rent and facilities	22,702	-	17,480	40,182
Legal	2,152	-	29,951	32,103
Accounting	-	-	23,780	23,780
Office supplies and expense	11,107	-	7,686	18,793
Conferences, meetings, and training	2,309	-	1,041	3,350
Depreciation	1,620	-	1,178	2,798
Bank charges	1,476	-	1,094	2,570
Excise taxes	824		761	1,585
Travel and field reviews	1,031	-	119	1,150
Newsletters and public notices	64	-	83	147
	5,676,692	2,199	492,294	6,171,185
Allocation of management and general expenses	484,907	7,387	(492,294)	-
Total expenses	$ 6,161,599	$ 9,586	$ -	$ 6,171,185

The accompanying notes are an integral part of these financial statements.

PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (9,294,783)	$ (6,200,751)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized losses on investments	225,133	82,514
Depreciation	3,684	2,798
Loss (gain) on disposal of asset	487	(827)
(Increase) decrease in assets:		
Accounts receivable	-	11,766
Prepaid expenses	19,545	(330)
Increase (decrease) in liabilities:		
Accounts payable	1,187,911	80,004
Accrued expenses	(621,098)	1,108,125
Accrued payroll and compensated absences	(2,632)	14,116
Grants payable	(13,796)	(10,017)
Net cash used by operating activities	(8,495,549)	(4,912,602)
Cash flows from investing activities:		
Proceeds from sale of investments	9,034,893	7,682,670
Purchases of investments	(105,933)	(1,656,333)
Proceeds from sale of property and equipment	193	-
Net cash provided by investing activities	8,929,153	6,026,337
Net increase in cash and cash equivalents	433,604	1,113,735
Cash and cash equivalents:		
Beginning of year	4,683,453	3,569,718
End of year	$ 5,117,057	$ 4,683,453

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization: Pacific Forest and Watershed Lands Stewardship Council (the Stewardship Council) is a private foundation that was established in 2004 as the result of a Settlement Agreement between Pacific Gas and Electric Company (PG&E) and the California Public Utilities Commission (CPUC). It has two goals: to ensure California's watershed lands are conserved for the public good, and to invest in outdoor programs that serve California's young people. The Stewardship Council brings together the expertise of leading conservation, natural resource management, business, and public officials to undertake a historic conservation effort for California. The Stewardship Council's Board of Directors unites a broad range of interests to guide the development and execution of a Land Conservation Program and a Youth Investment Program to benefit current and future generations of Californians.

The Stewardship Council's mission statement is as follows:

The Stewardship Council protects and enhances watershed lands and uses, and invests in efforts to improve the lives of young Californians through connections with the outdoors.

To support the Land Conservation Program, the Settlement Agreement required PG&E to provide the Stewardship Council with $70 million to be paid in equal installments over ten years starting in 2004. To support the Youth Investment Program, the CPUC required PG&E to provide the Stewardship Council with $30 million to be paid in equal installments over ten years starting in 2004. In January 2013, PG&E made its tenth and final installment payment of $10 million to the Stewardship Council.

As part of its commitment to support efforts to invest in parks and youth programs in both urban and rural areas of Northern and Central California, the Stewardship Council, through its Youth Investment Program, initially expended approximately $2 million in youth grants annually. Through grants to Youth Outside, the Stewardship Council has sought to enable the creation of a permanent program to connect underserved youth to the outdoors (Note 9).

The Stewardship Council is also tasked with ensuring the permanent protection of over 140,000 acres of land for the benefit of the citizens of California. In its work to fulfill this objective, the Stewardship Council has developed a Land Conservation Plan that recommends how the beneficial public uses of this land can best be conserved. This Land Conservation Plan will serve as framework to guide the Stewardship Council as it identifies future land stewards to accept fee title of the lands and conservation easements to ensure their protection into perpetuity.

In 2021 and 2020, fewer land transactions closed escrow than anticipated. This resulted in fewer endowment and tax neutrality payments, causing actual expenditures to be lower than originally budgeted. Due to delays, the Stewardship Council has delayed the dissolution to 2024.

Basis of Accounting: The Stewardship Council prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

Basis of Presentation: U.S. GAAP requires that the Stewardship Council report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of the Stewardship Council are classified and reported as described below:

Net assets without donor restrictions: Those net assets and activities, which represent the portion of expendable funds that are available to support the Stewardship Council's operations. A portion of

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

these net assets may be designated by the Board of Directors for specific purposes. Such designations do not constitute restriction; only donors can place restrictions.

Net assets with donor restrictions: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; (d) acquisition of long-lived assets; (e) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (f) assets donated with stipulations that they be invested to provide a permanent source of income.

Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash consists of funds held in a commercial account for operating expenses. The Stewardship Council considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

Investments: The Stewardship Council reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of marketable securities are determined based on market quotations. Debt securities are carried at estimated fair value as provided by the investment managers. Realized gains and losses on the sale of securities are determined on the specific-identification method. Income earned, and realized and unrealized gains and losses on investment transactions are included as revenue in the year earned. Investment income is reported net of investment fees.

The Stewardship Council's Fiduciary Committee is responsible for establishing investment criteria and overseeing the Stewardship Council's investments with board approval of significant changes in the investment policy.

Property and Equipment: The Stewardship Council capitalizes acquisitions of property and equipment with a cost or value in excess of $1,000 and an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from approximately 3 to 7 years. Leasehold improvements are amortized over the shorter of the asset life or the lease term, including extensions. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

Income Taxes: The Stewardship Council has been determined by the Internal Revenue Service to be a tax-exempt private foundation under Internal Revenue Code (IRC) Section 509(a) within the meaning of 501(c)(3) of the IRC. Generally, private foundations are liable for an excise tax of 2% (1% if minimum payout requirements prescribed by the IRC are met) on net investment income, excluding unrealized gains, as defined. An organization qualifying as a private foundation is required to distribute, in the year received or in the year following receipt, its minimum investment return of 5% of the average market value of its aggregate non-charitable assets or become subject to additional taxes up to the amount of any undistributed balance.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Stewardship Council satisfies the 5% distribution requirement through grants to other non-profit organizations and operations of the Youth Investment Program and Land Conservation Programs. No excise taxes were owed for the year ended December 31, 2022. For the year ended December 31, 2021, the Stewardship Council paid excise taxes of $1,010.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if the Stewardship Council has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements.

The Stewardship Council's federal returns for the years ended December 31, 2021, 2020, and 2019 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Stewardship Council's state returns for the years ended December 31, 2021, 2020, 2019, and 2018 could be subject to examination by state taxing authorities, generally for four years after they are filed. However, there are currently no audits for any tax periods pending or in progress.

Concentrations of Risk: Financial instruments which potentially subject the Stewardship Council to concentrations of credit risk consist principally of cash and cash equivalents, and investments. The Stewardship Council maintains its cash in various bank deposit and investment accounts which, at times, may exceed federally insured limits. As of December 31, 2022 and 2021, the Stewardship Council's uninsured bank balance totaled $10,159 and $1,671,170, respectively. The Stewardship Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Stewardship Council attempts to limit its credit risk associated with cash equivalents and investments by utilizing outside investment managers to place the Stewardship Council's investments with highly rated corporate and financial institutions. Furthermore, the Stewardship Council invests primarily in fixed income securities and mutual funds which are exposed to various risks, such as interest rate, market, and credit risk.

Due to the level of risk associated with certain investments, it is likely and probable that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported. The Stewardship Council's investments are limited in the amount of credit exposure to any one issuer and management believes that the Stewardship Council is not exposed to any significant credit risk related to cash equivalents and investments.

Functional Allocation of Expenses: The Stewardship Council allocates all identifiable expenses directly to the programs whenever possible. Certain expenses that cannot be easily identified as benefiting either program are initially classified as management and general expenses. At the end of each fiscal year, these expenses are allocated to the programs. Expenses that are common to both programs and not able to be allocated directly, including management and general expenses, are allocated to the programs based on either time and effort or office space, depending on the nature of the expense.

Accrued Compensated Absences: It is the Stewardship Council's policy to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon taking vacations or upon separation.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Payable: Grant expense is recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. The Stewardship Council expects to pay its grants within the next year.

The Stewardship Council is in the process of determining the impact of the implementation of this ASU.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Stewardship Council's financial assets at December 31:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	$ 5,117,057	$ 4,683,453
Investments	4,909,181	14,063,274
Financial assets available to meet program expenditures over the next year	$ 10,026,238	$ 18,746,727

Stewardship Council funds in excess of those needed immediately for operations are invested in low cost, broadly diversified funds. The Stewardship Council's cash and cash equivalents consisted of cash in a checking account totaling $260,159 and $1,919,087 and money market funds in investment accounts totaling $4,856,898 and $2,764,366 at December 31, 2022 and 2021, respectively. The investment portfolio primarily utilizes conservative fixed income mutual funds to optimize diversification, preserve principal and maintain liquidity. The Stewardship Council investment policy sets a two-year maximum duration for investment maturity and investments are readily transferrable into cash.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Stewardship Council's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). The levels of the fair value hierarchy are as follows:

Level 1
Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2
Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates, volatilities, spreads and yield curves.

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Level 3
Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Stewardship Council's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds: Mutual funds are valued at the closing price reported in active markets and are categorized in Level 1 of the fair value hierarchy.

The following tables provide information as of December 31, about the Stewardship Council's financial assets measured at fair value on a recurring basis:

	Total	Level 1	Level 2	Level 3
2022:				
Bond mutual funds	$ 4,909,181	$ 4,909,181	$ -	$ -
Total	$ 4,909,181	$ 4,909,181	$ -	$ -
2021:				
Bond mutual funds	$ 14,063,274	$ 14,063,274	$ -	$ -
Total	$ 14,063,274	$ 14,063,274	$ -	$ -

The Stewardship Council's policy is to recognize transfers in and transfers out of levels of the fair value hierarchy as of the actual date of the event or change in circumstance that caused the transfer. The Stewardship Council had no transfers into or out of the levels during the years ended December 31, 2022 and 2021.

NOTE 4 - INVESTMENTS

Investments consisted of the following at December 31:

	2022	2021
Domestic:		
Bond mutual funds	$ 4,909,181	$ 14,063,274
Total	$ 4,909,181	$ 14,063,274

Net investment income consisted of the following for the years ended December 31:

	2022	2021
Investment income, net of investment fees	$ 86,283	$ 52,948
Net realized and unrealized losses on investments	(225,133)	(82,514)
Total	$ (138,850)	$ (29,566)

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2022	2021
Office equipment	$ 40,584	$ 42,287
Furniture and fixtures	26,633	26,632
Leasehold improvements	3,984	3,983
	71,201	72,902
Less: Accumulated depreciation	(68,759)	(66,096)
Total	$ 2,442	$ 6,806

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, are restricted for the following purposes and may be expended for:

	2022	2021
Net assets restricted for project support:		
Land Conservation Program	$ 8,017,450	$ 17,310,589
Youth Investment Program	1,397	3,041
Total	$ 8,018,847	$ 17,313,630

NOTE 7 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the grantor during the year ended December 31, as follows:

	2022	2021
Satisfaction of purpose restrictions:		
Land Conservation Program	$ 9,143,384	$ 6,161,599
Youth Investment Program	12,062	9,586
Total	$ 9,155,446	$ 6,171,185

NOTE 8 – RETIREMENT PLAN

The Stewardship Council's employee benefits include an IRC §401(k) Plan (the Plan). The Plan covers all employees with 1,000 hours of service and who have reached the age of twenty-one. Under the safe harbor provision, the Stewardship Council will match 100% of the employee's contributions up to 3% of compensation per pay period and an additional 50% of the amounts of contributions that exceed 3% but that do not exceed 5% of the employee's payroll for the period. For the years ended December 31, 2022 and 2021, total employer contributions made to the Plan were $43,140 and $42,903, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors and members of its advisory committees are also employees of other IRC §501(c)(3) organizations or public agencies to which the Stewardship Council has awarded grants and may award grants to in the future. In these circumstances, the Stewardship Council awards grants pursuant to its conflict-of-interest policy.

In 2010, the Stewardship Council entered into an intercompany agreement with Youth Outside (Youth Outside changed its name to Justice Outside subsequent to year-end), a separate IRC §501(c)(3) organization, whose charitable purpose is to provide greater resources to connect children, youth, and young adults to nature, parks, open spaces, and the outdoors. As of December 31, 2022 and 2021, one Youth Outside director was also serving as a director on the Stewardship Council's Board of Directors.

On August 1, 2013, Youth Outside and the Stewardship Council executed a $10.76 million grant agreement (the 2013 *Major Grant Agreement*) to enable Youth Outside to build a permanent program to connect underserved youth to the outdoors. With the transfer of grant funds to Youth Outside in August 2013, Youth Outside then became responsible for paying its own costs of operation.

Under the terms of the 2013 *Major Grant Agreement*, the Stewardship Council has the right to fill one seat on the Youth Outside board of directors until Youth Outside has expended all the grant funds provided by the Stewardship Council. As of December 31, 2022, Youth Outside has expended all of the grant funds.

NOTE 10 - COMMITMENTS

On May 9, 2016, the Stewardship Council entered into an operating lease for office space in Roseville, California for the period of July 1, 2016 through August 31, 2019, which was extended through June 30, 2022. The lease was not renewed. Monthly base payments commenced at $3,239 and increased annually based on price per rentable square foot; in addition, the Stewardship Council is liable for a portion of operating costs and property taxes. For the years ended December 31, 2022 and 2021, rent expense amounted to $19,667 and $40,182, respectively.

The Stewardship Council had the following grant commitments at December 31, 2022:

Grant Type	Approved	Remaining
Baseline Documentation:		
Shasta Land Trust	$ 87,500	$ 17,576
Distinct Landowner:		
Bear Yuba Land Trust:		
Bear River	105,000	11,405
Lake Spaulding	70,300	2,783
Conservation Easement:		
Feather River Land Trust	385,000	115,121
Negotiation Costs:		
Northern California Regional Land Trust	44,239	5,901
Placer Land Trust	229,753	25,972
Shasta Land Trust	15,000	15,000
Shasta Land Trust	291,328	62,590
Western Shasta Resource Conservation District	64,500	15,320
	$ 1,292,620	$ 271,668

NOTE 11 – SUBSEQUENT EVENTS

In May 2022, the Stewardship Council entered into a grant agreement with the Sierra Nevada Conservancy (SNC) to provide SNC with $1,835,157 to carry out certain roles before and after the dissolution of the Stewardship Council, including: 1) $97,291 to administer the Enhancement Program that provides grants to nonprofit organizations, public entities, and Native American entities to fund projects including habitat restoration, creation and restoration of recreational trails and outdoor education facilities, cultural resource protection and interpretation, forest research, management plans, planning and feasibility studies, and biological surveys for three years; 2) $1,218,188 for eight approved direct grant payments under the Enhancement program; 3) an amount to be determined to prepare an update in approximately 2026 to the Stewardship Council Final Report to the CPUC, which includes an initial assessment of any economic and physical impacts resulting from PG&E's Land Conservation Commitment; 4) $459,178 to monitor and enforce conservation covenants between the Stewardship Council and the U.S. Forest Service (USFS) on ten properties subject to conservation easements donated to the USFS; and 5) $60,500 to review and approve successor easement holders and to accept conservation easements under the Watershed Lands Conservation Easement Project.

The Stewardship Council has evaluated all subsequent events through May 23, 2023, the date the financial statements were available to be issued. No events requiring recognition in the financial statements have been identified.

PACIFIC FOREST AND WATERSHED LANDS STEWARDSHIP COUNCIL
SCHEDULE OF EXPENSE BUDGET TO ACTUAL ANALYSIS
Year Ended December 31, 2022

	Budget	Actual	Under/(Over) Budget
Expenses			
Grant awards	$ 9,520,883	$ 7,806,637	$ 1,714,246
Salaries, wages, and benefits	695,676	657,744	37,932
Consultants and professional services	432,794	324,898	107,896
Land transaction costs	52,316	164,674	(112,358)
Insurance	50,004	49,421	583
Rent and facilities	22,493	19,667	2,826
Legal	50,000	18,866	31,134
Accounting	63,035	51,474	11,561
Office supplies and expense	23,382	51,580	(28,198)
Conferences, meetings, and training	16,890	950	15,940
Depreciation	-	3,684	(3,684)
Bank charges	3,000	1,724	1,276
Travel and field reviews	-	3,258	(3,258)
Newsletters and public notices	5,009	869	4,140
Environmental Review	16,202	-	16,202
Software & Hardware < $1,000	12,694	-	12,694
Baseline Documentation Contractor	4,000	-	4,000
Total Expenses	$ 10,968,378	$ 9,155,446	$ 1,812,932

The accompanying notes are an integral part of these financial statements.