



SIERRA CLUB

Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

SIERRA CLUB

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

Independent Auditors' Report

The Board of Directors
Sierra Club, Inc.:

We have audited the accompanying financial statements of Sierra Club, Inc. (the Club), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Club as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

San Francisco, California
July 15, 2020

SIERRA CLUB

Balance Sheets

December 31, 2019 and 2018

Assets	2019	2018
Cash and cash equivalents	\$ 36,113,400	27,293,300
Investments	21,937,000	25,810,900
Receivables:		
Trade accounts, less reserves of \$110,500 in 2019 and \$90,400 in 2018	325,900	332,700
Contributions	12,760,400	10,734,200
Other	6,780,700	4,491,600
Prepaid expenses	4,927,700	3,853,600
Board-designated and restricted investments	33,815,800	29,044,300
Property and equipment, net	5,276,000	6,152,000
Other	340,900	352,700
Total assets	<u>\$ 122,277,800</u>	<u>108,065,300</u>
Liabilities and Net Assets		
Accounts payable	\$ 7,676,100	7,249,600
Accrued expenses	9,378,400	9,059,600
Contract liability	2,361,800	2,568,800
Deferred lease liability	4,389,600	5,071,300
Pension liability	16,188,400	13,269,800
Total liabilities	<u>39,994,300</u>	<u>37,219,100</u>
Net assets:		
Without donor restrictions:		
Undesignated	38,169,300	33,989,000
Board-designated	5,422,200	4,672,200
Total without donor restrictions	<u>43,591,500</u>	<u>38,661,200</u>
With donor restrictions:		
Life memberships	28,366,100	27,282,800
General	9,903,700	4,480,000
Other activities	422,200	422,200
Total with donor restrictions	<u>38,692,000</u>	<u>32,185,000</u>
Total net assets	<u>82,283,500</u>	<u>70,846,200</u>
Total liabilities and net assets	<u>\$ 122,277,800</u>	<u>108,065,300</u>

See accompanying notes to financial statements.

SIERRA CLUB

Statement of Activities

Year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:			
Membership dues:			
Annual dues	\$ 24,461,500	—	24,461,500
Life memberships	176,300	1,083,300	1,259,600
Contributions	25,091,000	93,791,600	118,882,600
Outings and lodge reservations and fees	9,823,700	—	9,823,700
Calendar and other retail sales	1,422,100	—	1,422,100
Royalties	438,700	—	438,700
Net realized and unrealized gain on investments and interest	3,525,900	4,257,400	7,783,300
Advertising and other income	1,316,100	—	1,316,100
Public interest litigation award fees	139,900	—	139,900
Reimbursement major giving program	10,023,000	—	10,023,000
	76,418,200	99,132,300	175,550,500
Net assets released from restrictions	92,625,300	(92,625,300)	—
Total revenues, gains, and other support	169,043,500	6,507,000	175,550,500
Expenses:			
Program services:			
Studying and influencing public policy	74,634,500	—	74,634,500
Information and education	25,523,300	—	25,523,300
Outdoor activities	10,156,500	—	10,156,500
Chapter allocations	2,441,300	—	2,441,300
Total program services expenses	112,755,600	—	112,755,600
Support services:			
General and administrative	8,012,100	—	8,012,100
Membership	26,472,400	—	26,472,400
Fundraising:			
Sierra Club	7,205,200	—	7,205,200
Affiliates	8,052,600	—	8,052,600
Total support services expenses	49,742,300	—	49,742,300
Total expenses	162,497,900	—	162,497,900
Gain on disposal of assets	(1,000)	—	(1,000)
Pension-related changes	1,616,300	—	1,616,300
Total expenses and changes	164,113,200	—	164,113,200
Change in net assets	4,930,300	6,507,000	11,437,300
Net assets at beginning of year	38,661,200	32,185,000	70,846,200
Net assets at end of year	\$ 43,591,500	38,692,000	82,283,500

See accompanying notes to financial statements.

SIERRA CLUB

Statement of Activities

Year ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:			
Membership dues:			
Annual dues	\$ 23,825,500	—	23,825,500
Life memberships	402,400	1,016,700	1,419,100
Contributions	23,705,800	85,271,100	108,976,900
Outings and lodge reservations and fees	9,589,700	—	9,589,700
Calendar and other retail sales	1,581,100	—	1,581,100
Royalties	234,300	—	234,300
Net realized and unrealized loss on investments and interest	(146,300)	(1,748,100)	(1,894,400)
Advertising and other income	1,604,800	—	1,604,800
Public interest litigation award fees	697,700	—	697,700
Reimbursement major giving program	7,000,000	—	7,000,000
	68,495,000	84,539,700	153,034,700
Net assets released from restrictions	87,488,400	(87,488,400)	—
Total revenues, gains, and other support	155,983,400	(2,948,700)	153,034,700
Expenses:			
Program services:			
Studying and influencing public policy	73,412,400	—	73,412,400
Information and education	25,984,100	—	25,984,100
Outdoor activities	9,770,700	—	9,770,700
Chapter allocations	1,364,300	—	1,364,300
Total program services expenses	110,531,500	—	110,531,500
Support services:			
General and administrative	7,719,600	—	7,719,600
Membership	23,417,900	—	23,417,900
Fundraising:			
Sierra Club	7,303,400	—	7,303,400
Affiliates	6,007,200	—	6,007,200
Total support services expenses	44,448,100	—	44,448,100
Total expenses	154,979,600	—	154,979,600
Loss on disposal of assets	1,500	—	1,500
Pension-related changes	7,510,900	—	7,510,900
Total expenses and changes	162,492,000	—	162,492,000
Change in net assets	(6,508,600)	(2,948,700)	(9,457,300)
Net assets at beginning of year	45,169,800	35,133,700	80,303,500
Net assets at end of year	\$ 38,661,200	32,185,000	70,846,200

See accompanying notes to financial statements.

SIERRA CLUB

Statement of Functional Expenses

Year ended December 31, 2019

	Program services					Support services					Total
	Studying and influencing public policy	Information and education	Outdoor activities	Chapter allocations	Subtotal	General and administrative	Membership	Fundraising		Subtotal	
								Sierra Club	Affiliates		
Salaries and employee benefits	\$ 48,789,200	14,292,000	960,500	1,338,500	65,380,200	3,552,400	3,854,400	1,244,300	5,438,900	14,090,000	79,470,200
Outside services	6,104,800	4,355,800	5,503,300	697,100	16,661,000	1,513,500	8,596,300	2,040,000	963,300	13,113,100	29,774,100
Cost of sales and <i>Sierra</i> magazine	13,500	1,267,800	126,500	—	1,407,800	—	288,900	—	—	288,900	1,696,700
Mailing and office supplies	296,900	1,133,500	187,300	1,400	1,619,100	167,400	4,863,400	1,961,300	172,900	7,165,000	8,784,100
Legal services	5,453,700	94,500	20,000	79,200	5,647,400	245,300	14,900	—	39,400	299,600	5,947,000
Travel and meetings	5,466,900	710,100	746,000	190,000	7,113,000	504,500	142,800	14,300	268,000	929,600	8,042,600
Copying and printing	282,400	400,900	6,900	800	691,000	130,700	5,828,200	1,288,800	43,000	7,290,700	7,981,700
Rent and occupancy	2,951,600	1,034,000	235,900	13,100	4,234,600	1,270,400	241,000	—	359,500	1,870,900	6,105,500
Telephone	436,300	66,000	43,400	25,400	571,100	21,000	11,500	100	18,100	50,700	621,800
Royalties	—	280,000	18,200	—	298,200	—	23,400	—	—	23,400	321,600
Advertising and promotion	185,200	984,000	85,000	400	1,254,600	3,300	1,675,200	607,600	359,800	2,645,900	3,900,500
Depreciation and amortization	652,900	295,800	41,600	3,800	994,100	154,600	87,400	—	101,300	343,300	1,337,400
Lodge and outings field expense	4,300	500	1,830,200	—	1,835,000	—	—	—	—	—	1,835,000
Contributions and donations	1,630,300	106,300	300	6,400	1,743,300	39,100	1,100	—	1,300	41,500	1,784,800
Insurance	199,100	139,000	203,000	100	541,200	329,300	27,800	—	29,500	386,600	927,800
Other	2,167,400	363,100	148,400	85,100	2,764,000	80,600	816,100	48,800	257,600	1,203,100	3,967,100
	<u>\$ 74,634,500</u>	<u>25,523,300</u>	<u>10,156,500</u>	<u>2,441,300</u>	<u>112,755,600</u>	<u>8,012,100</u>	<u>26,472,400</u>	<u>7,205,200</u>	<u>8,052,600</u>	<u>49,742,300</u>	<u>162,497,900</u>

See accompanying notes to financial statements.

SIERRA CLUB
Statement of Functional Expenses
Year ended December 31, 2018

	Program services					Support services					Subtotal	Total
	Studying and influencing public policy	Information and education	Outdoor activities	Chapter allocations	Subtotal	General and administrative	Membership	Fundraising				
							Sierra Club	Affiliates				
Salaries and employee benefits	\$ 44,788,700	13,181,400	847,000	822,400	59,639,500	3,231,800	3,246,700	1,085,500	4,547,200	12,111,200	71,750,700	
Outside services	6,292,000	5,885,900	5,209,200	199,500	17,586,600	1,717,000	8,125,500	2,503,400	306,800	12,652,700	30,239,300	
Cost of sales and <i>Sierra</i> magazine	42,600	1,571,800	172,500	—	1,786,900	—	—	3,000	—	3,000	1,789,900	
Mailing and office supplies	413,800	1,292,400	231,600	1,600	1,939,400	170,800	4,620,350	1,954,300	59,400	6,804,850	8,744,250	
Legal services	5,905,400	121,400	23,700	138,500	6,189,000	143,300	28,500	—	49,100	220,900	6,409,900	
Travel and meetings	6,041,700	621,900	629,800	155,600	7,449,000	492,600	101,800	17,100	225,800	837,300	8,286,300	
Copying and printing	352,200	429,800	10,100	500	792,600	129,800	4,713,250	1,281,400	108,300	6,232,750	7,025,350	
Rent and occupancy	2,807,300	1,039,800	218,800	12,200	4,078,100	1,188,800	226,600	—	346,900	1,762,300	5,840,400	
Telephone	499,800	56,600	34,000	24,800	615,200	22,100	9,100	900	24,300	56,400	671,600	
Royalties	100	299,600	4,900	—	304,600	—	—	—	100	100	304,700	
Advertising and promotion	291,700	626,500	69,700	200	988,100	4,100	1,211,800	401,300	100,900	1,718,100	2,706,200	
Depreciation and amortization	661,100	318,900	42,400	3,900	1,026,300	157,700	81,300	—	93,700	332,700	1,359,000	
Lodge and outings field expense	—	—	1,949,500	—	1,949,500	—	—	—	—	—	1,949,500	
Contributions and donations	3,948,500	11,300	—	—	3,959,800	63,000	—	—	3,500	66,500	4,026,300	
Insurance	225,200	146,300	211,600	100	583,200	300,800	11,400	—	11,300	323,500	906,700	
Other	1,142,300	380,500	115,900	5,000	1,643,700	97,800	1,041,600	56,500	129,900	1,325,800	2,969,500	
	<u>\$ 73,412,400</u>	<u>25,984,100</u>	<u>9,770,700</u>	<u>1,364,300</u>	<u>110,531,500</u>	<u>7,719,600</u>	<u>23,417,900</u>	<u>7,303,400</u>	<u>6,007,200</u>	<u>44,448,100</u>	<u>154,979,600</u>	

See accompanying notes to financial statements.

SIERRA CLUB

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 11,437,300	(9,457,300)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,337,400	1,359,000
Net realized and unrealized (gain) loss on investments	(6,763,300)	2,825,800
Advisory fees paid from investments	142,500	133,400
(Gain) loss on disposal of assets	(1,000)	1,500
Pension related changes	1,616,300	7,510,900
Life membership and contributions restricted for long-term investment	(1,083,300)	(1,016,700)
Changes in operating assets and liabilities:		
Trade accounts receivable	6,800	57,900
Contributions receivable	(2,026,200)	(2,177,500)
Other receivables	(2,289,100)	1,070,700
Prepaid expenses	(1,074,100)	(39,500)
Other	11,800	(16,200)
Accounts payable	426,500	1,364,600
Accrued expenses	318,800	877,400
Contract liability	(207,000)	167,300
Deferred lease liability	(681,700)	(467,400)
Pension liability	1,302,300	(349,500)
Net cash provided by operating activities	<u>2,474,000</u>	<u>1,844,400</u>
Cash flows from investing activities:		
Purchases of property and equipment	(460,400)	(718,000)
Purchases of investments	(23,474,600)	(23,005,400)
Proceeds from maturity and sales of investments	26,084,800	13,717,500
Net cash provided by (used in) investing activities	<u>2,149,800</u>	<u>(10,005,900)</u>
Cash flows provided by financing activity:		
Life membership contributions restricted for long-term investment	1,083,300	1,016,700
Net cash provided by financing activity	<u>1,083,300</u>	<u>1,016,700</u>
Increase (decrease) in cash, cash equivalents, and restricted cash	5,707,100	(7,144,800)
Cash, cash equivalents, and restricted cash at beginning of year	<u>32,598,000</u>	<u>39,742,800</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 38,305,100</u>	<u>32,598,000</u>
Supplemental disclosure of cash flows information:		
Cash paid during the year for income taxes	\$ 233,100	6,200

See accompanying notes to financial statements

SIERRA CLUB

Notes to Financial Statements

December 31, 2019 and 2018

(1) Summary of Significant Accounting Policies

(a) Organization

The Sierra Club (the Club) is a nonprofit voluntary membership organization established to explore, enjoy, and protect the wild places of the earth; to practice and promote the responsible use of the earth's ecosystems and resources; to educate and enlist humanity to protect and restore the quality of the natural and human environment; and to use all lawful means to carry out these objectives. The Club operates many environmentally conscious programs which benefit the public interest.

The studying and influencing public policy program consists of staff and volunteers engaged in legislative and nonlegislative activities, including research, education, lobbying, legal, and policy development. Information and education include communication and outreach, *Sierra*, the Club's magazine, and digital outreach. Outdoor activities include national and international outing programs consisting of 311 and 299 trips during the years ended December 31, 2019 and 2018, respectively. The membership program includes support for 63 volunteer-led chapters, 361 groups, and the development of a broad-based volunteer membership. There are approximately 783,800 and 790,600 members as of December 31, 2019 and 2018, respectively.

(b) Basis of Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), have been prepared to focus on the Club as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions rounded to the hundreds (00). This has been accomplished by classification of balances and transactions into the following classes of net assets:

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations. This category includes net assets which have been designated by the board.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Club. The income from these assets is available for either general operations or specific programs as specified by the donor. This also includes net assets subject to donor-imposed stipulations that may or will be met by actions of the Club and/or the passage of time, and net assets of donor-restricted endowment funds until appropriated for expenditure.

Revenues are 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 net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(c) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, accounts payable, and accrued expenses approximate fair value because of the short-term maturity of these financial instruments.

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Notes to Financial Statements

December 31, 2019 and 2018

(d) Cash and Cash Equivalents

Cash equivalents consist primarily of checking, savings, money market accounts, and other investments with an original maturity of 90 days or less, not held with external managers as part of the Club's investment strategy. Of the cash and cash equivalents at December 31, 2019 and 2018, \$27,831,500 and \$20,702,300, respectively, represent cash held at various financial institutions and \$8,281,900 and \$6,591,000, respectively, were held in money market accounts. Cash and money market accounts are held at various financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured up to \$250,000 at each institution. However, in the normal course of business, balances often exceed the FDIC's insurance limit by material amounts.

Cash balances, generally described as restricted cash, are also held within investments and board-designated and restricted investments. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the balance sheets that sum to the amounts shown in the statements of cash flows.

	2019	2018
Cash and cash equivalents	\$ 36,113,400	27,293,300
Cash included in investments	1,216,700	1,920,600
Cash included in board-designated and restricted investments	975,000	3,384,100
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 38,305,100	32,598,000

(e) Investments

Investments are reported at fair value with realized and unrealized gains and losses included as a component of the change in net assets.

Board-designated and donor-restricted investments consist primarily of the Club's donor-restricted life memberships as well as investments directed by management for long-term investment.

(f) Property, Equipment, and Software

Property and equipment are stated at cost at the date of acquisition or estimated fair value at the date of donation. Depreciation and amortization expense is provided on a straight-line basis over the estimated useful lives of the related assets as follows:

Buildings and leasehold improvements	Lesser of useful life or lease term
Office furniture and equipment	10 years
Computer equipment and software	3–5 years

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Notes to Financial Statements

December 31, 2019 and 2018

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

(g) Contract Liability

The Club defers revenue from outings and advertising until the period in which the trip is completed or the magazine is published.

(h) Deferred Lease Liability

The Club recognizes rent and allowance for tenant improvements on a straight-line basis over the lease term. As of December 31, 2019 and 2018, the unamortized allowance for tenant improvements totaled \$2,423,800 and \$2,910,100, respectively. As of December 31, 2019 and 2018, deferred rent totaled \$1,965,800 and \$2,161,200, respectively.

(i) Revenue Recognition

(i) Membership Dues

Annual membership dues are recognized as revenue when received. The Club views these as contributions because the nature of the membership is not an exchange transaction between the Club and the member.

The Club solicits membership dues for a "life membership" fund. The Club's bylaws state: "All money received for life memberships and such other funds as may be received or appropriated by the board of directors for permanent investment, shall be separately and securely invested as an Endowment Fund, of which only the income may be appropriated for expenditures provided; however, the Fund may be used as collateral to borrow money for limited periods of time to advance the purposes of the Club when such a policy is approved by a majority of the Board." Accordingly, life membership dues and other contributions permanently designated by donors are characterized as net assets with donor restrictions and investment earnings are characterized as net assets with donor restrictions until appropriation in the accompanying financial statements.

(ii) Contributions

Contributions are recognized as revenue if there are no conditions placed with the gifts. Conditional contributions are recognized when barriers to entitlement are overcome. Contributions with donor-imposed restrictions are recorded as revenues with donor restrictions. Upon fulfillment of the donor-imposed restrictions, net asset with donor restrictions are reclassified to net assets without donor restrictions.

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Notes to Financial Statements

December 31, 2019 and 2018

(iii) Exchange Transactions

The Club has various forms of revenue sources from exchange transactions. Revenues are recognized upon the fulfillment of performance obligations. Primary sources of exchange transactions include:

- (a) Outings and lodge reservations fees: Reservation deposits are taken in advance and recognized as revenue at the completion of a trip and at the completion of each nightly stay at the lodge.
- (b) Calendars sales are recognized at the time of transaction, with a reserve held in anticipation for returns and marked down sales.
- (c) Advertising space is sold in advance for issues of *Sierra* magazine, and the revenues are recognized upon publication of the issue in which the advertisement appears.
- (d) The Club has a service agreement with the Sierra Club Foundation (the Foundation) to provide fundraising services on its behalf. The Club invoices the Foundation monthly for the services provided and revenue is recorded at the time of invoice.

(j) Allocation of Expenses

The Club's expenses are presented on a functional basis, showing basic program activities and support services. The Club allocates expenses to program and support services based on the organizational cost centers (functional units) in which expenses are incurred. In certain instances, expenses are allocated between support functions and program services based upon a systematic allocation methodology.

The Club's activities of fundraising and membership, in some cases, include purposes or contents related to a program service. Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, states that joint costs of informational materials or activities should be allocated between fundraising and the appropriate program or general function if the purpose, audience, and content criteria, as defined by ASC Topic 958, *Not-for-Profit Entities*, are met. Although most fundraising materials include educational content, the criteria of this standard are only met by a few insignificant activities, and therefore, the Club does not allocate joint costs from its fundraising and membership activities to program services.

(k) Donated Services

Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Accordingly, the Club recognized \$40,200 and \$140,100, respectively, for donated legal services for the years ended December 31, 2019 and 2018. The amount is included as a component of contributions revenue and program services expense in the accompanying financial statements.

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Notes to Financial Statements

December 31, 2019 and 2018

(l) Collection Items

The Club does not capitalize donated paintings, photographs, and rare books as these items are held for public exhibition, education, or research in furtherance of public service and are protected and cared for by the Club throughout the life of the assets.

(m) Income Tax Status

Based on recognition by the Internal Revenue Service and California Franchise Tax Board, the Club's related sources of revenue are exempt from federal income and California franchise taxes under Internal Revenue Code Section 501(c)(4) and California Revenue and Taxation Code Section 23701f, respectively. However, the Club is subject to income tax on its unrelated business income and certain political activities, of which there was \$200 and \$222,600, respectively, for the years ended December 31, 2019 and 2018.

As required by U.S. GAAP, the Club has identified and evaluated its significant tax positions for which the statute of limitations remain open and determined there is no material unrecognized tax benefit or liability to be recorded.

The open tax years are the years ended December 31, 2015 through December 31, 2019 for federal tax purposes and the years ended December 31, 2014 through December 31, 2019 for California tax purposes (except to the extent of the net operating loss carryover for which the tax years from December 31, 2004 are open). There have been no material changes in unrecognized benefits at December 31, 2019 and 2018, nor are any material changes anticipated in the twelve months following December 31, 2019, and there have been no related tax penalties or interest, which would be classified as a tax expense in the statement of activities.

The Club has an operating loss carryover of \$2,950,700 and \$2,324,000, respectively, as of December 31, 2019 and 2018; however, no deferred tax asset has been recognized due to the uncertainty of whether the benefit will be realized.

Contributions to the Club are not deductible by the donor as a charitable contribution for tax purposes.

(n) Use of Estimates

Management of the Club has made certain 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. The key estimate is pension liability. Actual results could differ from those estimates.

(o) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The Club adopted this standard in 2019 using the cumulative effect transition method. The adoption of Topic 606 did not have a significant impact on the statement of activities. Disclosures in the Summary of Significant Accounting Policies note have been updated as required by the standard.

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In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments in this update require that an employer disaggregate the service cost component from the other components of net benefit cost and provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement. The Club adopted this standard in 2019 retrospectively. The impact of adoption resulted in the nonservice cost components of pension benefit costs, previously classified as salaries and employee benefits, to be reported as other program and support services expense.

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 Club adopted this standard in 2019 prospectively. The adoption of this standard did not have a significant impact on the Club's financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Lessees are required to recognize a right-of-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. As the result of ASU No. 2019-10 and 2020-05, which include Topic 842, the new standard is effective for the Club on January 1, 2022. Management is currently evaluating the impact that adoption will have on the Club's financial statements.

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 in the statement of cash flows. The Club adopted this standard retrospectively in 2019. As a result of adopting the standard, the Club includes cash held in investments and board-designated and restricted investments in cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows.

In August 2018, the 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 Club on January 1, 2020. The adoption of ASU No. 2018-13 is not expected to have a significant impact on the Club's related disclosures.

(p) Reclassifications

Certain 2018 cash and expense balances in the financial statements have been reclassified to conform to the 2019 presentation, due to adoption of new accounting standards as described in the previous note.

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(2) Investments

The Club's investment portfolio consists of the following as of December 31, 2019 and 2018 (at fair value):

	<u>2019</u>	<u>2018</u>
Operating:		
Cash	\$ 1,216,700	1,920,600
Certificates of deposit	4,159,700	5,910,200
Money market mutual funds	446,800	599,800
Equity securities	3,460,300	2,779,900
U.S. government and agency securities	527,800	4,993,500
Corporate fixed income	287,300	484,000
Equities mutual fund	1,235,300	406,800
Exchange traded funds	2,317,700	1,821,400
Alternative investments	<u>8,285,400</u>	<u>6,894,700</u>
Total operating investments	<u>21,937,000</u>	<u>25,810,900</u>
Board-designated and donor restricted:		
Cash and cash equivalents	2,242,600	3,384,100
Certificates of deposit	5,916,200	5,037,600
Equity securities	14,882,400	11,769,500
U.S. government and agency securities	3,562,100	2,565,000
Corporate fixed income	—	702,500
Exchange traded funds	1,035,500	1,044,800
Alternative investments	<u>6,177,000</u>	<u>4,540,800</u>
Total board-designated and donor-restricted investments	<u>33,815,800</u>	<u>29,044,300</u>
Total investments	<u>\$ 55,752,800</u>	<u>54,855,200</u>

Interest and dividend income amounted to \$1,149,200 and \$1,066,600, respectively, for the years ended December 31, 2019 and 2018, and is included in net realized and unrealized gain (loss) on investments and interest in the statements of activities. Investment advisory expense was \$144,900 and \$135,200, respectively, for the years ended December 31, 2019 and 2018, and is netted against net realized and unrealized gain (loss) on investments and interest in the statements of activities.

ASC Topic 820, *Fair Value Measurements and Disclosures*, 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 (unadjusted) in active markets for identical investments that the Club has the ability to access at the measurement date.

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- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are 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.

The Club's policy is to recognize the transfers between Levels 1 and 2 assets at the beginning of each reporting period, and there were no such transfers in the year ended December 31, 2019 or 2018.

The following table presents the investments at fair value based on a hierarchical level at December 31, 2019 and 2018:

		2019	
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash and cash equivalents	\$ 3,459,300	3,459,300	—
Certificates of deposit	10,075,900	10,075,900	—
Money market mutual funds	446,800	446,800	—
Equity securities	18,342,700	18,342,700	—
U.S. government and government agency securities	4,089,900	—	4,089,900
Corporate fixed income	287,300	—	287,300
Equities mutual fund	1,235,300	1,235,300	—
Exchange traded funds	3,353,200	3,353,200	—
Subtotal investments	41,290,400	\$ <u>36,913,200</u>	<u>4,377,200</u>
Alternative investments:			
Venture capital fund	72,900		
Private global equities funds	14,383,700		
Private equity	5,800		
Total	\$ <u>55,752,800</u>		

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	2018		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash and cash equivalents	\$ 5,304,700	5,304,700	—
Certificates of deposit	10,947,800	10,947,800	—
Money market mutual funds	599,800	599,800	—
Equity securities	14,549,400	14,549,400	—
U.S. government and government agency securities	7,558,500	—	7,558,500
Corporate fixed income	1,186,500	—	1,186,500
Equities mutual fund	406,800	406,800	—
Exchange traded funds	2,866,200	2,866,200	—
Subtotal investments	43,419,700	\$ 34,674,700	8,745,000
Alternative investments:			
Venture capital fund	147,300		
Private global equities funds	11,279,900		
Private equity	8,300		
Total	\$ 54,855,200		

For alternative investments, the Club uses net asset value as a practical expedient to estimate fair value.

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The following tables present the fair value measurements of the Club's alternative investments calculated at net asset value, unfunded commitments, and redemption restrictions as of December 31, 2019 and 2018:

2019				
	Fair value	Unfunded commitments	Redemption frequency	Redemption notification period
Venture capital fund (a)	\$ 72,900	7,100	Upon approval of general partner	N/A
Private global equities funds (b)	11,017,500	—	Quarterly, not to exceed 10% of fund's net assets	30 days
Private Asian equities funds (c)	3,366,200	—	Quarterly, not to exceed 20% of fund's net assets	90 days
Private equity (d)	5,800	—	Upon dissolution or certain company events	N/A
	\$ 14,462,400	7,100		

- (a) Investment in a portfolio of private equity funds that focus on clean technologies.
- (b) Private investment funds with an emphasis on global equities with sustainable practices.
- (c) Private investment funds with an emphasis on Asian-focused equities with sustainable practices.
- (d) Equity in an advisory company specializing in environmentally responsible investment strategies. The Club has no specific timeframe for redemption of this investment.

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2018				
	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notification period</u>
Venture capital fund (a)	\$ 147,300	7,100	Upon approval of general partner	N/A
Private global equities funds (b)	8,511,600	—	Quarterly, not to exceed 10% of fund's net assets	30 days
Private Asian equities funds (c)	2,768,300	—	Quarterly, not to exceed 20% of fund's net assets	90 days
Private equity (d)	<u>8,300</u>	<u>—</u>	Upon dissolution or certain company events	N/A
	<u>\$ 11,435,500</u>	<u>7,100</u>		

- (a) Investment in a portfolio of private equity funds that focus on clean technologies.
- (b) Private investment funds with an emphasis on global equities with sustainable practices.
- (c) Private investment funds with an emphasis on Asian-focused equities with sustainable practices.
- (d) Equity in an advisory company specializing in environmentally responsible investment strategies. The Club has no specific timeframe for redemption of this investment.

(3) Property and Equipment

Property and equipment consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,700	2,700
Buildings and leasehold improvements	9,626,900	9,414,300
Furniture, computer, and equipment	<u>6,708,500</u>	<u>6,527,300</u>
Subtotal	16,338,100	15,944,300
Less accumulated depreciation and amortization	<u>(11,062,100)</u>	<u>(9,792,300)</u>
Property and equipment, net	<u>\$ 5,276,000</u>	<u>6,152,000</u>

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The Club owned an office building that was sold in 2015. The office building sold for \$3,253,000, net of selling expenses. The purchaser of the building has issued a promissory note to the Club for \$1,000,000, due in October 2020, and this note is secured by a second deed of trust against the building. In accordance with ASC 360-20, \$1,000,000 of the gain on sale has been deferred until payment of this note is received. As such, the note has been recorded net of the \$1,000,000 deferred gain.

(4) Benefit Plans

(a) Pension Plan

The Club has a defined benefit plan (the Plan) and a defined contribution pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation. The defined benefit formula of this Plan is no longer offered to new employees.

The following table sets forth the Plan's benefit obligations, fair value of plan assets, and funded status at December 31, 2019 and 2018:

	2019	2018
Funded status of pension plan:		
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 46,075,500	40,979,000
Service cost	1,864,600	1,469,200
Interest cost	1,962,200	1,417,600
Net actuarial loss	7,838,400	4,579,700
Benefits paid	(2,125,700)	(1,994,400)
Expenses paid	(454,200)	(375,600)
Benefit obligation at end of year	55,160,800	46,075,500
Accumulated benefit obligation at end of year	47,181,800	39,570,900
Change in plan assets:		
Fair value of plan assets at beginning of year	32,805,700	34,870,600
Actual (loss) return on plan assets	6,596,900	(1,760,100)
Contributions	2,149,700	2,065,200
Benefits paid	(2,125,700)	(1,994,400)
Expenses paid	(454,200)	(375,600)
Fair value of plan assets at end of year	38,972,400	32,805,700
Funded status	\$ (16,188,400)	(13,269,800)
Amounts recognized in the balance sheets consist of:		
Pension liability	\$ (16,188,400)	(13,269,800)
Amounts recognized in net assets:		
Net actuarial loss	\$ 20,982,300	19,366,000

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The components of the Club net periodic benefit costs for the years ended December 31, 2019 and 2018 associated with the Plan are as follows and are included in the accompanying statements of functional expenses.

	<u>2019</u>	<u>2018</u>
Service cost	\$ 1,864,600	1,469,200
Interest cost	1,962,200	1,417,600
Expected return on plan assets	(2,056,500)	(2,455,000)
Recognized actuarial loss	<u>1,681,700</u>	<u>1,284,000</u>
	<u>\$ 3,452,000</u>	<u>1,715,800</u>

Amounts recognized for the years ended December 31, 2019 and 2018 as changes in net assets consist of:

	<u>2019</u>	<u>2018</u>
Net actuarial loss	\$ 3,298,000	8,794,900
Amortization of net loss	<u>(1,681,700)</u>	<u>(1,284,000)</u>
Net amount recognized	<u>\$ 1,616,300</u>	<u>7,510,900</u>

Net actuarial loss that is expected to be amortized from unrestricted net assets into net periodic pension cost over the next fiscal year is estimated to be \$1,627,000.

Weighted-average assumptions used to determine pension obligations are as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Discount rate	3.25 %	4.24 %
Rate of compensation increase	4.00	4.00

Weighted-average assumptions used to determine net pension cost are as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Discount rate	4.24 %	3.39 %
Expected long-term rate of return on plan assets	6.25	7.00
Rate of compensation increase	4.00	3.50

The expected long-term rate of return on plan assets is determined based on historical returns by asset class, projected Plan cash flows, and capital market assumptions.

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(b) Plan Asset Investment Strategy and Allocation

The asset allocations for the Plan as of December 31, 2019 and 2018 were:

<u>Asset category</u>	<u>Pension committee approved asset allocation</u>	<u>Actual percentage of plan asset allocation 2019</u>
Equities	25%–70%	60 %
Fixed income	35%–75%	37
Cash	— %	3

<u>Asset category</u>	<u>Pension committee approved asset allocation</u>	<u>Actual percentage of plan asset allocation 2018</u>
Equities	25%–70%	60 %
Fixed income	35%–75%	37
Cash	— %	3

The Plan invests primarily in asset categories with sufficient size, liquidity, and cost efficiency to permit investments of reasonable size. The Plan holds only Level 1 and Level 2 investments. The Plan invests in asset categories that provide diversification benefits and are easily measured. Maximum and minimum holding ranges for each of these asset categories are set by the Sierra Club Pension Committee; however, the Plan’s investment managers have been given the discretion to liquidate equity and security holdings in the event of anticipated catastrophic loss. Actual asset allocations within these approved ranges are based on a variety of economic and market conditions and consideration of specific asset category risk.

To assess the Plan’s investment performance, a long-term asset allocation policy benchmark has been established as follows: 17% Russell 1000 Value Index, 16% S&P 500 Index, 7% Russell 2000 Index, 8% Russell 2000 Value Index, 8% MSCI EAFE Value Index, 4% MSCI EAFE Small Cap Index, 2% U.S. 30-Day Treasury Bill Index, and 38% Lehman Bros. Govt/Corp Bond Index.

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The following tables present the fair values of the plan assets as of December 31, 2019 and 2018, based on a hierarchical levels:

	<u>December 31, 2019</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
Cash and cash equivalents	\$ 1,215,600	1,215,600	—
Equity mutual funds:			
Emerging markets funds (a)	1,191,000	1,191,000	—
U.S. growth fund (b)	750,700	750,700	—
International fund (c)	1,543,400	1,543,400	—
Corporate bond funds:			
Total return bond (d)	3,580,000	3,580,000	—
Common collective funds (e)	<u>30,691,700</u>	<u>—</u>	<u>30,691,700</u>
Total Plan assets	\$ <u>38,972,400</u>	<u>8,280,700</u>	<u>30,691,700</u>

	<u>December 31, 2019</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
Cash and cash equivalents	\$ 1,126,700	1,126,700	—
Equity mutual funds:			
Emerging markets funds (a)	1,180,400	1,180,400	—
U.S. growth fund (b)	609,700	609,700	—
International fund (c)	1,289,800	1,289,800	—
Corporate bond funds:			
Total return bond (d)	3,018,700	3,018,700	—
Common collective funds (e)	<u>25,580,400</u>	<u>—</u>	<u>25,580,400</u>
Total Plan assets	\$ <u>32,805,700</u>	<u>7,225,300</u>	<u>25,580,400</u>

(a) This fund seeks long-term capital appreciation by investing primarily in common stocks of emerging country issuers.

(b) This fund seeks long-term capital appreciation. It invests primarily in companies believed to have long-term capital appreciation potential and are expected to grow faster than the U.S. economy.

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- (c) This fund invests primarily in common and preferred stocks of foreign companies, including those located in emerging market countries. Companies in this fund's portfolio generally have market capitalization in excess of \$1 billion at the time of purchase.
- (d) This fund seeks to maximize long-term total return. The fund maintains an average duration from two to eight years, and the fund can invest up to 20% of its net assets in securities below investment grade.
- (e) These pooled collective funds are invested in domestic and international equity, bond, and indexed funds, most of which have objectives of income and long-term capital appreciation.

(c) Future Contributions

The Club's funding policy is to contribute to the Plan an annual amount necessary to meet or exceed the minimum funding standards under the Employee Retirement Income Security Act. The minimum funding requirement for the Plan in 2020 is \$59,000; however, management has committed to contribute at least \$2,000,000 to the Plan during 2020, based on the preliminary review of the Club's actuary.

(d) Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending December 31:	
2020	\$ 1,928,300
2021	2,094,700
2022	2,258,900
2023	2,422,200
2024	2,598,400
2025–2029	14,785,500

(e) 401(k) Plan

The Club offers a 401(k) plan for eligible employees. The plan provides an employer contribution for eligible employees who complete one year of service. The Club's contribution to the plan totaled \$1,851,000 and \$1,279,800 in 2019 and 2018, respectively, which is included in salaries and employee benefits expense in the statements of functional expenses.

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(5) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	2019	2018
Life memberships	\$ 28,366,100	27,282,800
General:		
Studying and influencing public policy:		
Beyond Coal campaign	496,500	1,556,800
West Coastal states advocacy program	115,900	311,100
San Francisco Bay protection	2,850,000	—
Other	1,725,200	1,402,600
Outdoor activities	24,900	25,700
Endowment asset earnings	4,691,200	1,183,800
Total general	9,903,700	4,480,000
Other activities	422,200	422,200
	\$ 38,692,000	32,185,000

(6) Endowments

The board of directors of the Club has interpreted the California Uniform Prudent Management of Institutional Funds Act (CUPMIFA) 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 Club 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. Donor-restricted endowment fund is classified as net assets with donor restrictions until amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the CUPMIFA.

The Club has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value over the prior three years. In establishing this policy, the Club considered the long-term expected return on its endowment. Accordingly, over the long term, the Club expects the current spending policy to allow its endowment to grow at a rate exceeding expected inflation. This is consistent with the Club's objective to maintain the fair value 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 Club appropriated \$750,000 and \$1,419,000, respectively, from the endowment funds in the years ended December 31, 2019 and 2018.

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The Club 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 fair value of endowment assets. Endowment assets include those assets of donor-restricted funds that the Club must hold in perpetuity or for a donor-specified period(s).

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 board-designated appropriations. Actual returns in a given year may vary from this goal. To satisfy its long-term rate-of-return objectives, the Club relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends), while making a distribution decision each year that represents a reasonable program expenditure rate, given investment performance, present and reasonably anticipated resources, general economic conditions, and the reasonable expectations of a prudent investor. The Club 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 Club's endowment consists of a Life Member fund and a donor-restricted fund established to further the mission of the Club. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Included in the endowment net asset totals for the years ending December 31, 2019 and 2018 are \$4,691,200 and \$1,183,800, respectively, of endowment investment earnings which have not been appropriated.

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets beginning of year	\$ —	28,888,800	28,888,800
Investment return:			
Investment income	—	623,800	623,800
Net depreciation (realized/unrealized)	—	3,633,600	3,633,600
Total investment return	—	4,257,400	4,257,400
Contributions	—	1,083,300	1,083,300
Appropriation of endowment assets for expenditure	—	(750,000)	(750,000)
Endowment net assets, end of year	\$ —	33,479,500	33,479,500

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	December 31, 2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets beginning of year	\$ —	31,039,200	31,039,200
Investment return:			
Investment income	—	565,200	565,200
Net depreciation (realized/unrealized)	—	(2,313,300)	(2,313,300)
Total investment return	—	(1,748,100)	(1,748,100)
Contributions	—	1,016,700	1,016,700
Appropriation of endowment assets for expenditure	—	(1,419,000)	(1,419,000)
Endowment net assets, end of year	\$ —	28,888,800	28,888,800

(7) Leases

The Club has leases for office facilities and equipment. Future minimum payments under all noncancelable operating leases with terms greater than one year as of December 31, 2019 are as follows:

2020	\$	5,209,300
2021		4,783,400
2022		2,930,200
2023		2,413,000
2024		2,262,900
2025		2,330,500
2026		2,361,800
Total lease payments	\$	22,291,100

Rent and utilities expense for operating leases was \$5,326,300 and \$4,839,000 in 2019 and 2018, respectively. Rental income for subleases was \$229,900 and \$186,000 in 2019 and 2018, respectively, and is recorded in advertising and other income.

(8) Transactions with Affiliates

The Sierra Club Foundation (the Foundation) is a separate legal entity. As the Club does not have control of the Foundation, it is not included in the Club's financial statements.

The Club provides fundraising and other services for the Foundation. Reimbursed costs related to these services and the Major Giving Program totaled \$10,023,000 and \$7,000,000, respectively, for the years ended December 31, 2019 and 2018. The Club receives direct contributions from the Foundation in support of various programs that totaled \$79,517,800 and \$71,900,400, respectively, for the years ended December 31, 2019 and 2018. Of the preceding amount, \$12,760,400 and \$10,734,200, respectively, is included in contributions receivable as of December 31, 2019 and 2018.

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The Club has a fiscal sponsorship relationship with the Foundation and shares in its use of software licenses purchased by the Foundation. The Club reimburses the Foundation for its use at fair value for the portion of use that does not qualify as charitable expenditures. The amount reimbursed to the Foundation was \$1,320,300 in 2019 and \$1,148,700 in 2018. Accounts payable to the Foundation totaled \$1,217,900 and \$1,524,700, respectively, as of December 31, 2019 and 2018.

(9) Line of Credit

The Club has a line of credit available with a brokerage firm with permitted borrowings, secured by accounts held at the brokerage firm at a floating rate established by the brokerage firm. As of December 31, 2019 and 2018, the available line, based on the value of pledged accounts was \$10,000,000 and \$8,738,800, respectively. The accounts are components of both investments and board-designated and restricted investments, and are invested in cash, U.S. government and agency securities, and fixed income and equity securities. Under the terms of this line of credit, no borrowings may be used to purchase securities or used to reduce debt incurred for the purchase of securities. As of December 31, 2019 or 2018, there were no borrowings against this line.

(10) Liquidity and Availability of Financial Assets

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

	2019	2018
Cash and cash equivalents	\$ 36,113,400	27,293,300
Investments	21,937,000	25,810,900
Grants account receivable	12,760,400	10,734,200
Board-designated and restricted investments	33,815,800	29,044,300
Total financial assets	104,626,600	92,882,700
Less:		
Donor-restricted endowments	(33,479,500)	(28,888,800)
Designated net assets	(5,422,200)	(4,672,200)
Illiquid portion of investments	(8,285,400)	(6,894,700)
Financial assets available to meet cash needs for general expenditures within one year	\$ 57,439,500	52,427,000

As part of the Club's liquidity management, it has a policy to structure its financial assets to be available to meet the general expenditure liabilities and other obligations as they become due. Cash in excess of weekly requirements is generally placed in liquid money market accounts and/or structured into laddered certificates of deposit if forecasted not to be needed to fulfill current liabilities.

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The Board has a policy of designating bequests greater than \$1,500,000 and, since 2017, appropriations from life member endowment earnings into a Board administered fund; those funds can be approved for general expenditure purposes, if necessary. In addition, as described in note 9, the Club has access to a collateralized line of credit, and as of December 31, 2019, \$10,000,000 is available from this line.

(11) Commitments and Contingencies

The Club is involved in a number of lawsuits resulting from the operations of its programs and other litigation arising during the normal course of operations. Management, in consultation with legal counsel, does not believe such lawsuits will have a material adverse effect on the financial position of the Club.

(12) Subsequent Events

Subsequent to December 31, 2019, there has been instability in the financial markets. One indicator, the S&P 500 Index, has declined approximately 1.58% between December 31, 2019 and June 30, 2020. Management anticipates that the Club may experience declines in market values that may be significant. In addition, the full impact of the COVID-19 pandemic on the Club's future operations is not known. The pandemic will result in a net decrease of outings and lodge reservations and fees revenue. As of June 30, 2020, 162 domestic trips through September 30, 2020 have been canceled and 52 international trips through December 15, 2020 have been canceled.