TRANSFORMCA
DBA TRANSFORM

FINANCIAL STATEMENTS
For the year ended December 31, 2017
with
Independent Auditor's Report

TRANSFORMCA
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For the year ended December 31, 2017

TABLE OF CONTENTS

Independent Auditor's Report

To the Board of Directors of
TransformCA:

Report on the Financial Statements

We have audited the accompanying financial statements of TransformCA (the "Organization"), a California nonprofit public benefit corporation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TransformCA as of December 31, 2017 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.

Report on Summarized Comparative Information

We have previously audited TransformCA's 2016 financial statements, and our report dated June 13, 2017 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Novogradac & Company LLP

Walnut Creek, California
April 20, 2018

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STATEMENTS OF FINANCIAL POSITION
December 31, 2017 (with comparative totals for 2016)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 946,332	$ 507,234
Certificates of deposit	-	750,015
Grants receivable, net	425,000	238,250
Contracts receivable	296,836	411,062
Other receivables	19,928	1,417
Prepaid expenses	76,501	35,158
Total current assets	1,764,597	1,943,136
Grants receivable, net of current portion	271,000	-
Deposits	15,738	15,738
Fixed assets, net	14,552	12,232
TOTAL ASSETS	$ 2,065,887	$ 1,971,106
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 55,617	$ 37,386
Accrued vacation liability	129,484	133,222
Deferred revenue	42,598	47,758
Obligations under capital lease, current portion	4,550	4,097
Total current liabilities	232,249	222,463
Deferred rent payable	31,220	39,142
Obligations under capital lease, net of current portion	10,509	8,289
Total liabilities	273,978	269,894
Net assets:		
Unrestricted	746,547	1,207,443
Temporarily restricted	1,045,362	493,769
Total net assets	1,791,909	1,701,212
TOTAL LIABILITIES AND NET ASSETS	$ 2,065,887	$ 1,971,106

see accompanying notes

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STATEMENTS OF ACTIVITIES
For the year ended December 31, 2017 (with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
SUPPORT AND REVENUE				
Government contracts	$ 915,263	$ -	$ 915,263	$ 984,442
Foundation grants	-	2,062,500	2,062,500	1,174,600
Contributions	232,005	107,000	339,005	238,669
Program service fees	122,570	-	122,570	153,895
Interest and dividends	1,026	-	1,026	2,378
Net assets released from restriction:				
Purpose accomplished or restricted time expired	1,617,907	(1,617,907)	-	-
TOTAL SUPPORT AND REVENUE	2,888,771	551,593	3,440,364	2,553,984
EXPENSES				
Program services:				
GreenTRIP	395,217	-	395,217	439,263
Regional Advocacy	915,247	-	915,247	662,942
State Advocacy	235,813	-	235,813	332,436
Climate Plan	364,150	-	364,150	446,487
Safe Routes to Schools	672,930	-	672,930	832,673
Total program services	2,583,357	-	2,583,357	2,713,801
Supporting services:				
Management and general	350,254	-	350,254	329,740
Fundraising and development	416,056	-	416,056	290,587
Total supporting services	766,310	-	766,310	620,327
TOTAL EXPENSES	3,349,667	-	3,349,667	3,334,128
INCREASE (DECREASE) IN NET ASSETS	(460,896)	551,593	90,697	(780,144)
NET ASSETS, BEGINNING OF YEAR	1,207,443	493,769	1,701,212	2,481,356
NET ASSETS, END OF YEAR	$ 746,547	$ 1,045,362	$ 1,791,909	$ 1,701,212

see accompanying notes

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STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017 (with comparative totals for 2016)

	Program Services						Supporting Services			2017	2016
	GreenTRIP	Regional Advocacy	State Advocacy	Climate Plan	Safe Routes to Schools	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	TOTAL	TOTAL
Salaries	$ 283,918	$ 507,357	$ 138,659	$ 233,867	$ 479,310	$ 1,643,111	$ 215,457	$ 251,548	$ 467,005	$ 2,110,116	$ 2,118,729
Payroll taxes	23,048	41,187	11,256	18,985	38,910	133,386	17,491	20,420	37,911	171,297	174,485
Employee benefits	30,280	54,110	14,788	24,942	51,119	175,239	22,979	26,828	49,807	225,046	253,007
Professional fees and subcontracts	5,195	210,131	41,980	21,954	13,770	293,030	48,648	34,023	82,671	375,701	316,960
Supplies	815	10,340	326	1,444	5,750	18,675	524	1,222	1,746	20,421	17,613
Telephone	4,404	8,664	2,629	5,313	6,299	27,309	976	2,992	3,968	31,277	32,770
Postage and shipping	49	88	24	83	134	378	126	1,811	1,937	2,315	1,346
Rent	32,446	57,980	15,846	26,726	54,775	187,773	24,622	28,746	53,368	241,141	239,707
Equipment rental and maintenance	2,173	9,444	738	880	1,763	14,998	2,126	8,593	10,719	25,717	34,614
Printing and copying	396	1,671	-	79	-	2,146	187	8,412	8,599	10,745	8,964
Travel, meals and entertainment	5,121	9,321	3,036	17,947	17,919	53,344	3,112	18,680	21,792	75,136	92,824
Conferences and trainings	5,703	1,294	5,716	10,455	364	23,532	1,120	7,688	8,808	32,340	19,196
Depreciation	599	1,070	292	493	1,011	3,465	1,545	530	2,075	5,540	3,361
Insurance	1,005	1,796	491	828	1,696	5,816	5,906	890	6,796	12,612	11,487
Dues, licenses, and service fees	65	794	32	154	110	1,155	5,435	3,673	9,108	10,263	7,454
Other expenses	-	-	-	-	-	-	-	-	-	-	1,611
TOTAL	$ 395,217	$ 915,247	$ 235,813	$ 364,150	$ 672,930	$ 2,583,357	$ 350,254	$ 416,056	$ 766,310	$ 3,349,667	$ 3,334,128

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STATEMENTS OF CASH FLOWS
For the year ended December 31, 2017 (with comparative totals for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 90,697	$ (780,144)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	5,540	3,361
(Increase) decrease in operating assets:		
Grants receivable	(457,750)	651,805
Accounts receivable	95,715	66,971
Prepaid expenses	(41,343)	43,105
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	18,231	(39,293)
Accrued vacation liability	(3,738)	12,122
Deferred revenue	(5,160)	38,449
Deferred rent payable	(7,922)	(1,628)
Net cash used in operating activities	(305,730)	(5,252)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of (additions to) certificates of deposit	750,015	(18,516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(5,187)	(3,642)
Net increase (decrease) in cash and cash equivalents	439,098	(27,410)
Cash and cash equivalents, beginning of year	507,234	534,644
Cash and cash equivalents, end of year	$ 946,332	$ 507,234
Supplemental disclosure of noncash investing and financing activities:		
Increase in fixed assets and capital lease obligations	$ 7,860	$ 13,346

see accompanying notes

NOTE 1 – ORGANIZATION

TransFormCA (dba TransForm) (the "Organization"), a California nonprofit public benefit corporation, promotes walkable communities with excellent transportation choices to connect people of all incomes to opportunity, keep California affordable and help solve our climate crisis. With diverse partners we engage communities in planning, run innovative programs and win policy change at the local, regional and state levels.

The Organization has offices located in Oakland, San Jose, and Sacramento, California. Its activities are primarily supported by grants from private foundations and local governments.

The Organization's programs include:

GreenTRIP: runs innovative certification program, conducts and documents groundbreaking research, and provides tools to help cities, developers, and community groups ensure that development includes comprehensive strategies to reduce traffic and greenhouse gas emissions and increase use of existing transit choices.

Regional Advocacy: engages communities, builds diverse coalitions, provides technical assistance, pursues strategic communications, and engages in direct advocacy to support regional solutions and local innovations that advance affordable, walkable communities and equitable transit options throughout the Bay Area.

State Advocacy: performs policy analysis, frames conversations about climate investments and equity, brings together diverse partners, advocates for sustainable transportation funding and policy at the state level; shares regional models of what's working at a regional scale throughout California and beyond.

Climate Plan: brings together a collaboration of environmental, public health, social equity and planning organizations to ensure that smart land use and sustainable transportation are key components of California's strategy to reduce greenhouse gas emissions.

Safe Routes to Schools: provides education and encouragement to increase the number of children walking and bicycling safely to school, focusing on Alameda County. The program trains parents, school leaders and volunteers and works with city officials and law enforcement to improve safety near schools.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations that may or will be expendable for any purpose in performing the Organization's primary objectives.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Certificates of deposit

Certificates of deposit are held for investment with original maturities greater than three months and remaining maturities less than one year.

Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents.

Grants receivable

Grants and pledges receivable include unconditional commitments from foundations and corporations that are stated at the amount management expects to collect. Unconditional promises to give are recorded as contribution revenue in the period received. Promises to give are recorded at fair value. The Organization provides an allowance for doubtful accounts which is based upon review of outstanding receivables and historical collection information. Balances are written off if deemed uncollectable. As of December 31, 2017, the balance of the allowance for doubtful accounts was $0. As of December 31, 2017, grants receivable are from four foundations. As of April 20, 2018, $300,000 of the December 31, 2017 grants receivable balance has been collected.

Contracts receivable

Contracts receivable includes amounts receivable in connection with work performed by the Organization pursuant to certain contracts with various organizations. These amounts are stated at the amount management expects to collect. Services provided by the Organization and reimbursed by third parties are recorded as contract revenue in the period in which the reimbursable costs are incurred. The Organization provides an allowance for doubtful accounts which is based upon review of outstanding receivables and historical collection information. Balances are written off if deemed uncollectable. As of December 31, 2017, the balance of the allowance for doubtful accounts was $0. As of December 31, 2017, amounts due from the third parties totaled $296,836. All contracts receivable are due within one year and are included on the accompanying statement of financial position. As of April 20, 2018, $119,502 of the December 31, 2017 contracts receivable balance has been collected

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of expenses

The Organization allocates its common costs, which are primarily related to operations and maintenance of its facilities, to program and supporting service activities benefitting from them, based on the direct salaries. Costs that are associated with more than one program or supporting service are allocated based on an evaluation by the Organization's management.

In-kind contributions

Contributed services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. No such contributions were recognized during the years ended December 31, 2017 and 2016.

Fixed assets and depreciation

The Organization records acquisitions of items with a cost of $5,000 or more as fixed assets. Fixed assets are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets, generally three to five years, using the straight-line method of depreciation. Leasehold improvements are depreciated over the life of the asset or the lease, whichever is shorter.

Lease

The Organization entered into lease agreements whereby the Organization has agreed to lease a copier machine and telecom equipment. The Organization accounts for the leases of the equipment as a capital lease and records the equipment as fixed assets on the accompanying statements of financial position. Obligations under the capital lease are recorded as a liability on the accompanying statements of financial position. Annual amortization of interest expense is recorded as dues, licenses, and services fees on the accompanying statements of functional expenses.

Deferred rent

The Organization's corporate office is leased under an agreement which has fixed increases in the monthly rent payment. The lease is an operating lease. Rent expense is recognized on a straight-line basis over the life of the entire lease. The difference between the cash payments and the expense recognized is recorded as a deferred rent payable.

Deferred revenue

The Organization invoices for program fees pursuant to certain contracts with various organizations. The revenue generated from these contracts is deferred and recognized as revenue when all stipulations of the contracts have been met. As of December 31, 2017 and 2016, deferred revenue was $42,598 and $47,758, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Government contracts - Services provided by the Organization and reimbursed by third parties pursuant to certain government contracts are recorded as government contract revenue in the period in which the reimbursable costs are incurred.

Foundation grants and contributions - Foundation grants and contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of fixed assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service. No such gifts were recognized during the year ended December 31, 2017.

Program service fees - The Organization charges program fees for services provided by the Organization pursuant to certain contracts with various organizations. Fees are recorded as program service fees when all stipulations of the contracts are met.

Income taxes

The Organization is recognized as a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code sections of the California Revenue and Taxation Code, is subject to income tax. Management believes that all of the Organization's activities were directly related to its exempt purpose, thus the accompanying financial statements do not include any provision for income taxes. The Organization is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. Management has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded on the accompanying financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting pronouncements
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The major changes revolve around net asset classifications. ASU 2016-14 eliminates the distinction between resources with permanent restrictions and those with temporary restrictions by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes: net assets with donor restrictions and net assets without donor restrictions.

In addition to the fundamental change in net asset classifications, the new standard also includes a number of specific amendments, such as the following:

- Disclosure requirements of qualitative information on how the organization manages its liquid available resources and liquidity risks;
- Reporting requirements of the investment return, net of external and direct internal investment expenses (disclosure of those netted expenses is no longer required).
- Presentation of operating cash flows on the statement of cash flows using either the direct or indirect method.

ASU 2016-14 applies to all non-profit organizations and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted.

The Organization is currently evaluating the impact the adoption of this standard will have on the financial statements.

NOTE 3 – CERTIFICATES OF DEPOSIT

As of December 31, 2017, the Organization held certificates of deposit from Union Banc Investment Services in an amount of $0. During the year ended December 31, 2017, the interest rates ranged between 0.5% and 0.6%. The certificates of deposit matured on various dates between January 27, 2017 and May 12, 2017. The carrying value of the certificates of deposit approximates fair value because of the short term maturity of these investments.

NOTE 4 – GRANTS RECEIVABLE

As of December 31, 2017, grants receivable totaled $696,000.

Grants receivable are due as follows:

Year ending December 31,

2018	$	425,000
2019		271,000
Total	$	696,000

As of April 20, 2018, $300,000 of the grants receivable balance has been collected.

NOTE 5 – FIXED ASSETS

Fixed assets consist of the following:

	December 31, 2017		December 31, 2016	
Furniture and equipment	$	99,727	$	91,867
Less: accumulated depreciation		(85,175)		(79,635)
Fixed assets, net	$	14,552	$	12,232

During the years ended December 31, 2017 and 2016, the Organization purchased fixed assets of $0 and $13,346, respectively. Depreciation expense for the years ended December 31, 2017 and 2016 was $5,540 and $3,361, respectively.

The Organization leases office equipment under a capital lease, which matures in 2020. The present value of the lease payments, discounted at the appropriate discount rate, exceeds 90% of the fair market value of the asset and accordingly, it is recorded in the Organization's assets and liabilities.

The following is an analysis of the leased property under a capital lease:

	December 31, 2017		December 31, 2016	
Office equipment	$	21,205	$	13,346
Less: accumulated amortization		(6,653)		(1,114)
Leased asset, net	$	14,552	$	12,232

Leased assets are included in fixed assets on the accompanying statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2017

NOTE 5 – FIXED ASSETS (CONTINUED)

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2017:

Year ending December 31,		
2018	$	12,288
2019		9,981
2020		1,785
Total minimum lease payments		24,054
Less: Amount representing estimated Executory costs (such as taxes, maintenance, and insurance)		(7,035)
Net minimum lease payments		17,019
Less: Amount representing interest*		(1,193)
Present value of net minimum lease payments	$	15,826

* Amount necessary to reduce net minimum lease payments to present value calculated at the imputed interest necessary to reduce the minimum lease payments to present value.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

Program	December 31, 2017	Released	Additions	December 31, 2016
Regional Advocacy	$ 468,212	$ (609,828)	$ 837,250	$ 240,790
State Advocacy	105,250	(188,068)	283,750	9,568
Climate Plan	454,260	(404,151)	767,500	90,911
GreenTRIP	-	(108,500)	108,500	-
Communications	-	(15,000)	15,000	-
Fundraising	-	(15,000)	15,000	-
General & administration	-	(2,500)	-	2,500
General operating support	17,640	(274,860)	142,500	150,000
Total temporarily restricted net assets	$ 1,045,362	$ (1,617,907)	$ 2,169,500	$ 493,769

NOTE 7 – OPERATING LEASES

The Organization leases office space in Oakland and Sacramento and certain equipment under various non-cancelable operating lease arrangements, expiring at various times through October 19, 2019. Rents on facility leases are subject to increases annually.

The Organization accounts for the facility leases as operating leases and records expense on a straight-line basis based on the average minimum monthly base lease payment calculated over the term of the lease. The facility leases have escalating payments over the terms. The cumulative difference between the annual expense and the actual base lease payments has been recorded as deferred rent on the accompanying statements of financial position.

Minimum future lease payments under these arrangements are as follows:

Year ending December 31,		
2018	$	221,500
2019		189,175
Total	$	410,675

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 20, 2018, which is the date the financial statements were available to be issued. The following is a summary of significant transactions through April 20, 2018:

As of April 20, 2018, $300,000 of the December 31, 2017 grants receivable balance has been collected.

As of April 20, 2018, $119,502 of the December 31, 2017 contracts receivable balance has been collected.