KPMG

SIERRA CLUB FOUNDATION

Financial Statements

December 31, 2018

(With Independent Auditors' Report Thereon)

SIERRA CLUB FOUNDATION

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

Independent Auditors' Report

Board of Directors
Sierra Club Foundation:

We have audited the accompanying financial statements of Sierra Club Foundation (the Foundation), which comprise the balance sheet as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2 to the financial statements, in 2018, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As part of our audit of the 2018 financial statements, we also audited the adjustments described in note 2 that were applied to adopt ASU No. 2016-14 retrospectively in the 2017 summarized comparative information. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

San Francisco, California
May 14, 2019

SIERRA CLUB FOUNDATION

Balance Sheet

December 31, 2018
(With comparative totals as of December 31, 2017)

Assets		2018	2017
Cash and cash equivalents	$	10,496,954	8,778,992
Money market securities		22,397,511	33,319,320
Contributions receivable, pledges and bequests, net		27,930,288	2,083,753
Contributions receivable, other		5,564,357	5,135,090
Contributions receivable, charitable trusts, net		6,235,776	7,149,143
Investments		83,408,960	84,514,114
Assets held under split interest agreements		13,728,394	14,234,699
Other assets		3,342,985	3,033,593
Total assets	$	173,105,225	158,248,704
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	763,161	147,737
Grants payable		10,853,782	8,701,334
Liabilities under split interest agreements		14,038,736	14,020,297
Total liabilities		25,655,679	22,869,368
Net assets:			
Without donor restrictions:			
Undesignated		15,670,327	22,055,171
Designated		24,615,757	23,403,287
Total without donor restrictions		40,286,084	45,458,458
With donor restrictions		107,163,462	89,920,878
Total net assets		147,449,546	135,379,336
Total liabilities and net assets	$	173,105,225	158,248,704

See accompanying notes to financial statements.

SIERRA CLUB FOUNDATION

Statement of Activities

Year ended December 31, 2018
(With summarized totals for the year ended December 31, 2017)

	Year ended December 31, 2018			Year ended December 31, 2017
	Without donor restrictions	With donor restrictions	Total	Total
Revenues, gains, and other support:				
Contributions	$ 16,457,359	77,075,478	93,532,837	61,940,110
Contributions related to split-interest agreements	503,335	144,508	647,843	601,859
Bequests	6,293,031	216,274	6,509,305	5,966,345
Total contributions	23,253,725	77,436,260	100,689,985	68,508,314
Net (losses) gains from investments	(3,030,391)	(2,127,991)	(5,158,382)	10,685,672
Interest and dividends	1,261,646	530,664	1,792,310	1,236,334
Net change in value of split-interest agreements	(395,655)	(1,087,868)	(1,483,523)	1,456,666
Other income	1,163,556	152	1,163,708	1,046,575
Net assets released from restrictions	57,508,633	(57,508,633)	—	—
Total revenues, gains and other support	79,761,514	17,242,584	97,004,098	82,933,561
Expenses:				
Program services	73,777,145	—	73,777,145	63,526,228
Support services:				
Administrative	1,768,386	—	1,768,386	1,464,098
Fundraising	9,388,357	—	9,388,357	7,850,687
Total expenses	84,933,888	—	84,933,888	72,841,013
Change in net assets	(5,172,374)	17,242,584	12,070,210	10,092,548
Net assets, beginning of year	45,458,458	89,920,878	135,379,336	125,286,788
Net assets, end of year	$ 40,286,084	107,163,462	147,449,546	135,379,336

See accompanying notes to financial statements.

SIERRA CLUB FOUNDATION

Statement of Functional Expenses

Year ended December 31, 2018
(With summarized totals for the year ended December 31, 2017)

	Year ended December 31, 2018					Year ended December 31, 2017
		Support services				
	Program services	Administrative	Fundraising	Subtotal	Total	Total
Grants	$ 73,450,839	—	—	—	73,450,839	63,187,253
Reimbursement for fundraising services	—	—	6,999,996	6,999,996	6,999,996	6,399,996
Fundraising – other	—	—	1,041,138	1,041,138	1,041,138	490,476
Salaries	183,251	829,025	10,670	839,695	1,022,946	877,143
Employee benefits and taxes	51,480	257,885	3,261	261,146	312,626	247,429
Professional services	27,183	360,940	—	360,940	388,123	284,906
Rent	19,419	73,897	475	74,372	93,791	93,791
Board of directors meetings	—	41,695	—	41,695	41,695	32,168
Office equipment and supplies	5,691	13,090	96	13,186	18,877	31,289
Software and hosting services	—	—	1,331,760	1,331,760	1,331,760	945,196
Depreciation	4,120	15,678	101	15,779	19,899	17,264
Travel	7,983	30,377	195	30,572	38,555	42,173
Insurance	4,349	16,551	106	16,657	21,006	25,023
Bank charges	—	6,289	—	6,289	6,289	13,790
Printing and copying	2,608	9,926	64	9,990	12,598	7,307
Regulatory compliance fees	—	22,168	—	22,168	22,168	14,345
Postage and shipping	439	1,671	11	1,682	2,121	2,599
Publications	—	13,136	—	13,136	13,136	10,615
Miscellaneous	19,783	76,058	484	76,542	96,325	118,250
	$ 73,777,145	1,768,386	9,388,357	11,156,743	84,933,888	72,841,013

See accompanying notes to financial statements.

SIERRA CLUB FOUNDATION

Statement of Cash Flows

Year ended December 31, 2018
(With comparative totals for the year ended December 31, 2017)

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	12,070,210	10,092,548
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation		19,899	17,264
Contributions of investment securities and noncash gifts		(2,642,375)	(3,270,089)
Contributions restricted for long-term investment		(1,045,193)	(421,526)
Net loss (gain) on investments		5,158,382	(10,685,672)
Changes in operating assets and liabilities:			
Contributions receivable, net		(25,362,435)	5,010,106
Other assets		(323,451)	(55,196)
Accounts payable		615,424	16,541
Grants payable		2,152,448	3,296,589
Liabilities under split-interest agreements		429,801	944,396
Net cash (used in) provided by operating activities		(8,927,290)	4,944,961
Cash flows from investing activities:			
Proceeds from sale of investments		26,987,630	23,961,077
Purchase of investments		(28,809,845)	(27,590,479)
Proceeds from sale of money market funds		31,440,854	54,389,001
Purchase of money market funds		(20,519,045)	(65,635,793)
Purchase of property and equipment		(5,840)	(14,947)
Change in assets held under split-interest agreements		506,305	(1,060,949)
Net cash provided by (used in) investing activities		9,600,059	(15,952,090)
Cash flows from financing activity:			
Contributions restricted for long-term investment		1,045,193	421,526
Net cash provided by financing activity		1,045,193	421,526
Net change in cash and cash equivalents		1,717,962	(10,585,603)
Cash and cash equivalents, beginning of year		8,778,992	19,364,595
Cash and cash equivalents, end of year	$	10,496,954	8,778,992

See accompanying notes to financial statements.

(1) Nature of Operations

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

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

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

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

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

Net assets and changes therein are classified as follows:

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

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

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

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

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

Net assets with donor restrictions – Net assets subject to donor imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions also includes endowments and other funds subject to donor imposed stipulations requiring that they be maintained permanently by the Foundation. The income from these assets is available for either general operations or specific programs as specified by the donor.

(Continued)

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

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

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

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

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of funds in checking accounts and money market demand accounts with an original maturity of three months or less. These accounts are at financial institutions that are Federal Deposit Insurance Corporation insured up to $250,000. The balances in excess of insurance limits at December 31, 2018 and 2017 are $9,769,799 and $8,274,647, respectively. The Foundation may draw on these deposits and funds at any time.

(b) Money Market Securities

Money market mutual funds are based on quoted prices in active markets and are classified as Level 1 assets as of December 31, 2018 and 2017.

(c) Investments

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

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(d) Split Interest Agreements

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

(e) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, contributions receivable, and accounts payable approximate fair value because of the short-term maturity of these financial instruments. Contributions receivable are recorded with payments due in excess of one year discounted using risk-adjusted rates to approximate fair value. Charitable trusts receivable are held at fair value using the income approach employing present value techniques that maximize the use of observable inputs for interest rates, yield curves, and life expectancy tables, and are adjusted annually. The carrying amounts of the annuity and life income payable are based on life expectancies, quoted market prices, discounted at risk-adjusted rates. The values recorded for contributions and charitable trusts receivable and for annuity and life income payable based on the above valuation methodologies approximate fair values at December 31, 2018 and 2017.

(f) Grants

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

(g) Functional Expense Allocation

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

(h) Use of Estimates

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

(Continued)

(i) Tax Exempt Status

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

(j) Uncertainty in Income Taxes

The Foundation is subject to income taxes in the United States and California on unrelated business income. The Foundation has identified and evaluated its significant tax positions for which the statute of limitations remains open and determined there is no material unrecognized benefit or liability to be recorded. The Foundation's federal returns are currently open under the statute of limitations for the year ended December 31, 2015 and subsequent years and California returns are open for the year ended December 31, 2014 and subsequent years. The Foundation does not anticipate that there will be any material changes in the unrecognized tax positions over the next 12 months. There have been no related tax penalties or interest classified as a tax expense in the statement of activities.

(k) Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information is derived. The 2017 information has been adjusted in the current year financial statements to conform to Accounting Standards Update (ASU) No. 2016-14.

(l) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The Foundation adopted this standard retrospectively in 2018. The primary impacts included the consolidation of temporarily and permanently restricted net assets into a single "with donor restrictions" category for each year presented and enhanced disclosures on the liquidity and availability of financial resources.

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 new standard is effective for the Foundation on January 1, 2020. Management is in the process of determining the effect of the standard on its ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The standard introduces new requirements to increase transparency and comparability amongst organizations for leasing transactions for both lessees and lessors. ASU No. 2016-02 requires a lessee to record right-of-use asset and a lease liability for all leases with terms longer than 12 months. The leases will be either financing or operating, with classification affecting the pattern of expense recognition. The new standard is effective for the Foundation on January 1, 2020. Management is in the process of determining the effect of the standard on its ongoing financial reporting.

(3) Contributions Receivable, Pledges, and Bequests

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

		2018	2017
Receivable due in less than one year	$	15,136,386	1,967,823
Receivable due in one to five years		13,537,700	157,436
Total contributions receivable		28,674,086	2,125,259
Less:			
Allowance for doubtful accounts		(38,042)	(38,042)
Amount representing discount (5.5% in 2018 and 4.5% in 2017)		(705,756)	(3,464)
Contributions receivable, pledges, and bequests, net	$	27,930,288	2,083,753

(4) Contributions Receivable, Charitable Trusts, and Other

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

		2018	2017
Receivable due in less than one year	$	5,564,357	5,135,090
Contributions receivable, other	$	5,564,357	5,135,090

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

		2018	2017
Receivable due in less than one year	$	5,620	4,914
Receivable due in one to five years		52,894	38,630
Receivable due in greater than five years		6,177,262	7,105,599
Contributions receivable, charitable trusts, net	$	6,235,776	7,149,143

For the years ended December 31, 2018 and 2017, the changes in beneficial interest in trusts held by third parties classified as Level 3 fair value measurements are as follows:

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

	2017		
	Charitable remainder trusts	**Charitable lead trusts**	**Total**
Beginning balance	$ 6,117,765	134,988	6,252,753
Change in value of beneficial interest	928,143	9,047	937,190
Distributions	—	(40,800)	(40,800)
Ending balance	$ 7,045,908	103,235	7,149,143
Change in value of beneficial interest for the period included in changes in net assets for assets still held at the end of the reporting period	$ 928,143	9,047	937,190

The Foundation values trusts using a discounted cash flows technique. The following table summarizes the significant unobservable inputs the Foundation used to value trusts categorized as Level 3 assets as of December 31, 2018:

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

The following table summarizes the significant unobservable inputs the Foundation used to value trusts categorized as Level 3 assets as of December 31, 2017:

Trust name		Fair value of beneficial interest	Unobservable inputs	Quantitative data
Remainder Trust A	$	6,227,978	Discount rate	7%
			Life expectancy	24.6 years
			Payout rate	5%
All other trusts		921,165	Discount rate	7%
			Life expectancy	1–53 years
			Payout rate	4.5%–9%
	$	7,149,143		

(5) Investments

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

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

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

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

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

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

Investment transactions are recorded on trade date, which may result in both investment receivables and payables on unsettled investment trades; however, there were no such transactions as of December 31, 2018 and 2017. Gains and losses on investments resulting from market fluctuations are recorded in the statement of activities in the period that such fluctuations occur. Realized and unrealized gains or losses on sales of investments are calculated on an adjusted cost basis.

(Continued)

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

Description		Fair value measurements at December 31, 2018	
	December 31, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Mutual funds:			
Domestic equity	$ 10,034,474	10,034,474	—
International equity	1,581,915	1,581,915	—
Real estate	3,595,512	3,595,512	—
Bonds	7,822,342	7,476,094	346,248
U.S. government and government agency securities	8,864,029	8,864,029	—
Municipal bonds	2,481,114	—	2,481,114
Domestic fixed income	8,583,595	8,583,595	—
Domestic equity	16,118,977	16,118,977	—
International equity	9,601,952	—	9,601,952
Subtotal investments at fair value	68,683,910	$ 56,254,596	12,429,314
Alternative investments valued at NAV	14,725,050		
Total	$ 83,408,960		

Description	December 31, 2017	Fair value measurements at December 31, 2017: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Mutual funds:			
Domestic equity	$ 8,809,907	8,809,907	—
International equity	7,211,848	7,211,848	—
Real estate	3,804,537	3,804,537	—
Bonds	8,067,757	7,721,509	346,248
U.S. government and government agency securities	2,935,484	2,935,484	—
Municipal bonds	3,732,482	—	3,732,482
Domestic fixed income	5,947,106	5,947,106	—
Domestic equity	17,925,113	17,925,113	—
International equity	11,066,248	—	11,066,248
Subtotal investments at fair value	69,500,482	$ 54,355,504	15,144,978
Alternative investments valued at NAV	15,013,632		
Total	$ 84,514,114		

It is the Foundation's policy to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no such transfers in the years ended December 31, 2018 or 2017.

The following tables present the Foundation's investments measured at net asset value as of December 31, 2018 and 2017:

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

Description		Balance as of December 31, 2017	Unfunded commitments	Redemption frequency	Redemption notice period
Limited partnership (i)	$	8,080,896	—	Quarterly	30 days
Limited partnership (ii)		1,003,441	989,157	Nonredeemable	—
Limited partnership (iii)		2,198,904	—	Nonredeemable	—
Hedge fund (v)		3,726,515	—	Quarterly – up to 25% or Annually – 100%	45 days or 30 days
Other		3,876	—	Nonredeemable	—
Total	$	15,013,632	989,157		

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

(ii) Limited partnerships in this category are long term, multi-manager investment partnerships employing globally diversified private investment strategies, including buy out, growth capital, and secondary market interests. Some partnerships will terminate after all holdings are liquidated, but no later than 15 years after the start of the partnerships (2022-2023). This category includes $248,520 committed in 2018 to invest in technologies that address climate related issues.

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

(iv) Limited partnership that invests in start-up companies with the potential to reduce GHG emissions by 1 gigaton (CO2 equivalents) per year.

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

Investment management fees and performance allocations of $297,050 and $252,881 for the years ended December 31, 2018 and 2017, respectively, have been included as a reduction of interest and dividend revenue in the statements of activities or, in the case of a hedge fund performance allocation, as a reduction in net gains.

(6) Assets Held under Split-interest Agreements

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

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

The fair values of assets held under split-interest agreements consist of the following as of December 31, 2017:

Description		Total	In active markets identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Cash and cash equivalents	$	414,652	414,652	—	—
Mutual funds:					
Domestic equity mutual funds		4,729,928	4,729,928	—	—
International equity mutual funds		2,755,721	2,755,721	—	—
Real estate mutual funds		1,661,889	1,661,889	—	—
Domestic bonds mutual funds		1,709,146	1,709,146	—	—
International bond mutual funds		623,578	623,578	—	—
U.S. government and government agency securities		1,256,468	1,256,468	—	—
Promissory note		121,262	—	—	121,262
Interest in perpetual trusts		928,096	—	—	928,096
Cash surrender value of life insurance policies		33,959	—	33,959	—
Total	$	14,234,699	13,151,382	33,959	1,049,358

It is the Foundation's policy to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no such transfers in the years ended December 31, 2018 or 2017.

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

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

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

The following tables present the Foundation’s activities for assets held under split-interest agreements measured at fair value on a recurring basis, all of which are valued using significant unobservable inputs (Level 3) for the years ended December 31, 2018 and 2017:

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

	2017		
	Interest in perpetual trusts	**Interest in promissory note**	**Total**
Beginning balance	$ 878,531	140,000	1,018,531
Total gains included in changes in net assets	49,565	—	49,565
Payment of principal	—	(18,738)	(18,738)
	$ 928,096	121,262	1,049,358

(7) Liabilities under Split-interest Agreements

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

(8) Net Assets with Donor Restrictions

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

	2018	2017
Time restrictions:		
Trusts receivable	$ 10,646,467	11,738,025
Life insurance policies	34,886	33,959
Pledges receivable	27,863,551	1,634,423
Total time restrictions	38,544,904	13,406,407
Program restrictions:		
National climate, clean energy, and lands protection	22,998,970	24,259,347
Outings and outdoor environment education	1,420,445	2,182,503
Environmental law	5,874,825	2,574,062
Global population	96,989	4,292,203
Geographic and other	5,622,513	8,453,750
Total program restrictions	36,013,742	41,761,865
Endowments:		
Endowments to be held in perpetuity	27,331,415	26,286,223
Endowments income and appreciation	3,163,481	6,360,316
Term and other	753,528	646,845
Total endowments	31,248,424	33,293,384
Charitable trusts and gift annuities – to be held in perpetuity	1,356,392	1,459,222
Total net assets with donor restrictions	$ 107,163,462	89,920,878

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

	2018	2017
Purpose restrictions fulfilled	$ 55,456,290	51,066,900
Time restrictions expired:		
In-kind donation	339,641	193,795
Endowment spending allocation	1,570,635	1,509,795
Terminated trusts	142,067	208,318
	2,052,343	1,911,908
	$ 57,508,633	52,978,808

(9) Liquidity and Availability of Financial Assets

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

		2018
Cash and cash equivalents	$	10,496,954
Money market securities		22,397,511
Contributions receivable		39,730,421
Investments		83,408,960
Total financial assets		156,033,846
Less:		
Restricted by donors for programs		(36,013,742)
Donor-restricted endowments		(31,248,424)
Donor-restricted charitable gift annuities and perpetual trusts		(930,421)
Designated net assets		(24,615,757)
Illiquid portion of investments		(3,096,926)
Restricted contributions receivable and unrestricted contributions due in greater than one year		(36,367,690)
Financial assets available to meet cash needs for general expenditures within one year	$	23,760,886

The Foundation’s liquidity management includes a policy of structuring its financial assets to be available to meet its grant-making and general expenditures, liabilities and other obligations as they come due. Cash and cash equivalents and money market securities as reported on the combined balance sheets at December 31, 2018 and 2017, are the primary liquid resources used by the Foundation to meet these obligations. Financial assets invested in long-term investments can be liquidated within one year with the exception of $3,096,926 or 3.7% held in illiquid investments (see note 5). The Foundation’s board-designated net assets include donor-advised funds and funds designated for specific programs or geographic regions that, while the board of directors does not intend to spend for purposes other than those identified, could be spent for operations, if necessary.

(10) Endowments

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

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

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

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

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

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

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

Endowment net asset composition by type of fund as of December 31, 2017:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	33,122,368	33,122,368
Board-designated endowment funds		1,704,776	171,016	1,875,792
Total endowment funds	$	1,704,776	33,293,384	34,998,160

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

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

(Continued)

Changes in endowment net assets for the year ended December 31, 2017:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$	1,561,819	29,907,814	31,469,633
Investment return:				
Investment income		22,884	446,682	469,566
Net appreciation		202,071	4,021,560	4,223,631
Total investment return		224,955	4,468,242	4,693,197
Contributions		—	333,502	333,502
Appropriation of endowment assets for expenditure		(81,998)	(1,416,174)	(1,498,172)
Endowment net assets, end of year	$	1,704,776	33,293,384	34,998,160

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

		2018	2017
The portion of endowment funds that is required to be retained in perpetuity either by explicit donor restriction or by UPMIFA	$	27,331,415	26,286,223
The portion of endowment funds that is subject to purpose or time restrictions		3,917,009	7,007,161
Total endowment funds with donor restrictions	$	31,248,424	33,293,384

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There was a deficiency of $47,856 and $0 as of December 31, 2018 and 2017, respectively.

(11) Lease Obligations

The Foundation has a sublease with Sierra Club in Oakland, California, effective May 1, 2016. Rental expense under the sublease for each of the years ended December 31, 2018 and 2017 was $93,791.

Future minimum lease payments under operating leases having remaining terms in excess of one year are as follows as of December 31, 2018:

Fiscal year:		
2019	$	82,525
2020		84,976
2021		87,428
2022		90,027
2023		92,850
2024		95,598
2025		98,421
2026		58,755
	$	690,580

(12) Transactions with related parties

The Foundation considers members of the board of directors, corporate officers, key employees, and their immediate family members to be related parties. For the years ended December 31, 2018 and 2017, contributions from related parties included in revenue totaled $2,380,200 and $2,617,129, respectively. Contributions receivable from related parties included in contributions receivable as of December 31, 2018 and 2017 were $0 and $100,000, respectively. Included in investments is an international equities fund valued at $9,601,952 and $11,066,248 as of December 31, 2018 and 2017, respectively, which is managed by a registered investment adviser whose founder and CEO is a member of the board of directors.

(13) Transactions with the Sierra Club and its Chapters

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

- In accordance with a contract between the Foundation and the Sierra Club, the Foundation incurred $6,999,996 to reimburse Sierra Club for fundraising expenses for each of the years ended December 31, 2018 and 2017.
- In accordance with the terms of the fiscal sponsorship relationship and an agreement between the Foundation and Sierra Club regarding the use of software hosting services, the two organizations share the use of the software hosting services, and Sierra Club reimburses the Foundation for the portion of the use that is not for qualified charitable expenditures. During the years ended December 31, 2018 and 2017, respectively, Sierra Club paid $1,148,659 and $1,029,948, for the software services.

- The Foundation receives certain gifts and makes grants on an advisory basis to the Sierra Club and its Chapters and groups. The Foundation made grants to the Sierra Club National Programs of $63,521,815 and $54,501,494 for the years ended December 31, 2018 and 2017, respectively, and to the Sierra Club Chapters of $8,314,715 and $7,706,652 for the years ended December 31, 2018 and 2017, respectively.
- Accounts receivable from the Sierra Club are $1,524,699 and $1,640,460 as of December 31, 2018 and 2017, respectively, included in other assets in the balance sheets.
- Grants payable to the Sierra Club were $10,734,164 and $8,556,716 as of December 31, 2018 and 2017, respectively, which are all due within one year from the respective year-end.
- Foundation employees who started prior to April 1, 2013 participate in Sierra Club's Employee Benefit Plan, a contributory defined benefit plan that covers substantially all of its employees. The benefits are based on years of service and the employee's compensation history. Employees are eligible to participate and become vested after two years of service. Employee benefit plan expense was $173,771 and $23,576 for the years ended December 31, 2018 and 2017, respectively.

Substantially all the Foundation's employees are eligible to participate in Sierra Club's health, dental, and vision benefits plans. The Foundation paid $173,771 and $145,022 for the years ended December 31, 2018 and 2017, respectively, for these benefits on behalf of its employees.

(14) Gift Annuities

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

(15) 403(b) Defined Contribution Plan

The Foundation has a 403(b) defined contribution plan, which covers substantially all employees who meet certain minimum requirements. The Foundation matches 100% of employee contributions up to 2% of eligible compensation and provides a nonelective contribution for employees hired after April 1, 2013. Foundation contributions to the plan for matching a non-elective contributions totaled $33,094 and $25,874, respectively, for the years ended December 31, 2018 and 2017.

(16) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through May 14, 2019 the date at which the financial statements were available to be issued.