

CHARTER FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

CHARTER FOUNDATION

BOARD OF DIRECTORS

JUNE 30, 2011

<u>Name</u>	<u>Office</u>	<u>Term Expires Annual Meeting</u>
Bob Haroche	President	2011
John Conti	Treasurer	2011
India Fratus	Secretary	2011
Paul Fritz	Vice President - Facilities	2011
Cristina Gosling	Vice President - Fundraising	2011
Jim Wheaton	Member	2011

CHARTER FOUNDATION
A CALIFORNIA PUBLIC BENEFIT CORPORATION

JUNE 30, 2011

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GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

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BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Charter Foundation
Sebastopol, California

We have audited the accompanying statement of financial position of the Charter Foundation (a non-profit public benefit corporation) as of June 30, 2011 and the related statement of activities, statement of functional expenses and statement of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Charter Foundation as of June 30, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

GoodeLL, Porter, Sanchez & Bright, LLP
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

Sacramento, California
February 27, 2012

FINANCIAL SECTION

CHARTER FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Current Assets:

Cash in bank (Note 2)	\$ 211,020
Investments (Note 3)	302,814
Accounts receivable	175
SCRIP inventory	3,408

Long-Term Assets:

Fixed assets, net of accumulated depreciation (Note 4)	<u>2,350,710</u>
Total assets	<u>\$ 2,868,127</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Security deposit (Note 5)	\$ 15,588
Payroll liabilities	1,178
SICS grant payable	41,700
Class funds	<u>5,750</u>
Total liabilities	<u>\$ 64,216</u>

Net Assets:

Unrestricted	<u>\$ 2,803,911</u>
Total net assets	<u>\$ 2,803,911</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CHARTER FOUNDATION
STATEMENT OF ACTIVITIES
JUNE 30, 2011

	<u>Unrestricted</u>
<u>Revenues, Gains and Other Support:</u>	
Pledges	\$ 332,079
Lease income	144,572
Fundraising	26,983
Contributions	11,470
SCRIP	5,215
Interest income	1,997
Miscellaneous income	855
	523,171
<u>Expenses:</u>	
Program services	306,846
Administration and general	24,833
Miscellaneous fundraising	2,449
	334,128
Total expenses	334,128
Increase in net assets	189,043
Net assets, July 1, 2010	2,614,868
Net assets, June 30, 2011	\$ 2,803,911

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CHARTER FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Program Services	Administration and General	Miscellaneous Fundraising	Total Expenses
Bank charge	\$ 992			\$ 992
Charter school grant	222,000			222,000
Depreciation	59,189			59,189
Fundraising			\$ 243	243
Liability insurance		\$ 1,250		1,250
Maintenance	4,652			4,652
Miscellaneous		637		637
Office expenses		1,090		1,090
Office supplies		1,242		1,242
Other grants	4,250			4,250
Payroll taxes		1,293		1,293
Postage and delivery		828		828
Printing and reproduction			2,206	2,206
Professional fees	3,319	2,188		5,507
Property insurance	5,159			5,159
Property taxes	7,285			7,285
Rental expenses		4,200		4,200
Wages		11,894		11,894
Workers compensation		211		211
Total functional expenses	<u>\$ 306,846</u>	<u>\$ 24,833</u>	<u>\$ 2,449</u>	<u>\$ 334,128</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CHARTER FOUNDATION
STATEMENT OF CASH FLOWS
JUNE 30, 2011

Cash Flows From Operating Activities:

Increase in net assets	\$ 189,043
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	59,189
Unrealized gains on investments	(986)
(Increase) decrease in operating assets:	
Accounts receivable	(175)
SCRIP inventory	(562)
(Increase) decrease in operating liabilities:	
Security deposits payable	(1,320)
Class funds payable	2,500
Payroll liabilities	1,178
SICS grant payable	41,700
Net cash provided by operations	<u>290,567</u>

Cash Flows From Investing Activities:

Purchase of investments	<u>(200,535)</u>
Net cash used by investing activities	<u>(200,535)</u>
Net increase (decrease) in cash	90,032
Unrestricted cash at the beginning of the year	<u>120,988</u>
Unrestricted cash at the end of the year	<u>\$ 211,020</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CHARTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Charter Foundation was formed as a nonprofit public benefit corporation on November 10, 1999 to provide facilities and resources to charter school programs which use the Waldorf Curriculum. It is the designated fund raising entity for individual charter schools, and will solicit private funds for the use and support of such school programs. The primary focus of the Charter Foundation is to invest these private funds in the purchase of one or more sites and the construction of school facilities for charter school programs.

The Foundation will provide ownership continuity and authority over assets purchased with funds donated by private donors who are specifically interested in the use of the Waldorf Curriculum in publicly supported school programs. The Foundation is committed to providing facilities that will surround children with classrooms, gardens, wildlife trails, and other facilities that will inspire and uplift the human spirit.

The Charter Foundation includes all funds that are controlled by or dependent on the Foundation's governing board for financial reporting purposes. The Charter Foundation has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The Charter Foundation determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Income Taxes

Income tax has been included in the financial statements related to the Foundation's unrelated business taxable income from the lease of space. The Foundation is generally not taxable under Internal Revenue Service Code section 501(c)(3) and similar regulations of the California Franchise Tax Board.

C. Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 Not-for-Profit Entities, presentation of financial statements. Under ASC 958 the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Foundation has designated funds for building maintenance costs in the amount of \$17,000 as of June 30, 2011.

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Concluded)

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If restrictions are met within the same reporting period as received, such contributions are reported as unrestricted support. The Foundation has no temporarily restricted net assets at June 30, 2011.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. The Foundation has no permanently restricted net assets as of June 30, 2011.

In addition, the Foundation is required to present a statement of cash flows. As by ASC 958-230, Not-for-Profit Entities - statement of cash flows, the Foundation does not use fund accounting.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

E. Investments

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported as increases in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

F. Donations

Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Property and Equipment - Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

F. Donations (Concluded)

Property and Equipment (Concluded) - Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Services - No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. However, many individuals may volunteer their time and perform a variety of tasks that assist the Foundation. Donated services are recognized as contributions in accordance with ASC 958-605-25-16 Not-for-Profit Entities, revenue recognition and contributed services, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

G. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

H. Functional Allocation of Expenses

Expense by function have been allocated among program and general and administrative classifications on the basis of estimates made by the Foundation's management. Accordingly, certain costs have been allocated between programs and management and general based on the activities benefited.

NOTE 2 - CASH AND CONCENTRATIONS OF RISK

Cash in Bank

Cash balances in bank (\$211,020 as of June 30, 2011) are insured up to \$250,000 by the Federal Deposit Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

CHARTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3 - INVESTMENTS

The Foundation invests funds in a Rudolf Steiner Foundation (RSF) investment fund. Investments into the fund are unsecured notes and unrated by any agency. Investments mature in three (3) month intervals and automatically renew unless notified by the Foundation. Investments earn 1% quarterly. The balance of the investment fund at June 30, 2011 was \$102,279.

The Foundation also has funds invested in a twelve (12) month liquid CD. Interest earned on the CD is earned at 1.08%. The balance of the CD at June 30, 2011 was \$200,535.

NOTE 4 - PROPERTY

Property and equipment consist of the following:

	<u>2011</u>
Land	\$ 570,000
Building and improvements	<u>2,308,411</u>
Total	2,878,411
Less accumulated depreciation and amortization	<u>(527,701)</u>
Total	<u>\$ 2,350,710</u>

Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Depreciation on buildings is computed using a straight-line basis over 39 years.

NOTE 5 - OPERATING LEASE - LESSOR

On October 15, 2009, the Foundation entered into a long-term lease providing space to Penny and Joseph Ching (lessee). Base rent is \$1,564 commencing on November 1, 2009 and ending October 31, 2014. The lessee is also responsible for 32.6% of all common area operating expenses. A security deposit of \$3,128 has been paid as additional security in case of default. Base rent is increased annually by any current increase in the U.S. Consumer Price Index, All Urban Consumers - San Francisco area with a 5% per year maximum increase.

On March 8, 2010, the Foundation entered into a long-term lease providing space to Sacha Sterling and Shane Cox (lessee). The lease was subsequently assigned to Shana Barrett. The same lease was subsequently assigned to Jennifer McClelland and Danny Lopez. Base rent for the assigned lease is \$1,320 per month commencing August 31, 2010 and ending February 28, 2013. The assignee is also responsible for 800 square feet of all common area and operating expenses. A security deposit of \$2,640 has been paid as additional security in case of default. Base rent is subject to an increase based on the U.S. Consumer Price Index annually, All Urban Consumers.

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 - OPERATING LEASE - LESSOR (CONCLUDED)

On December 31, 2009, the Foundation entered into a long-term lease providing space to Nick Sanders (lessee). Base rent is \$1,320 commencing January 15, 2010 and ending on January 14, 2012. The lessee is responsible for 800 square feet of all common area operating expenses. A security deposit of \$2,640 has been paid as additional security in case of default. Base rent increases based on step increases.

On September 9, 2009, the Foundation entered into a two year lease agreement with Sebastopol Independent Charter School (SICS). On June 20, 2011, the Foundation and SICS executed an addendum effective July 1, 2011 extending the lease to June 30, 2012 with a monthly rent of \$8,500. After June 30, 2012 the lease becomes a month-to-month lease. A security deposit of \$8,500 has been paid as additional security in case of default.

The Board of the Foundation voted to waive rental increases for all tenants for the year ended June 30, 2011 due to the general economy.

Future minimum rental receipts are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2012	\$ 145,188
2013	29,328
2014	18,768
2015	<u>6,256</u>
Total	<u>\$ 199,540</u>

NOTE 6 - SUBSEQUENT EVENT

Management has evaluated subsequent events through February 27, 2012, the date on which the financial statements were available to be issued.