

# CHARTER FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2021

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# INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
Charter Foundation  
Sebastopol, California

We have reviewed the accompanying financial statements of Charter Foundation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

## **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.

## **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

## **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



**Goranson and Associates, Inc.**

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## **Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from Charter Foundation's financial statements for the year ended June 30, 2020, we found no material modifications required on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

*Goranson and Associates, Inc.*

September 27, 2021

Santa Rosa, CA

CHARTER FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021

(With summarized comparative totals for June 30, 2020)  
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	2021	2020
ASSETS		
Current assets:		
Undesignated cash and cash equivalents	\$ 44,111	\$ 174,781
Designated cash and cash equivalents	390,020	106,104
Accounts receivable	13,296	13,296
Prepaid expenses	600	600
Total current assets	448,027	294,781
Fixed assets:		
Building, land and improvements	2,525,000	2,525,000
Equipment	3,132	3,132
Construction in process	7,119,256	7,111,881
Subtotal	9,647,388	9,640,013
Less accumulated depreciation	(612,936)	(419,974)
Net fixed assets	9,034,452	9,220,039
Total assets	\$ 9,482,479	\$ 9,514,820
LIABILITIES AND NET ASSETS		
Current liabilities:		
Security deposits	\$ 18,333	\$ 18,333
Class funds	5,743	8,410
Total current liabilities	24,076	26,743
Long-term debt	4,265,750	4,341,950
Total liabilities	4,289,826	4,368,693
Net assets:		
Without donor restriction:		
Undesignated	5,192,653	5,044,127
Designated for Building Maintenance	-	102,000
Total net assets	5,192,653	5,146,127
Total liabilities and net assets	\$ 9,482,479	\$ 9,514,820

The accompanying notes are an integral part of these financial statement

CHARTER FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021  
(with summarized comparative totals for the year ended June 30, 2020)  
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	<u>2021</u>	<u>2020</u>
SUPPORT AND REVENUE:		
Pledges	\$ 272,112	\$ 300,439
Lease Income	243,960	220,008
Special events (net \$2,823 expenses)	39,048	27,333
Capital campaign	100	1,100
Interest Income	53	94
Investment income (loss)	1,689	1,407
Grants	103	602
Fundraising	1,865	8,705
Other income	16,325	-
Total support and revenue	<u>575,255</u>	<u>559,688</u>
EXPENSES:		
Program	469,890	653,617
Management and general	55,664	28,087
Fundraising	3,175	2,702
Total expenses	<u>528,729</u>	<u>684,406</u>
CHANGE IN NET ASSETS	46,526	(124,718)
NET ASSETS, beginning	<u>5,146,127</u>	<u>5,270,845</u>
NET ASSETS, ending	<u>\$ 5,192,653</u>	<u>\$ 5,146,127</u>

The accompanying notes are an integral part of these financial statements

CHARTER FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021  
(with summarized comparative totals for the year ended June 30, 2020)  
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	Program	Management and General	Fundraising	2021 Total	2020 Total
Wages	\$ 48,098	\$ 12,025		\$ 60,123.00	\$ 75,684
Payroll taxes	3,926	982		4,908	6,451
Workers compensation	-	439		439	516
Bank charge	3,493	616		4,109	5,263
Class funding	675	-		675	1,000
Depreciation	210,786	-		210,786	210,924
Fundraising	-	-	\$ 3,175	3,175	2,702
Grants given	-	-	-	-	124,222
Liability insurance	-	1,700	-	1,700	1,710
Licences & permits	70	-	-	70	300
Miscellaneous	-	-	-	-	170
Office supplies	-	1,339	-	1,339	1,991
Postage and delivery	-	416	-	416	838
Professional fees	689	3,903	-	4,592	5,781
Property insurance	14,746	-	-	14,746	12,051
Property taxes	-	5,215	-	5,215	576
Mortgage & loan interest	184,185	46,047	-	230,232	234,227
Utilities and maintenance	3,222	806	-	4,028	-
Prior period adjustment	-	(17,824)	-	(17,824)	1
Total expenses	<u>\$ 469,890</u>	<u>\$ 55,664</u>	<u>\$ 3,175</u>	<u>\$ 528,729</u>	<u>\$ 684,406</u>

The accompanying notes are an integral part of these financial statements

CHARTER FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021  
(with summarized comparative totals for the year ended June 30, 2020)  
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 46,526	\$ (124,718)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	210,786	210,924
(Increase) decrease in:		
Accounts and grants receivable	-	75
Increase (decrease) in:		
Other current liabilities	(2,667)	(3,118)
Total cash provided by operations	<u>254,645</u>	<u>83,163</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchase) disposal of property, plant and equipment	<u>(25,199)</u>	<u>(16,532)</u>
Total cash used by investing activities	<u>(25,199)</u>	<u>(16,532)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	-	81,950
Principal forgiven on long-term debt	(16,200)	
Principal payments on long-term debt	<u>(60,000)</u>	<u>(15,995)</u>
Total cash provided by investing activities	<u>(76,200)</u>	<u>65,955</u>
NET CHANGE IN CASH	153,246	132,586
CASH, beginning of year	<u>280,885</u>	<u>148,299</u>
CASH, end of year	<u>\$ 434,131</u>	<u>\$ 280,885</u>
Supplemental information:		
Cash paid for interest	<u>\$ 230,232</u>	<u>\$ 234,227</u>

The accompanying notes are an integral part of these financial statements



CHARTER FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 ORGANIZATION

The Charter Foundation (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 fundraising entity for individual charter schools and will solicit private funds for the use and support of such school programs. The primary focus of the Foundation is to invest these private funds in the purchase and construction of facilities for educational purposes.

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's primary focus is to direct its resources for the exclusive benefit of the Sebastopol Independent Charter School. 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 Foundation is funded primarily through pledges, contributions and rental income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Foundation reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

*Net assets without donor restriction* – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

*Net assets with donor restriction* – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Foundation to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Cash and Cash Equivalents – Cash equivalents consist primarily of money market accounts and other investments with an original maturity of 90 days or less.

CHARTER FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts and contributions receivable – Accounts and contribution receivable consists of fees earned as well as contributions assured to the Foundation. Management has concluded that all accounts and contributions receivable are collectible. Accordingly, no allowance for doubtful receivables was recorded.

Property and equipment – The Foundation capitalizes all expenditures for property and equipment in excess of the capitalization limit. Property and equipment are stated at cost or, if donated, at fair value at date of donation. Additions, improvements and other capital outlay that significantly extend the useful life of an asset that is capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the asset over 39 years.

Income Taxes – The Foundation is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Foundation is not a “private Organization” within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Foundation considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Organization’s status as a not-for-profit entity. Management believes the Foundation met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. The Foundation’s tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activity. Accordingly, certain costs have been allocated among the programs and supporting services.

Allocation Methodology – Costs that benefit more than one program are allocated on the basis of usage.

CHARTER FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Services and Items – Many volunteers have contributed hours during 2021 to the Organization’s program services during the year; however, these donated services are not reflected in the financial statements since they do not require specialized services.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects the Foundation’s financial assets as of June 30, 2021 that are available for operations. The Foundation’s restrictions come from board restricted funds.

Financial assets at yearend	
Cash and cash equivalents	\$ 434,131
Accounts receivable	13,296
Less financial assets with board restrictions	<u>(390,020)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 57,407</u></u>

CHARTER FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 4      OPERATING LEASE - LESSOR

On September 1, 2018, the Foundation entered into a twelve-month lease agreement with Sebastopol Independent Charter School (SICS), with a monthly rent of \$18,344. A security deposit of \$18,333 has been paid as additional security in case of default. The lease was renewed through June 30, 2022 with monthly rent totaling \$25,655.

Total lease income for the year ended June 30, 2021 is \$243,960.

NOTE 5      NOTE PAYABLE

On September 30, 2013, the Foundation entered into an agreement to purchase all real property and all improvements thereon located at 1080-1088 Hurlbut Avenue, Sebastopol, CA. The Foundation obtained an acquisition and construction loan of \$3,800,000, which is secured by the property as collateral. On September 21, 2018, the Foundation was approved an additional \$400,000 under this note payable. The original note matures September 30, 2023. On May 6, 2021, the Foundation amended this note payable. The amended note payable requires the Foundation to make monthly payments of interest only of 5.25% from June 1, 2020 to May 1, 2021. The amended note payable matures July 1, 2024.

NOTE 6      SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 27, 2021, the date the financial statements were available to be issued. In January 2021, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on the Foundation's operations, financial position, and cash flows.