
CHARTER FOUNDATION

FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

(Unaudited)

(Expressed in US Dollars \$)

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(UNAUDITED)

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Charter Foundation
Sebastopol, California

We have reviewed the accompanying financial statements of Charter Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses, and cash flows for the year ending June 30, 2022, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of foundation 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 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 conformity with accounting principles generally accepted in the United States of America.

SetApart FS

November 23, 2022
Los Angeles, California

CHARTER FOUNDATION
STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

<u>As of June 30,</u>	<u>2022</u>
(USD \$ in Dollars)	
ASSETS	
Current Assets:	
Undesignated cash and cash equivalents	\$ 30,596
Designated cash and cash equivalents	600,000
Accounts Receivable, net	-
Prepays and Other Current Assets	2,035
Total Current Assets	632,631
Fixed Assets	
Building, land and improvements	9,850,636
Equipment	3,132
Subtotal	9,853,768
Less accumulated depreciation	(859,828)
Net fixed assets	8,993,940
Total Assets	\$ 9,626,571
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Current portion of long-term debt	\$ 90,518
Grants payable	375,000
Total Current Liabilities	465,518
Long-term debt	4,349,692
Security deposits	18,333
Class funds reserve	4,529
Total Liabilities	4,838,072
NET ASSETS	
Without donor restriction:	
Undesignated	4,188,499
Board designated	600,000
Total net assets	4,788,499
Total Liabilities and Net Assets	\$ 9,626,571

See accompanying notes to the financial statements

CHARTER FOUNDATION
STATEMENT OF ACTIVITIES
(UNAUDITED)

<u>For the year ended June 30,</u>	<u>2022</u>
Support and Revenue:	
Pledges	\$ 263,763
Lease income	278,831
Special events, net of expenses	30,668
Capital campaign	3,517
Interest income	32
Investment income	2,642
Grants	104
Fundraising	6,468
Other income	24,015
Total support and revenue	<u>610,040</u>
Expenses	
Program	782,079
Management and general	13,787
Fundraising	5,033
Total expenses	<u>800,899</u>
Change in net assets	<u>(190,859)</u>
Net assets, beginning of year	4,979,358
Net assets, end of year	<u>\$ 4,788,499</u>

See accompanying notes to the financial statements

CHARTER FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
(UNAUDITED)

<u>For the year ended June 30, 2022</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 78,431	\$ -	\$ -	\$ 78,431
Payroll taxes	6,308	-	-	6,308
Workers compensation	502	-	-	502
Bank charge	3,660	-	3,176	6,836
Class funding	1,500	-	-	1,500
Depreciation	246,892	-	-	246,892
Fundraising	-	-	1,210	1,210
Grants given	5,020	-	-	5,020
Board designated grants	175,000	-	-	175,000
Liability insurance	-	5,529	-	5,529
Licenses & permits	-	50	-	50
Miscellaneous	-	-	228	228
Office supplies	-	847	419	1,266
Postage & delivery	-	683	-	683
Professional fees	-	6,678	-	6,678
Property insurance	12,672	-	-	12,672
Property taxes	5,023	-	-	5,023
Mortgage loan interest	237,071	-	-	237,071
Utilities & maintenance	10,000	-	-	10,000
Total expenses	<u>\$ 782,079</u>	<u>\$ 13,787</u>	<u>\$ 5,033</u>	<u>\$ 800,899</u>

See accompanying notes to the financial statements

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2022 AND JUNE 30, 2021

For Fiscal Year Ended June 30,	2022
(USD \$ in Dollars)	
CASH FLOW FROM OPERATING ACTIVITIES	
Net income/(loss)	\$ (190,859)
Adjustments to reconcile net income to net cash provided/(used) by operating activities:	
Depreciation of Property	246,892
Changes in operating assets and liabilities:	
Prepays and Other Current Assets	(4)
Other Current Liabilities	175,000
Other Long-term Liabilities	(1,213)
Net cash provided/(used) by operating activities	229,816
CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of Property and Equipment	(206,380)
Net cash provided/(used) in investing activities	(206,380)
CASH FLOW FROM FINANCING ACTIVITIES	
Net borrowing on promissory notes	174,460
Net cash provided/(used) by financing activities	174,460
Change in Cash	197,896
Cash—beginning of year	432,700
Cash—end of year	\$ 630,596
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for interest	\$ 237,039
Cash paid during the year for income taxes	\$ -
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES AND SUPPLEMENTAL DISCLOSURES	
Purchase of property and equipment not yet paid for	\$ -
Issuance of equity in return for note	\$ -
Issuance of equity in return for accrued payroll and other liabilities	

See accompanying notes to financial statements.

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2022 AND JUNE 30, 2021

1. NATURE OF OPERATIONS

The Charter Foundation (which may be referred to as the “Foundation”, “we”, “us”, or “our”) was formed as a nonprofit public benefit corporation on November 10, 1998, in the state of California 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 financial statements of the Foundation are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Foundation’s headquarters are located in Sebastopol, California.

The Foundation is a non-profit corporation formed to raise money for the creation and ongoing support of Sebastopol Charter School, a Public Waldorf school. The school is not provided facilities by any governing agency. It must secure facilities on its own, with the support of the Foundation. The Foundation has a primary responsibility for all non-classroom specific fundraising activities with the collaboration and input from the school. The Foundation is the primary recipient of funds raised through pledges and fundraising activities or otherwise received for or on behalf of the school and it’s obligated to hold such funds in trust for the school.

The Foundation is funded primarily through pledges, contributions, and rental income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting and reporting policies of the Foundation conform to accounting principles generally accepted in the United States of America (“US GAAP”). The Foundation has adopted June 30, as its basis of reporting.

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.

Use of Estimates

The preparation of financial statements in conformity with United States GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2022 AND JUNE 30, 2021

Cash and Cash Equivalents

Cash and cash equivalents include all cash in banks. The Foundation's cash consists primarily of money market accounts and other investments with an original maturity of 90 days or less. The Foundation's cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of June 30, 2022, the Foundation's cash and cash equivalents did not exceed FDIC insured limits.

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 the date of donation. Normal repairs and maintenance costs are charged to earnings as incurred and additions, major improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. The cost of assets retired or otherwise disposed of, and the related depreciation are eliminated from the accounts in the period of disposal and the resulting gain or loss is credited or charged to earnings.

Depreciation is computed over the estimated useful lives of the related asset type or term of the operating lease using the straight-line method for financial statement purposes. The estimated service lives for property and equipment are as follows:

<u>Category</u>	<u>Useful Life</u>
Equipment	5-7 years
Property	39 years

Impairment of Long-lived Assets

Long-lived assets, such as property and equipment and identifiable intangibles with finite useful lives, are periodically evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We look for indicators of a trigger event for asset impairment and pay special attention to any adverse change in the extent or manner in which the asset is being used or in its physical condition. Assets are grouped and evaluated for impairment at the lowest level of which there are identifiable cash flows, which is generally at a location level. Assets are reviewed using factors including, but not limited to, our future operating plans and projected cash flows. The determination of whether impairment has occurred is based on an estimate of undiscounted future cash flows directly related to the assets, compared to the carrying value of the assets. If the sum of the undiscounted future cash flows of the assets does not exceed the carrying value of the assets, full or partial impairment may exist. If the asset carrying amount exceeds its fair value, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. Fair value is determined using an income approach, which requires discounting the estimated future cash flows associated with the asset.

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 that the Foundation is note a "private organization" within the meaning of Section 509(a) of the Internal Revenue Code.

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2022 AND JUNE 30, 2021

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 meets 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.

Income

The Foundation includes in its measure of operations (operating income over expenditures) all income that is an integral part of its programs and supporting activities such as fundraising activities, rental activities, capital campaign activities, investment activities, and miscellaneous activities.

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 Activities. 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.

Donated Services and Items

Many volunteers have contributed hours during 2022 to the Foundation's program services during the year; however, these donated services are not reflected in the financial statements since they do not require specialized services.

Fair Value of Financial Instruments

The carrying value of the Foundation's financial instruments included in current assets and current liabilities (such as cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to the short-term nature of such instruments).

The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority, are described below:

Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2—Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

Level 3—Unobservable inputs reflecting the Foundation's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Subsequent Events

The Foundation considers events or transactions that occur after the balance sheet date, but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require

CHARTER FOUNDATION
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additional disclosure. Subsequent events have been evaluated through September 19, 2022, which is the date the financial statements were issued.

Recently Issued and Adopted Accounting Pronouncements

FASB issued ASU No. 2019-02, leases, that requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than twelve months. ASU 2019-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

3. DETAILS OF CERTAIN ASSETS AND LIABILITIES

Prepays and other current assets consist of the following items:

As of Year Ended June 30,	2022
Accrued expenses	\$ 1,327
Prepays	600
Total Prepays and Other Current Assets	\$ 1,927

Grants Payable

The Foundation holds a grant in the amount of \$375,000 for Sebastopol Charter School in order to support its ability to finance its programming needs. The Foundation serves as the fundraising and financial support organization for the school, charged with providing a grant to the school to supplement state education funding and holding in trust financial assets for the school's benefit including providing facilities for the school. The amount is classified as current liability due to the fact that the maturity date is not specified, and the funds can be withdrawn at any time as needed by the school. For the fiscal year ending June 30, 2022, the School did not request grant funds. Current School projections will require grant funds in the coming fiscal years. Accrued funds are being held in trust by the Foundation on behalf of the School and available to the School on demand upon the School's request. Future grant funds will be payable in quarterly installments on the first business day of each fiscal quarter.

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NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2022 AND JUNE 30, 2021

4. PROPERTY AND EQUIPMENT

As of June 30, 2022, and June 30, 2021, property and equipment consists of:

<u>As of Year Ended June 30,</u>	<u>2022</u>
Equipment	\$ 3,132
Property	9,850,636
Property and Equipment, at Cost	9,853,769
Accumulated depreciation	(859,828)
Property and Equipment, Net	\$ 8,993,940

Depreciation expenses for property and equipment for the fiscal year ended June 30, 2022, and 2021 were in the amount of \$246,892 and \$192,962 respectively.

5. DEBT

Promissory Notes & Loans

During the years presented, the Foundation has entered into promissory notes & loans. The details of the Foundation's loans, notes, and the terms are as follows:

Debt Instrument Name	Principal Amount	Interest Rate	Borrowing Period	Maturity Date	For the Year Ended June 2022		
					Portion	Portion	Indebtedness
Promissory Note - RSF Investment fund	\$ 4,463,736	3.05%	5/25/2022	6/1/2032	\$ 90,518	\$ 4,349,692	\$ 4,440,210
Total					\$ 90,518	\$ 4,349,692	\$ 4,440,210

The summary of the future maturities is as follows:

<u>As of Year Ended June 30, 2022</u>	
2022-2023	\$ 90,518
2023-2024	93,104
2024-2025	96,455
2025-2026	99,265
2026-2027	102,379
Thereafter	3,958,489
Total	\$ 4,440,210

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2022 AND JUNE 30, 2021

6. LIQUIDITY

The following reflects the Foundation's financial assets as of June 30, 2022, that are available for operations. The Foundation's restrictions come from board designated funds.

<u>Financial assets at year end</u>	
Cash and cash equivalents	\$ 630,596
Less financial assets with board restrictions	<u>(600,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 30,596</u>

7. OPERATING LEASE – LESSOR

On September 1, 2018, the Foundation entered into a lease agreement with Sebastopol Independent Charter School (SICS). On January 1, 2022, this lease was renewed and extended through December 31, 2031 with a monthly rental payment of \$25,655, but will adjust as necessary to equal the total amount of the monthly mortgage payment(s) the Foundation pays its secured lender(s). A security deposit of \$18,333 has been paid as additional security in case of default.

One January 1, 2022, the Foundation entered into a lease agreement with The Ceres Community Project (a California nonprofit corporation) ("Tenant"), and Sebastopol Charter School, a California nonprofit corporation ("School"). The School is the primary tenant at the Property and the operator of a public Waldorf-inspired K-8 school which includes a garden program for its students. Tenant is a nonprofit organization providing medically tailored meals made with locally sourced, sustainably farmed ingredients and operating a Youth Development Program where youth learn to grow and cook healthy food. Tenant is leasing the Premises for the purpose of operating a vegetable, fruit and herb garden and accompanying staging area for farming materials, supplies and equipment ("Garden"). Tenant assumes all responsibility for securing all necessary permits and approvals from agencies having jurisdiction over its intended use. The term of the Lease is for five (5) years commencing on January 1, 2022 and terminating on December 31, 2026, with 3 options to extend the lease for an additional five (5) year period. To exercise an option, Tenant must provide written notice to Landlord at least 180 days prior to the end of the Lease term or extension thereof. Tenant paid a base rent in the amount of \$1.

Total lease income for the year ended June 30, 2022 is \$278,831.

8. COMMITMENTS AND CONTINGENCIES

Contingencies

The Foundation's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Foundation ceasing operations

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NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2022 AND JUNE 30, 2021

Litigation and Claims

From time to time, the Foundation may be involved in litigation relating to claims arising out of operations in the normal course of business. As of June 30, 2022, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Foundation's operations.

9. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events for the period from June 30, 2022, through November 23, 2022, which is 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.

Due to the recent rate of inflation in the economy, the Foundation's ability to maintain previous levels of fundraising capacity may be negatively impacted.

There have been no events or transactions during this time which would have a material effect on these financial statements.