
CHARTER FOUNDATION

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

(unaudited)

(Expressed in United States Dollars)

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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, 2023, and the related statement of activities, functional expenses, and cash flows for the year ending June 30, 2023, 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 the 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.

Set Apart FS

October 3, 2023

Los Angeles, California

Charter Foundation
STATEMENT OF FINANCIAL POSITION

As of June 30,	2023
(USD \$ in Dollars)	
ASSETS	
Current Assets:	
Undesignated cash and cash equivalents	\$ 17,598
Designated cash and cash equivalents	
Designated cash and cash equivalents	794,527
RSF operating reserve	50,000
Total designated cash and cash equivalents	844,527
Prepaid expenses	600
Total Current Assets	862,725
Fixed Assets	
Building, land and improvements	9,857,805
Equipment	3,132
Subtotal	9,860,937
Less accumulated depreciation	(1,106,900)
Net fixed assets	8,754,037
Total Assets	\$ 9,616,762
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Current portion of long-term debt	\$ 93,104
Grants payable	575,000
Total Current Liabilities	668,104
Long-term debt	4,277,351
Security deposits	18,333
Class funds reserve	5,777
Total Liabilities	4,969,565
NET ASSETS	
Without donor restriction:	
Undesignated	3,802,670
Board designated	844,527
Total net assets	4,647,197
Total Liabilities and Net Assets	\$ 9,616,762

See accompanying notes to the financial statements

Charter Foundation
STATEMENT OF ACTIVITIES

<u>For the year ended June 30,</u>	<u>2023</u>
Support and Revenue:	
Pledges	\$ 257,730
Lease income	249,195
Special events, net of expenses	44,791
Capital campaign	-
Interest income	4,569
Investment income	3,771
Grants	24,300
Fundraising	8,314
Other income	504
Total support and revenue	<u>593,174</u>
Expenses	
Program	704,211
Management and general	15,958
Fundraising expense	<u>1,011</u>
Total expenses	<u>721,180</u>
Change in net assets	<u>(128,006)</u>
Net assets, beginning of year	4,775,203
Net assets, end of year	<u>\$ 4,647,197</u>

See accompanying notes to the financial statements

Charter Foundation
STATEMENTS OF FUNCTIONAL EXPENSES

<u>For the year ended June 30, 2023</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 84,760	\$ -	\$ -	\$ 84,760
Payroll taxes	6,789	-	-	6,789
Workers compensation	505	-	-	505
Bank charge	12	-	-	12
Class funding	6,083	-	-	6,083
Depreciation	247,072	-	-	247,072
Fundraising	-	-	157	157
Grants given	116	-	-	116
Board designated grants	200,000	-	-	200,000
Liability insurance	-	1,971	-	1,971
Licenses & permits	-	95	-	95
Miscellaneous	-	-	854	854
Office supplies	-	2,130	-	2,130
Postage & delivery	-	513	-	513
Professional fees	-	11,249	-	11,249
Property insurance	17,287	-	-	17,287
Property taxes	4,746	-	-	4,746
Mortgage loan interest	136,641	-	-	136,641
Utilities & maintenance	200	-	-	200
Total expenses	<u>\$ 704,211</u>	<u>\$ 15,958</u>	<u>\$ 1,011</u>	<u>\$ 721,180</u>

See accompanying notes to the financial statements

Charter Foundation
STATEMENT OF CASH FLOWS

For Fiscal Year Ended June 30,	2023
(USD \$ in Dollars)	
CASH FLOW FROM OPERATING ACTIVITIES	
Net income/(loss)	\$ (128,006)
Adjustments to reconcile net income to net cash provided/(used) by operating activities:	
Depreciation of Property	247,072
Changes in operating assets and liabilities:	
Prepays and Other Current Assets	1,435
Grants payable	200,000
Other Long-term Liabilities	<u>1,248</u>
Net cash provided/(used) by operating activities	321,749
CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of Property and Equipment	<u>(7,169)</u>
Net cash provided/(used) in investing activities	(7,169)
CASH FLOW FROM FINANCING ACTIVITIES	
Net borrowing on promissory notes	<u>(83,051)</u>
Net cash provided/(used) by financing activities	(83,051)
Change in Cash	231,529
Cash—beginning of year	<u>630,596</u>
Cash—end of year	<u>\$ 862,125</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for interest	\$ 136,641
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	\$ -

See accompanying notes to financial statements.

Charter Foundation
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2023

All amounts in these Notes are expressed in thousands of United States dollars (“\$” or “US\$”), unless otherwise indicated.

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

Charter Foundation
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2023

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.

Cash and Cash Equivalents

Cash and cash equivalents include all cash in banks. The Foundation's cash consists primarily of CD's, checking accounts, savings, and an ICS account. The Foundation's cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of June 30, 2023, 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

Charter Foundation
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2023

accompanying financial statements. In addition, the Internal Revenue Service has determined that 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 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 2023 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

Charter Foundation
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2023

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 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,	2023
Accrued expenses	\$ -
Prepays	600
Total Prepays and Other Current Assets	\$ 600

Grants Payable

The Foundation holds a grant in the amount of \$575,000 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, 2023, 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.

Charter Foundation
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2023

4. PROPERTY AND EQUIPMENT

As of June 30, 2023, property and equipment consists of:

As of Year Ended June 30,	2023
Equipment	\$ 3,132
Property	9,857,805
Property and Equipment, at Cost	\$ 9,860,937
Accumulated depreciation	(1,106,900)
Property and Equipment, Net	\$ 8,754,037

Depreciation expenses for property and equipment for the fiscal year ended June 30, 2023, were in the amount of \$247,072.

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 2023		
					Current Portion	Non-Current Portion	Total Indebtedness
Promissory Note - RSF Investment fund	\$ 4,463,736	3.05%	5/25/2022	6/1/2032	\$ 93,104	\$ 4,277,353	\$ 4,370,457
Total					\$ 93,104	\$ 4,277,353	\$ 4,370,457

The summary of the future payments is as follows:

As of Year Ended June 30, 2023	
2023-2024	219,996
2024-2025	219,996
2025-2026	219,996
2026-2027	219,996
2027-2028	219,996
Thereafter	3,270,477
Total	\$ 4,370,457

Charter Foundation
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO JUNE 30, 2023

6. LIQUIDITY

The following reflects the Foundation's financial assets as of June 30, 2023, that are available for operations. The Foundation's restrictions come from board designated funds.

Financial assets at year end June 30, 2023	
Cash and cash equivalents	\$ 862,125
Less financial assets with board restrictions	<u>(844,527)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,598</u>

7. OPERATING LEASE – LESSOR

On January 1, 2022, the Foundation entered into a 10-year lease agreement with Sebastopol Independent Charter School (SICS) 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). On July 1, 2022 the monthly payment was adjusted to \$18,930.02 after the mortgage was refinanced, and will remain that amount until May 1, 2032. A security deposit of \$18,333 has been paid as additional security in case of default.

On 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 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, 2023, is \$249,195.

8. COMMITMENTS AND CONTINGENCIES

Contingencies

The Foundation's operations are subject to a variety of local and state regulations. 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.

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, 2023, 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, 2023, through October 3, 2023, which is the date the financial statements were available to be issued.

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.