

CHARTER FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

CHARTER FOUNDATION

BOARD OF DIRECTORS

JUNE 30, 2016

<u>Name</u>	<u>Office</u>	<u>Term Expires Annual Meeting</u>
Bob Haroche	President	2016
Anthony More	Vice President	2016
Alex Tickle	Treasurer	2016
Sarah Botz	Secretary	2016
Cristina Woodworth-Powell	Member	2016

CHARTER FOUNDATION

JUNE 30, 2016

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Charter Foundation
Sebastopol, California

We have reviewed the accompanying statement of financial position of the Charter Foundation (a non-profit public benefit corporation) as of June 30, 2016 and the related statement of activities, statement of functional expenses and statement of 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 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 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 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.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

Sacramento, California
September 28, 2016

FINANCIAL SECTION

CHARTER FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents (Note 2)	\$ 909,095
Investments (Note 3)	206,235
Prepaid Expenses-Retainers	<u>3,062</u>
Total current assets	1,118,392
LONG-TERM ASSETS	
Fixed assets, net of accumulated depreciation (Note 4)	<u>5,479,402</u>
Total assets	<u><u>\$ 6,597,794</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Account payable	\$ 870
Security deposits (Note 5)	17,860
Class funds	13,500
Current portion of note payable (Note 6)	<u>2,525,000</u>
Total liabilities	<u>2,557,230</u>
NET ASSETS	
Unrestricted	3,938,564
Unrestricted - Designated for Building Maintenance	<u>102,000</u>
Total net assets	<u>4,040,564</u>
Total liabilities and net assets	<u><u>\$ 6,597,794</u></u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

CHARTER FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted
REVENUES, GAINS AND OTHER SUPPORT	
Pledges	\$ 286,855
Lease income	231,175
Fundraising	42,990
Capital campaign	57,857
Interest income	1,277
Investment income	8,044
Other income	1,108
	629,306
EXPENSES	
Program services	428,023
Administration and general	51,899
Miscellaneous fundraising	3,290
	483,212
Change in net assets	146,094
Net assets, at beginning of year	3,894,470
Net assets, at end of year	\$ 4,040,564

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

CHARTER FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services	Administration and General	Miscellaneous Fundraising	Total Expenses
Charter school grant	\$ 106,373			\$ 106,373
Bank charge	3,856			3,856
Campus overhead		\$ 2,886		2,886
Depreciation	118,966			118,966
Fundraising			\$ 3,290	3,290
Liability insurance		1,344		1,344
Licenses and permits		80		80
Maintenance	6,522			6,522
Miscellaneous		845		845
Office expenses		1,143		1,143
Office supplies		1,414		1,414
Payroll taxes		3,568		3,568
Postage and delivery		576		576
Professional fees	5,654			5,654
Property insurance	13,200			13,200
Property taxes	36,636			36,636
Mortgage Interest	118,184			118,184
Utilities	18,632			18,632
Wages		39,617		39,617
Workers compensation		426		426
Total functional expenses	<u>\$ 428,023</u>	<u>\$ 51,899</u>	<u>\$ 3,290</u>	<u>\$ 483,212</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

CHARTER FOUNDATION
STATEMENT OF CASH FLOWS
JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 146,094
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	118,966
(Increase) decrease in operating assets:	
Prepaid Retainers	252
Undeposited Funds	226
Increase (decrease) in operating liabilities:	
Payroll Liabilities	87
Security Deposits	<u>(3,628)</u>
Net cash provided by operations	<u>261,997</u>

CASH FLOWS FROM INVESTING ACTIVITIES

(Increase) Decrease in Rudolf Steiner Fund	(771)
Hurlbut Property Development Costs	(493,933)
Purchase of Office Equipment	<u>(896)</u>
Net cash provided (used) by investing activities	<u>(495,600)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase (decrease) in class funds:	
Class Funds	<u>3,000</u>
Net cash provided (used) by financing activities	<u>3,000</u>
Net increase (decrease) in cash	(230,603)
Unrestricted cash at the beginning of the year	<u>1,139,698</u>
Unrestricted cash at the end of the year	<u><u>\$ 909,095</u></u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

CHARTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. 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 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 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'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.

B. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

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 \$102,000 as of June 30, 2016.

CHARTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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, 2016.

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, 2016.

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 available fair values are stated at fair value. Debt securities without readily determinable fair values are stated at cost (see Note 3).

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

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. Income Taxes

No provision for income tax has been included in the financial statements. The Foundation is generally not taxable under Internal Revenue Service Code section 501(c)(3) and similar regulations of the California Franchise Tax Board. The Foundation's Form 990 (Return of Organization Exempt from Income Tax) for years ended 2014, 2015 and 2016 are subject to examination by the Internal Revenue Service, generally for three (3) years after they were filed.

I. 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.

CHARTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND CONCENTRATIONS OF RISK

Cash balances held in non-interest bearing commercial bank accounts have separate, unlimited coverage by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2015 as provided by Section 343 of the Dodd-Frank Act. The FDIC will insure the accounts in accordance with 12.C.F.R. Part 330, which provides each depositor up to \$250,000 in coverage. These amounts are held within various financial institutions. As of June 30, 2016, the carrying amount of the Foundation's accounts was \$908,932.98, all of which is insured.

NOTE 3 - INVESTMENTS

The Foundation has invested in the RSF Social Investment Fund since 2006. The investment is a pooled debt security investment that is not publically marketable. The investment is presented at carrying cost and has no readily determinable fair market value. Investments are subject to ninety day reinvestment periods and are automatically renewed. Interest earnings are automatically reinvested. The balance in the investment fund at June 30, 2016 was \$206,135.07.

NOTE 4 - PROPERTY

Property consists of the following:

Land	\$	2,660,077
Building and improvements		2,744,138
Equipment		2,348
Work in Progress		<u>837,894</u>
Total		6,244,457
Less accumulated depreciation and amortization		<u>(765,055)</u>
Total	\$	<u><u>5,479,402</u></u>

Property is carried at cost. 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

Commencing March 1, 2016, the Foundation entered into a lease for suite 110 ending on February 28, 2018. Current monthly base rent is \$1,700 a month. The lessee is responsible for 9.23% of all common area operating expenses. A security deposit of \$3,400 has been paid as additional security in case of default. Tenant has option to renew for an additional 2-year term at the base rent of \$1,751.

On February 28, 2013, the Foundation entered into a lease for suite 120. Monthly base rent was \$1,386. The lessee is responsible for 9.44% 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. The lease terminated on March 31, 2016. [NB: space re-leased 8/1/2016]

CHARTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - OPERATING LEASE - LESSOR (CONCLUDED)

On December 1, 2015, the Foundation entered into a lease for suite 130. Monthly base rent was \$1,760 ending on November 30, 2018. The lessee is responsible for 9.44% of all common area operating expenses. A security deposit of \$1,760 has been paid as additional security in case of default. The base rent for the third year of the lease, commencing December 1, 2017, is subject to a cost of living increase based on the consumer price index.

On June 1, 2012, the Foundation entered into a two year lease agreement with Sebastopol Independent Charter School (SICS). Subsequently, the Foundation and SICS executed addenda extending the lease to June 30, 2016 with a most recent monthly rent of \$11,500. After June 30, 2016, the lease becomes a month-to-month lease. A security deposit of \$8,500 has been paid as additional security in case of default.

On March 3, 2015, the Foundation entered into a month-to-month lease agreement for 1080-1088 Hurlbut Avenue, with a monthly rent of \$3,600. A security deposit of \$5,900 has been paid as additional security. The lease terminated on June 30, 2016.

NOTE 6 - 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 \$3,600,000, of which \$2,525,000 has been drawn, which is secured by the property as collateral. The Foundation is required to make monthly payments of interest only of 4.5%.

The note matures December 31, 2023.

NOTE 7 - SUBSEQUENT EVENT

Management has evaluated subsequent events through September 28, 2016, the date on which the financial statements were available to be issued.