

CHARTER FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2018

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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 (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, 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 I am (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.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

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, 2017, 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, 2017, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Goranson and Associates, Inc.

October 26, 2018

Santa Rosa, CA

CHARTER FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

(With summarized comparative totals for June 30, 2017)
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 396,021	\$ 624,626
Short term investments	-	207,424
Accounts receivable	118,470	12,808
Prepaid expenses	2,062	6,062
Total current assets	516,553	850,920
Fixed assets:		
Building, land and improvements	5,404,215	5,404,215
Equipment	3,132	2,348
Furniture and equipment	4,432,159	1,158,285
Subtotal	9,839,506	6,564,848
Less accumulated depreciation	(944,356)	(824,822)
Net fixed assets	8,895,150	5,740,026
Non-current assets		
Other assets	34,740	53,252
Investments	-	251,050
Total other assets	34,740	304,302
Total assets	\$ 9,446,443	\$ 6,895,248

The accompanying notes are an integral part of these financial statements

CHARTER FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

(With summarized comparative totals for June 30, 2017)
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	2018	2017
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,072	\$ 10,454
Security deposits	25,960	16,160
Class funds	11,000	12,500
Total current liabilities	38,032	39,114
Long-term debt	4,792,022	2,525,000
Total liabilities	4,830,054	2,564,114
Net assets:		
Without donor restriction:		
Undesignated	4,314,389	4,229,134
Designated for SC grant reserve	200,000	-
Designated for Building Maintenance	102,000	102,000
Total net assets	4,616,389	4,331,134
Total liabilities and net assets	\$ 9,446,443	\$ 6,895,248

The accompanying notes are an integral part of these financial statements

CHARTER FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized comparative totals for the year ended June 30, 2017)
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	<u>2018</u>	<u>2017</u>
SUPPORT AND REVENUE:		
Pledges	\$ 305,792	\$ 273,123
Lease Income	229,268	236,512
Special events (net \$16,757 expenses)	23,553	48,048
Capital campaign	37,898	79,046
Interest Income	1,358	1,111
Investment income (loss)	5,563	6,399
Contract Income	111,530	-
Grants	1,115	14,360
Fundraising	2,830	2,476
Total support and revenue	<u>718,907</u>	<u>661,075</u>
EXPENSES:		
Program	364,148	314,598
Management and general	68,006	53,774
Fundraising	1,498	2,133
Total expenses	<u>433,652</u>	<u>370,505</u>
CHANGE IN NET ASSETS	285,255	290,570
NET ASSETS, beginning	<u>4,331,134</u>	<u>4,040,564</u>
NET ASSETS, ending	<u>\$ 4,616,389</u>	<u>\$ 4,331,134</u>

The accompanying notes are an integral part of these financial statements

CHARTER FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized comparative totals for the year ended June 30, 2017)
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	Program	Management and General	Fundraising	2018 Total	2017 Total
Wages		\$ 39,788		\$ 39,788	\$ 39,443
Payroll taxes		3,492		3,492	3,465
Workers compensation		485		485	149
Charter school grant	\$ 20,467	-		20,467	43,460
Bank charge	-	1,541		1,541	1,877
Class funding	2,500	-		2,500	1,500
Depreciation	119,534	-		119,534	59,767
Fundraising	-	-	\$ 1,498	1,498	2,133
Liability insurance	-	1,844	-	1,844	1,344
Licences & permits	-	126	-	126	20
Maintenance	2,890	-	-	2,890	2,855
Miscellaneous	-	17,119	-	17,119	3,137
Office supplies	-	2,623	-	2,623	3,048
Postage and delivery	-	988	-	988	1,291
Professional fees	3,901	-	-	3,901	6,200
Property insurance	1,361	-	-	1,361	9,495
Property taxes	38,890	-	-	38,890	37,847
Mortgage interest	149,158	-	-	149,158	126,251
Utilities	25,447	-	-	25,447	27,223
Total expenses	<u>\$ 364,148</u>	<u>\$ 68,006</u>	<u>\$ 1,498</u>	<u>\$ 433,652</u>	<u>\$ 376,705</u>

The accompanying notes are an integral part of these financial statements

CHARTER FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized comparative totals for the year ended June 30, 2017)
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 285,255	\$ 290,570
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	119,534	59,767
Investment income	454	454
(Increase) decrease in:		
Accounts and grants receivable	(105,662)	(12,808)
Prepaid retainers	4,000	(3,000)
Other grant	18,512	(53,252)
Increase (decrease) in:		
Accounts payable	(9,382)	9,584
Security deposits	9,300	(1,700)
Total cash provided by operations	322,011	289,615
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,274,658)	(320,391)
Sale of investments	458,020	(4,300)
Total cash used by investing activities	(2,816,638)	(324,691)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	2,288,507	-
Principal payments on long-term debt	(21,485)	-
Increase in class funds	(1,000)	(1,000)
Total cash provided by investing activities	2,266,022	(1,000)
NET CHANGE IN CASH	(228,605)	(36,076)
CASH, beginning of year	624,626	660,702
CASH, end of year	\$ 396,021	\$ 624,626
Supplemental information:		
Cash paid for interest	\$ 149,158	\$ 126,251

The accompanying notes are an integral part of these financial statements

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Concentrations of Credit Risk – The Foundation maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, the Foundation held cash and cash equivalent balances in excess of federally insured limits. There is no amount in excess of the FDIC limit at June 30, 2018.

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 Organization’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.

CHARTER FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Donated Services and Items – Many volunteers have contributed hours during 2018 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, 2017, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects the Foundation's financial assets as of June 30, 2018 that are available for operations. The Foundation's restrictions come from board restricted funds.

Financial assets at yearend	
Cash and cash equivalents	\$ 396,021
Accounts receivable	118,470
Less financial assets with board restrictions	<u>(302,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 212,491</u>

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 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 had the option to renew for an additional 2-year term at the base rent of \$1,751. Tenant chose not to renew the lease. On February 28, 2013, the Foundation entered into a lease for Suite 120. Monthly base rent was \$1,386. On August 1, 2016, a new tenant occupied Suite 120 on a month to month basis. Monthly rent is \$1,700 and a deposit of \$1,700 was required. The tenant is required to pay for all utilities, including on behalf of landlord.

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.

Total lease income for the year ended June 30, 2018 is \$193,540.

CHARTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$3,600,000, 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.

On July 13, 2017, the Foundation obtained a promissory note of \$3,800,000, which is secured by the property as collateral. The Foundation is required to make monthly payments of interest only of 4 percent for the first year. The note matures July 1, 2024.

On February 9, 2018, the Foundation obtained a construction loan of \$2,000,000, which is secured by property on collateral. The Foundation is required to make monthly payment of interest only of 5 percent. The note matures September 15, 2019.

NOTE 6 CHANGE IN ACCOUNTING PRINCIPLE

The Foundation has adopted ASU 2014-06 effecting a change in the presentation of the financial statement, using new terminology and including additional footnote disclosures.

NOTE 7 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 26, 2018, the date the financial statements were available to be issued and determined that there were no events occurring subsequent to June 30, 2018 that would have a material impact on the Foundation's results of operations or financial position.