



**Santa Barbara Channelkeeper**

**Financial Statements**

**(With Independent Auditors' Report Thereon)**

**December 31, 2018**























## **Santa Barbara Channelkeeper**

### **Notes to Financial Statements December 31, 2018**

- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
  - Quoted prices for identical or similar assets in non-active markets;
  - Inputs other than quoted prices that are observable for the asset/liability; and,
  - Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

The estimated fair values of the Organization's short-term financial instruments, including cash, cash equivalents, and accounts payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The fair value of the marketable securities is based on quoted market rates.

#### **Estimates**

Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates used in preparing these financial statements include allocation of certain expenses by function. It is at least reasonably possible that the estimated allocation of certain expenses by function will change within the next year. Significant estimates include estimated useful lives of equipment, value of donated services and functional allocation of expenses.

#### **Financial Instruments and Credit Risk**

The Organization manages deposit concentration risk by placing cash, and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, and foundations supportive of the Organization's mission.

## Santa Barbara Channelkeeper

### Notes to Financial Statements December 31, 2018

#### Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively without any significant impact.

#### (2) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 517,362
Accounts receivable	2,435
Less: board designated reserves	(161,039)
Less: cash with restrictions	<u>(100,750)</u>
Total	<u>\$ 258,008</u>

The board of directors has designated \$161,039 for an operating reserve. While management does not intend to spend from this board-designated reserve, these amounts could be made available if necessary.

#### (3) Equipment

Fixed assets as of December 31, 2018, consist of the following amounts:

Boat	\$ 89,665
Boat Slip	92,000
Office Equipment	<u>62,814</u>
Total	244,479
Less Accumulated Depreciation	<u>(91,099)</u>
Fixed Assets, Net	<u>\$ 153,380</u>

## **Santa Barbara Channelkeeper**

### **Notes to Financial Statements December 31, 2018**

The Organization recognized \$7,031 of depreciation during the year ending December 31, 2018.

#### **(4) Supplemental Cash Flow Information**

The Organization did not pay any taxes or interest during the year ending December 31, 2018.

#### **(5) Donated Services**

To properly recognize the significant role of volunteers and contributions of services in the furtherance of the Organization's mission, management of the Organization adopted procedures to measure the fair market value of certain donated services related to the collection and analysis of water samples from local creeks and the Santa Barbara Channel, as well as to the Organization's marine habitat restoration and monitoring, and to public outreach at community events. Donated services for the Organization consist of volunteers whom have received specialized training in the collection and handling of water samples or in marine habitat restoration and monitoring activities. Management has estimated the fair market value of the donated services to be \$29.95 per hour. The rate is based on the Independent Sector's Value of Volunteer Time.

#### **(6) Net Assets**

##### ***Without Donor Restriction - Board Designated Net Assets***

The Organization's Board of Directors has established a Board Designated Reserve Fund to provide for holding two to four months' operating expenses to:

1. Guard against emergency,
2. Invest in new programs, and/or
3. Smooth out cash flows.

As of December 31, 2018, the Organization reported \$161,039 of Board designated net assets for the reserve fund.

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### **Notes to Financial Statements December 31, 2018**

#### ***With Donor Restriction - Temporary in Nature Net Assets***

At December 31, 2018, the Organization held \$100,750 consisting of grants and contributions restricted for various programs administered by the Organization.

#### **(7) Leases**

The Organization leases office space in Santa Barbara, California under a month to month lease which requires a monthly lease payment of approximately \$2,500. The owner of the leased property is a member of the Organization's board of directors.

#### **(8) Related Party Transactions**

A member of the board of directors leases office space to the Organization. Approximately \$30,000 was paid to the board member.

#### **(9) Subsequent Events**

Management has evaluated events through October 22, 2019, which is the date the financial statements were available to be issued. Management has determined that no subsequent event requiring disclosure or significantly impacting disclosure has occurred.