



Santa Barbara Channelkeeper

Financial Statements

(With Independent Auditors' Report Thereon)

December 31, 2017



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Santa Barbara Channelkeeper

We have audited the accompanying financial statements of Santa Barbara Channelkeeper (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Barbara Channelkeeper as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Stoltey & Associates

Orcutt, California
January 30, 2019

**Santa Barbara Channelkeeper
Statement of Financial Position
December 31, 2017**

Assets	2017
Cash and cash equivalents	\$ 440,389
Equipment and fixtures, net (note 3)	<u>160,408</u>
Total Assets	<u>\$ 600,797</u>
Liabilities and Net Assets	
Accounts payable and accrued expenses	<u>\$ 18,458</u>
Net Assets (note 6):	
Unrestricted:	
Undesignated	339,848
Designated - operating reserve	160,991
Temporarily restricted	<u>81,500</u>
Total Net Assets	582,339
Total Liabilities and Net Assets	<u>\$ 600,797</u>

The accompanying notes are an integral part of this financial statement.

**Santa Barbara Channelkeeper
Statement of Activities
Year Ended December 31, 2017**

	2017
Change in Unrestricted Net Assets	
Public support and revenue:	
Special Event:	
Gross Revenue	\$ 161,922
Cost of direct benefits to participants	(36,856)
Special Event, net	125,066
Contributions and grants	398,305
Other income	2,962
Interest income	1,154
Contributed services	11,811
Total public support and revenue	539,298
Assets released from restrictions	116,576
Expenses:	
Program services	509,929
Support services:	
Administration	57,964
Fund-raising	82,795
Total supporting services	140,759
Total expenses	650,688
Change in unrestricted net assets	5,186
Change in Temporarily Restricted Net Assets	
Restricted contributions	81,500
Assets released from restriction	(116,576)
Change in temporarily restricted net assets	(35,076)
Change in net assets	(29,890)
Net assets at beginning of year	612,229
Net assets at end of year	\$ 582,339

The accompanying notes are an integral part of this financial statement.

**Santa Barbara Channelkeeper
Statements of Cash Flows
Year Ended December 31, 2017**

	2017
Cash flows provided by operating activities:	
Change in net assets	\$ (29,890)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	7,661
Decrease in pledges and grants receivable	42,182
Decrease in accounts payable and accrued expenses	(2,542)
Net cash provided by operating activities	17,411
Net increase in cash and cash equivalents	15,380
Cash and cash equivalents, beginning of period	425,009
Cash and cash equivalents, end of period	\$ 440,389

The accompanying notes are an integral part of this financial statement.

**Santa Barbara Channelkeeper
Statement of Functional Expenses
Year Ended December 31, 2017**

	Program Services	Supporting Services		Total
		Administration	Fund-Raising	
Salaries	\$ 311,007	\$ 23,864	\$ 58,816	\$ 393,687
Employee benefits	40,603	2,272	6,108	48,983
Payroll taxes	25,710	2,077	5,175	32,962
Supplies	1,187	1,227	357	2,771
Telephone	3,425	428	428	4,281
Postage and shipping	1,217	608	1,217	3,042
Occupancy	20,926	2,660	2,649	26,235
Equipment rental and maintenance	-	7,368	-	7,368
Printing and publications	6,376	2,396	7,255	16,027
Travel	10,960	-	-	10,960
Depreciation	7,403	258	-	7,661
Boat expenses	19,666	-	-	19,666
Case costs	220	-	-	220
Community outreach	1,813	-	-	1,813
Dues and publications	1,000	675	-	1,675
Insurance	9,235	2,146	748	12,129
Stipends	7,408	-	-	7,408
Training	1,011	-	42	1,053
Monitoring expenses	23,009	-	-	23,009
Expert and technical services	4,000	-	-	4,000
Professional services	-	8,500	-	8,500
Contributed services	11,811	-	-	11,811
Other expenses	1,942	3,485	-	5,427
Total expense	\$ 509,929	\$ 57,964	\$ 82,795	\$ 650,688

The accompanying notes are an integral part of this financial statement.

Santa Barbara Channelkeeper

Notes to Financial Statements December 31, 2017

(1) Summary of Significant Accounting Policies

Nature of Operations

Santa Barbara Channelkeeper (The Organization) is a nonprofit Organization located in Santa Barbara, California. The Organization was established for the monitoring of environmental health of the Santa Barbara Channel.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

Generally accepted accounting principles establishes standards require resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions, if any. A description of the net asset categories follows:

Unrestricted net assets generally result from unrestricted contributions, funds received under exchange transaction and dividends less expenses incurred in providing services and fund-raising and other administrative expenses. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received.

Temporarily restricted net assets are classified as such based on donor stipulations that they be used in a later period or for a specific purpose.

Permanently restricted net assets are classified as such based on donor imposed restrictions prohibiting the Organization from using the asset. Any interest, dividends and unrealized gains or losses recognized on such assets are either reported as an increase to permanently restricted net assets, temporarily restricted net assets or unrestricted net assets in conformance with any donor imposed restrictions.

Cash

For the purposes of the statement of cash flows, cash consists of cash on hand and cash in demand deposit and savings accounts at banks.

Property and Equipment

Property and Equipment are carried at cost, or if donated, at the fair value at the date of donation. Depreciation of property and equipment is provided using a straight-line method over their estimated useful lives. The Organization uses a \$1,000 capitalization rate.

Revenue Recognition

Generally accepted accounting principles require the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

The Organization recognizes revenue earned through fee for service contracts as the services are provided.

Santa Barbara Channelkeeper

Notes to Financial Statements December 31, 2017

Income Taxes

The Organization is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending 2014, 2015, and 2016 are still open to audit for both federal and state purposes. Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

Fair Value of Financial Instruments

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.

(2) Functional Expenses

Direct expenses are charged to the appropriate program or supporting function. Indirect costs are charged on the basis of direct labor costs.

(3) Equipment

Fixed assets as of December 31, 2017, 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>(84,071)</u>
Fixed Assets, Net	<u>\$ 160,408</u>

The Organization recognized \$7,661 of depreciation during the year ending December 31, 2017.

(4) Supplemental Cash Flow Information

The Organization did not pay any taxes or interest during the year ending December 31, 2017.

Santa Barbara Channelkeeper

Notes to Financial Statements December 31, 2017

(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 \$29.09 per hour. The rate is based on the Independent Sector's Value of Volunteer Time.

(6) Net Assets

Board Designated Net Assets

During the year ended December 31, 2008, the Organization's Board of Directors ratified a Reserve Fund Policy. The Policy 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, 2017, the Organization reported \$160,991 of Board designated net assets for the reserve fund.

Temporarily Restricted Net Assets

At December 31, 2017, the Organization held \$81,500 consisting of 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 January 30, 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.