



**Santa Barbara Channelkeeper**

**Financial Statements**

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

**December 31, 2020**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors 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, 2020, 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, 2020, 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*

Los Olivos, California  
July 21, 2021

**Santa Barbara Channelkeeper  
Statement of Financial Position  
December 31, 2020**

**Assets**

Cash and cash equivalents	\$ 899,590
Contributions receivable (notes 1 and 2)	8,250
Accounts receivable (note 2)	2,530
Equipment and fixtures, net (note 3)	<u>143,375</u>
<b>Total Assets</b>	<b><u>\$ 1,053,745</u></b>

**Liabilities and Net Assets**

Accounts payable and accrued expenses	\$ 22,761
Notes payable	<u>83,915</u>
<b>Total Liabilities</b>	<b>106,676</b>

**Net Assets (note 6):**

Without donor restriction:	
Undesignated	661,420
Designated - operating reserve	157,399
With donor restriction - temporary in nature	<u>128,250</u>
<b>Total Net Assets</b>	<b>947,069</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,053,745</u></b>

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

**Santa Barbara Channelkeeper  
Statement of Activities  
Year Ended December 31, 2020**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Change in Unrestricted Net Assets</b>			
Public support and revenue:			
Special Event:			
Gross Revenue	\$ 158,577	\$ -	\$ 158,577
Cost of direct benefits to participants	(15,724)	-	(15,724)
Special Event, net	142,853	-	142,853
Contributions and grants	437,216	184,875	622,091
Other income	170	-	170
Interest income	2,392	-	2,392
Contributed services	9,444	-	9,444
Total public support and revenue	592,075	184,875	776,950
Assets released from restrictions	245,600	(245,600)	-
Expenses:			
Program services	515,810	-	515,810
Support services:			
Administration	56,323	-	56,323
Fund-raising	113,226	-	113,226
Total supporting services	169,549	-	169,549
Total expenses	685,359	-	685,359
Change in net assets	152,316	(60,725)	91,591
Net assets at beginning of year	666,503	188,975	855,478
Net assets at end of year	\$ 818,819	\$ 128,250	\$ 947,069

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

**Santa Barbara Channelkeeper  
Statement of Functional Expenses  
Year Ended December 31, 2020**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Administration</b>	<b>Fund-Raising</b>	
Salaries	\$ 330,981	\$ 23,257	\$ 80,668	\$ 434,906
Employee benefits	40,397	2,606	7,831	50,834
Payroll taxes	27,239	1,981	6,254	35,474
Supplies	5,834	1,311	730	7,875
Telephone	3,566	446	477	4,489
Postage and shipping	523	261	506	1,290
Occupancy	19,923	2,493	2,493	24,909
Equipment rental and maintenance	-	5,856	-	5,856
Printing and publications	9,957	1,547	9,881	21,385
Travel	5,052	-	-	5,052
Depreciation	3,848	-	-	3,848
Boat expenses	15,632	-	-	15,632
Case costs	-	-	-	-
Community outreach	5,436	-	-	5,436
Dues and publications	1,550	675	-	2,225
Insurance	7,066	1,867	280	9,213
Stipends	6,034	-	-	6,034
Training	-	-	-	-
Monitoring expenses	9,107	-	-	9,107
Expert and technical services	5,500	-	-	5,500
Professional services	-	12,430	2,610	15,040
Contributed services	9,444	-	-	9,444
Other expenses	8,721	1,593	1,496	11,810
<b>Total expense</b>	<b>\$ 515,810</b>	<b>\$ 56,323</b>	<b>\$ 113,226</b>	<b>\$ 685,359</b>

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

**Santa Barbara Channelkeeper  
Statements of Cash Flows  
Year Ended December 31, 2020**

Cash flows provided by operating activities:	
Change in net assets	\$ 91,591
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	3,848
Decrease in accounts receivable	(1,048)
Increase in pledges receivable	17,110
Increase in accounts payable and accrued expenses	<u>5,279</u>
Net cash provided by operating activities	<u>116,780</u>
Cash flows used in financing activities:	
Proceeds from issuance of note payable	<u>83,915</u>
Net cash used in financing activities	<u>83,915</u>
Net increase in cash and cash equivalents	200,695
Cash and cash equivalents, beginning of period	<u>698,895</u>
Cash and cash equivalents, end of period	<u><u>\$ 899,590</u></u>

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

## Santa Barbara Channelkeeper

### Notes to Financial Statements

December 31, 2020

#### (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 to protect and restore the Santa Barbara Channel and its watersheds through science-based advocacy, education, field work and enforcement.

##### Basis of Accounting

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

**Basis of presentation** –The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.



## **Santa Barbara Channelkeeper**

### **Notes to Financial Statements December 31, 2020**

#### **Cash**

The Organization consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

#### **Accounts Receivable**

Accounts receivable consist of noninterest-bearing amounts due for program services. The Organization determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2020 all accounts receivable are considered to be collectible.

#### **Contributions Receivable**

The Organization records unconditional contributions receivable that are expected to be collected within one year at net realizable value. Unconditional contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. All contributions receivable at December 31, 2020 are expected to be collected prior to December 31, 2021.

#### **Property and Equipment**

The Organization records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 2 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do

## **Santa Barbara Channelkeeper**

### **Notes to Financial Statements**

**December 31, 2020**

not improve or extend the useful lives of the respective assets are expensed currently.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

#### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

#### **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, only the donated services that meet recognition criteria prescribed by generally accepted accounting principles are reflected in the accompanying financial statements. The Organization records donated professional services at the respective fair values of the services received (Note 5).

#### **Advertising Costs**

Advertising costs are expensed as incurred and approximated \$1,900 during the year ended December 31, 2020.

#### **Income Taxes**

The Organization is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a)

## **Santa Barbara Channelkeeper**

### **Notes to Financial Statements**

**December 31, 2020**

as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi), and has been determined not to be private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations; and to identify and evaluate other matters that may be considered tax positions. Management has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

## **Santa Barbara Channelkeeper**

### **Notes to Financial Statements December 31, 2020**

- 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, 2020

#### (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	\$ 899,590
Contributions receivable	8,250
Accounts receivable	2,530
Less: board designated reserves	(157,399)
Less: restrictions	<u>(128,250)</u>
Total	<u>\$ 624,721</u>

The board of directors has designated \$157,399 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, 2020, 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>(101,104 )</u>
Fixed Assets, Net	<u>\$ 143,375</u>

The Organization recognized \$3,848 of depreciation during the year ending December 31, 2020.

#### (4) Supplemental Cash Flow Information

The Organization did not pay any taxes or interest during the year ending December 31, 2020. During the year ended December 31, 2020 the Organization received \$9,444 of contributed services.

## **Santa Barbara Channelkeeper**

### **Notes to Financial Statements December 31, 2020**

#### **(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 \$33.61 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, 2020, the Organization reported \$157,399 of Board designated net assets for the reserve fund.

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

At December 31, 2020, the Organization held \$128,250 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.

## **Santa Barbara Channelkeeper**

### **Notes to Financial Statements December 31, 2020**

#### **(8) Note Payable – PPP Loan**

The Organization applied for and was approved a \$83,915 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

On April 2, 2021, the Organization received approval for full forgiveness of the PPP loan payable.

As the loan and subsequent forgiveness is considered to be a conditional grant, the Organization has not reported any revenue related to the note payable during the year ended December 31, 2020.

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

Management has evaluated events through July 21, 2021, 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.