



Santa Barbara Channelkeeper

Financial Statements

(With Independent Auditors' Report Thereon)

December 31, 2021



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Santa Barbara Channelkeeper

Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santa Barbara Channelkeeper and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Barbara Channelkeeper's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Santa Barbara Channelkeeper's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Barbara Channelkeeper's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Stoltey & Associates

Orcutt, California

November 18, 2022

**Santa Barbara Channelkeeper
Statement of Financial Position
December 31, 2021**

Assets

Cash and cash equivalents	\$	828,284
Cash held on behalf of others		12,000
Contributions receivable		55,000
Cash held for long term use		160,190
Equipment and fixtures, net		139,883

Total Assets	\$	1,195,357
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Liabilities and Net Assets

Accounts payable and accrued expenses	\$	33,677
Due to other organizations		12,000
Notes payable		90,392
Total Liabilities		136,069

Net Assets (note 6):

Without donor restriction:		
Undesignated		758,098
Designated - operating reserve		160,190
With donor restriction - temporary in nature		141,000

Total Net Assets		1,059,288
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Total Liabilities and Net Assets	\$	1,195,357
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The accompanying notes are an integral part of this financial statement.

**Santa Barbara Channelkeeper
Statement of Activities
Year Ended December 31, 2021**

	Without Donor Restriction	With Donor Restriction	Total
Public support and revenue:			
Contributions and grants	546,568	141,000	687,568
Contributed services	10,503	-	10,503
In-kind contributions	714	-	714
Forgiveness of PPP loan	83,915	-	83,915
Other income	7,111	-	7,111
Interest income	506	-	506
	<u>649,317</u>	<u>141,000</u>	<u>790,317</u>
Total public support and revenue			
Assets released from restrictions	<u>128,250</u>	<u>(128,250)</u>	<u>-</u>
Expenses:			
Program services	<u>485,859</u>	<u>-</u>	<u>485,859</u>
Support services:			
Administration	105,741	-	105,741
Fund-raising	<u>86,498</u>	<u>-</u>	<u>86,498</u>
Total supporting services	<u>192,239</u>	<u>-</u>	<u>192,239</u>
Total expenses	<u>678,098</u>	<u>-</u>	<u>678,098</u>
Change in net assets	99,469	12,750	112,219
Net assets at beginning of year	<u>818,819</u>	<u>128,250</u>	<u>947,069</u>
Net assets at end of year	<u>\$ 918,288</u>	<u>\$ 141,000</u>	<u>\$ 1,059,288</u>

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

**Santa Barbara Channelkeeper
Statement of Functional Expenses
Year Ended December 31, 2021**

	Program Services	Supporting Services		Total
		Administration	Fund-Raising	
Salaries	\$ 332,419	\$ 22,814	\$ 60,359	\$ 415,592
Employee benefits	16,835	3,170	4,617	24,622
Payroll taxes	27,928	1,865	5,734	35,527
Supplies	8,076	1,856	513	10,445
Telephone	3,418	427	427	4,272
Postage and shipping	411	103	211	725
Occupancy	21,166	2,718	2,718	26,602
Equipment rental and maintenance	-	4,841	-	4,841
Printing and publications	4,260	1,187	9,126	14,573
Travel	4,454	-	-	4,454
Depreciation	2,989	861	-	3,850
Boat expenses	16,798	-	-	16,798
Case costs	-	-	-	-
Community outreach	7,178	-	-	7,178
Dues and publications	1,725	853	-	2,578
Insurance	9,320	2,822	1,379	13,521
Stipends	4,447	-	-	4,447
Training	-	-	-	-
Monitoring expenses	7,294	-	-	7,294
Expert and technical services	5,000	-	-	5,000
Professional services	-	61,824	-	61,824
Contributed services	10,503	-	-	10,503
Other expenses	1,638	400	1,414	3,452
Total expense	\$ 485,859	\$ 105,741	\$ 86,498	\$ 678,098

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

**Santa Barbara Channelkeeper
Statements of Cash Flows
Year Ended December 31, 2021**

Cash flows provided by operating activities:	
Change in net assets	\$ 112,219
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	3,850
Noncash forgiveness of PPP loan payable	(83,915)
Decrease in accounts receivable	2,530
Decrease in pledges receivable	(46,750)
Increase amount due to other organizations	12,000
Increase in accounts payable and accrued expenses	<u>10,558</u>
Net cash provided by operating activities	<u>10,492</u>
Cash flows used in financing activities:	
Proceeds from issuance of note payable	<u>90,392</u>
Net cash used in financing activities	<u>90,392</u>
Net increase in cash and cash equivalents	100,884
Cash and cash equivalents, beginning of period	<u>899,590</u>
Cash and cash equivalents, end of period	<u><u>\$ 1,000,474</u></u>
<u>Reconciliation of Cash Flow to Statement of Position</u>	
Cash and cash equivalents	\$ 828,284
Cash held on behalf of others	12,000
Cash held for long term use	160,190
Total cash and cash equivalents	<u><u>\$ 1,000,474</u></u>
<u>Noncash Transactions</u>	
Contributed services	<u><u>\$ 10,503</u></u>
In-kind contributions	<u><u>\$ 714</u></u>
Noncash forgiveness of PPP loan payable	<u><u>\$ 83,915</u></u>

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

Santa Barbara Channelkeeper

Notes to Financial Statements

December 31, 2021

(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, 2021

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.

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. At December 31, 2021 conditional contributions receivable included \$90,392 related to the conditional forgiveness of the PPP loan payable. The Organization expects to collect all contributions receivable in year ending December 31, 2022.

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

Santa Barbara Channelkeeper

Notes to Financial Statements

December 31, 2021

included in the statements of activities. Costs of maintenance and repairs that do 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, 2021.

Revenue and Revenue Recognition

Revenue is recognized when services are provided. Program service fees received in advance are deferred to the applicable period in which the related services are performed. Special event revenue is reported at the fair value of direct benefits to participants is recorded as revenue. All services are transferred at a point in time.

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, 2021.

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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) 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, salaries and related benefits have been allocated using time and effort estimates. Occupancy related expenses have been allocated using estimated square footage used by programs and supporting services.

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,

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Notes to Financial Statements December 31, 2021

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.

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. It is at least reasonably possible that management's estimates 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

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Notes to Financial Statements December 31, 2021

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.

(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	\$ 1,000,474
Contributions receivable	55,000
Less: cash held on behalf of others	(12,000)
Less: board designated reserves	(160,190)
Less: restrictions for time	<u>(86,000)</u>
Total	<u>\$ 797,284</u>

The board of directors has designated \$160,190 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, 2021, 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>(104,596)</u>
Fixed Assets, Net	<u>\$ 139,883</u>

The value of the boat slip is considered land and thus is not subject to depreciation. The Organization recognized \$3,850 of depreciation during the year ending December 31, 2021.

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Notes to Financial Statements December 31, 2021

(4) Supplemental Cash Flow Information

The Organization did not pay any taxes or interest during the year ending December 31, 2021. During the year ended December 31, 2021 the Organization received \$10,503 of contributed services.

(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, 2021, the Organization reported \$160,190 of Board designated net assets for the reserve fund.

With Donor Restriction - Temporary in Nature Net Assets

At December 31, 2021, the Organization held \$141,000 consisting of grants and contributions restricted for various programs administered by the Organization.

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Notes to Financial Statements December 31, 2021

(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 \$2,200. Total rent expense for the year ended December 31, 2021 was \$26,602.

(8) Note Payable – PPP Loan

The Organization applied for and was approved a \$90,392 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 March 1, 2022, 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, 2021.

(9) Concentrations

Credit Risk

The Organization maintains bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at December 31, 2021 exceeded federally insured limits by approximately \$538,000.

Geographic

The Organization primarily receives donations from donors in the Santa Barbara, California area.

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Notes to Financial Statements December 31, 2021

(10) Subsequent Events

Management has evaluated events through November 18, 2022, 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.