

SANTA BARBARA CHANNELKEEPER

FINANCIAL STATEMENTS

DECEMBER 31, 2022



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September 29, 2023

Independent Auditors' Report

The Board of Directors
Santa Barbara Channelkeeper
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of Santa Barbara Channelkeeper, which comprise the statement of financial position as of December 31, 2022, and the related statement of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Santa Barbara Channelkeeper as of December 31, 2022, 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 ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Santa Barbara Channelkeeper and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 U.S. GAAP 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 for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 auditing standards generally accepted in the United States of America 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 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 GAAS, 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 the 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 the 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.

Nasif, Hicks, Harris & Co., LLP

Nasif, Hicks, Harris & Co., LLP

**SANTA BARBARA CHANNELKEEPER
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022**

ASSETS

Current assets:

Cash and cash equivalents - general operations	\$	768,717
Cash and cash equivalents - board designated		202,587
Contracts and grants receivable, net		82,500

Total current assets		1,053,804
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Property and equipment, net		136,894
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Operating lease right-of-use assets		32,983
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TOTAL ASSETS	\$	1,223,681
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$	19,983
Accrued vacation payable		18,069
Operating lease liabilities		32,983

Total current liabilities		71,035
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Net assets:

Without donor restrictions		1,067,146
With donor restrictions		85,500

Total net assets		1,152,646
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TOTAL LIABILITIES AND NET ASSETS	\$	1,223,681
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The accompanying notes are an integral part of these financial statements

SANTA BARBARA CHANNELKEEPER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2022
Support and revenue:			
Donations	\$ 356,507	\$ 54,380	\$ 410,887
Government grants	-	6,760	6,760
Private grants	127,702	193,100	320,802
Interest income	2,194	-	2,194
Loss on sale of securities	(507)	-	(507)
In-kind legal service revenue	11,025	-	11,025
PPP loan forgiveness	91,371	-	91,371
Sublease revenue	12,000	-	12,000
Merchandise sales	175	-	175
Total support and revenue	600,467	254,240	854,707
Net assets released from restrictions	309,740	(309,740)	-
Expenses:			
Program services	527,192	-	527,192
Support services:			
Fundraising	126,381	-	126,381
General and administrative	107,776	-	107,776
Total support services	234,157	-	234,157
Total expenses	761,349	-	761,349
Change in net assets	148,858	(55,500)	93,358
Net assets at beginning of year	918,288	141,000	1,059,288
NET ASSETS AT END OF YEAR	\$ 1,067,146	\$ 85,500	\$ 1,152,646

The accompanying notes are an integral part of these financial statements.

SANTA BARBARA CHANNELKEEPER
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ 93,358
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	2,989
Loss on sale of securities	507
PPP loan forgiveness	(90,392)
Donated securities	(15,939)
Changes in operating assets and liabilities:	
Contracts and grants receivable, net	(27,500)
Operating lease right-of-use assets	(32,983)
Accounts payable and accrued expenses	(11,510)
Accrued vacation payable	3,885
Operating lease liabilities	32,983
Net cash used by operating activities	(44,602)
Cash flows from investing activities:	
Cash proceeds from sale of securities	15,432
Net cash provided by investing activities	15,432
Net decrease in cash and cash equivalents	(29,170)
Cash and cash equivalents at beginning of year	1,000,474
CASH, CASH EQUIVALENTS AT END OF YEAR	\$ 971,304
Supplemental Data:	
Interest paid	\$ 29

The accompanying notes are an integral part of these financial statements.

**SANTA BARBARA CHANNELKEEPER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Support Services				Total December 31, 2022
	Program Services	General and Administrative	Fundraising	Total	
Salaries	\$ 323,900	\$ 49,323	\$ 84,731	\$ 134,054	\$ 457,954
Employee benefits	30,405	4,731	8,490	13,221	43,626
Occupancy	30,809	3,885	3,882	7,767	38,576
Payroll taxes	26,398	4,191	7,410	11,601	37,999
Expert and technical services	26,472	10,476	-	10,476	36,948
Professional services	1,442	20,652	-	20,652	22,094
Printing and publications	4,982	444	9,096	9,540	14,522
Boat expenses	13,949	-	-	-	13,949
Insurance	8,341	3,640	1,105	4,745	13,086
Other expenses	3,880	998	7,770	8,768	12,648
Travel	11,348	-	-	-	11,348
Contributed services	11,025	-	-	-	11,025
Supplies	8,992	1,303	542	1,845	10,837
Stipends	7,895	-	-	-	7,895
Equipment rental and maintenance	100	5,702	-	5,702	5,802
Community outreach	3,327	-	1,946	1,946	5,273
Telephone	3,975	490	435	925	4,900
Monitoring expenses	3,841	-	-	-	3,841
Depreciation	2,989	-	-	-	2,989
Dues and publications	1,900	850	-	850	2,750
Postage and shipping	301	83	974	1,057	1,358
Interest expense	-	1,008	-	1,008	1,008
Case costs	866	-	-	-	866
Training	55	-	-	-	55
Total at December 31, 2022	\$ 527,192	\$ 107,776	\$ 126,381	\$ 234,157	\$ 761,349

The accompanying notes are an integral part of these financial statements.

**SANTA BARBARA CHANNELKEEPER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 1: Organization and Summary of Significant Accounting Policies

Organization

The Santa Barbara Channelkeeper (the “Organization”) is organized as a non-profit 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

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 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, 2022.

Donor Restricted Support

Contributions are reported as “without” donor restrictions, or if contributions are received with donor stipulations that limit the use of the donated assets they are reported as “with” donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, “with” restriction net assets are reclassified as “without” restriction net assets and reported in the statement of activities as net assets released from restrictions.

**SANTA BARBARA CHANNELKEEPER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 1: Organization and Summary of Significant Accounting Policies - continued

Fair Value Measurements

Generally accepted accounting principles in the United States of America provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Quoted prices in active or inactive markets for the same or similar assets.

Level 3 - Estimates using the best information available when there is little or no market.

Level 1 and 3 inputs were not utilized in 2022. Level 2 inputs were used to determine the value of contributions in-kind, which are described below.

Contributions in-Kind

Contributions in-kind consist of legal services provided by volunteer attorneys. These contributions are recorded at their estimated fair value on a non-recurring basis at the time the services are performed, or goods received.

Functional Expenses

The cost of providing the Organization's programs have been summarized on a functional basis in these financial statements. Based on management estimates, costs have been allocated between programs and supporting services as they related to those functions.

Cash, Cash Equivalents and Restricted Cash

All highly liquid investments, with a maturity of three months or less when purchased, are considered to be cash equivalents.

**SANTA BARBARA CHANNELKEEPER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 1: Organization and Summary of Significant Accounting Policies - continued

Restricted cash consists of cash designated as an operating reserve by the Board of Directors of the Organization. The following table provides a reconciliation of cash, cash equivalents and restricted cash as of December 31, 2022:

Cash and cash equivalents – general operations	\$	768,717
Cash and cash equivalents – board designated		202,587
Total Cash, Cash Equivalents and Restricted Cash		\$ 971,304

Contracts and Grants 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 statement 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. The Organization expects to collect all contributions receivable in the year ending December 31, 2023. No allowances were recorded for the year ended December 31, 2022.

Revenue Recognition

Revenue is recognized when services are provided. Special event revenue is reported at the fair value of direct benefits to participants is recorded.

Contributions are recognized when cash, securities, 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 barrier or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**SANTA BARBARA CHANNELKEEPER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 2: Property and Equipment

Property and Equipment consisted of the following at December 31, 2022:

Boat	\$	89,665
Program equipment		26,860
Office equipment		35,954
Boat slip		92,000
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Total		244,479
Less: accumulated depreciation		(107,585)
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Property and Equipment, Net	\$	136,894

The Organization holds a boat slip in the Santa Barbara Harbor purchased as a transferable permit from its previous owner. This asset is included in property and equipment above and is considered to have an indefinite useful life.

Depreciation and amortization expense for the year ended December 31, 2022 was \$2,989.

Note 3: Operating Lease

The Organization determines if an arrangement is a lease at inception of the contract and whether the contract is or contains a lease by determining whether it conveys the right to control the use of the identified asset for a period of time. If the contract provides the right to substantially all the economic benefits from the use of the identified asset and the right to direct use of the identified asset, the Organization considers it to be, or contains a lease.

Leases are classified as operating at inception of the lease. Operating leases result in the recognition of ROU assets and lease liabilities on the balance sheet. Right-of-use (“ROU”) assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term as of the commencement date.

Because the Organization’s leases do not provide an explicit or implicit rate of return, the Organization uses the federal risk-free rate, as permitted, based on the information available at the commencement date in determining the present value of lease payments on an individual lease basis. Lease expense for these leases is recognized on a straight-line basis over the lease term.

**SANTA BARBARA CHANNELKEEPER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 3: Operating Lease - continued

The Organization's leases do not contain any residual value guarantees or material restrictive covenants. Leases with a lease term of 12 months or less are not recorded on the balance sheet and lease expense is recognized on a straight-line basis over the lease term. Leases categorized as "month-to-month" are assessed with respect to any period in which they are reasonably certain to be renewed; for such a period, a lease commitment is recorded. The Organization currently has no finance leases.

The Organization leases office space in Santa Barbara, California under a month-to-month lease which requires a monthly lease payment of \$2,750. Management considers it reasonably certain that this lease will be renewed monthly for 12 additional months.

Operating lease expense for the years ended December 31, 2022 was \$33,000.

Maturities of operating lease liabilities as of December 31, are as follows:

2023	\$ 33,000
Thereafter	-
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Total lease payments	33,000
Less: interest	(17)
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Present value of lease liabilities	32,983
Less: current operating lease liabilities	(32,983)
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Long-Term Operating Lease Liabilities	\$ -

At December 31, 2022, the weighted-average remaining lease term and the weighted-average discount rate for operating leases was one year and .11%, respectively.

Cash paid for amounts included in the measurement of operating liabilities was \$33,000 in 2022, and is included in net cash used by operating activities in the statement of cash flows.

The Organization subleases a portion of its office space under a sublease agreement. Sublease revenue was \$12,000 in 2022.

**SANTA BARBARA CHANNELKEEPER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 4: Board Designated Assets Without Restrictions

The Board of Directors has designated, from net assets without donor restrictions, \$202,587 as an operating reserve as of December 31, 2022. The purpose of the reserve is to guard against emergencies, invest in new programs and/or smooth out cash flow requirements.

Note 5: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2022.

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Subject to passage of time:		
For periods after December 31, 2022	\$	85,500
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Total Net Assets with Donor Restrictions	\$	85,500
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donor.

Note 6: Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

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Cash and cash equivalents	\$	971,304
Contracts and grants receivable		82,500
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Financial assets at year-end		1,053,804
Less those unavailable for general expenditure within one year, due to:		
Board designated reserve		(202,587)
Contractual donor-imposed restrictions:		
Donor-imposed time of use		(85,500)
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Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$	765,717
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**SANTA BARBARA CHANNELKEEPER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 6: Liquidity and Availability of Financial Assets - continued

The Board of Directors has designated \$202,587 as an operating reserve as of December 31, 2022. While management does not intend to spend from this reserve, these funds could be made available if necessary.

Note 7: Retirement Plan

In the year ended December 31, 2022, the Organization implemented a Savings Incentive Match Plan for Employees of Small Employers (the "Plan"), which is administered by the Organization and covers all employees. Employer contributions are transferred into participants' individual retirement accounts or individual retirement annuities. Employer contributions to the Plan for the year ended December 31, 2022 totaled \$286.

Note 8: Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance, office expenses and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Note 9: Concentration of 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.

Note 10: Contingencies

The Organization receives contract revenue from government agencies. These contracts are subject to review and audit by the contracting agency. The potential exists for disallowance of program costs. The ultimate liability, if any, cannot be reasonably estimated thus there is no provision for the possible disallowance of program costs.

**SANTA BARBARA CHANNELKEEPER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 11: Tax Status

The Organization is generally exempt from income taxes and gifts to the Organization qualify for tax deductions under the Internal Revenue Code. The Organization has favorable determination letters indicating it has qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Tax positions for the open tax years as of December 31, 2022 and 2021 were reviewed, and it was determined that no provision for uncertain tax positions is required.

Note 12: Subsequent Events

The Organization has evaluated subsequent events through September 29, 2023, the date which the financial statements were available to be issued.