

SANTA BARBARA
EDUCATION FOUNDATION
FINANCIAL STATEMENTS

JUNE 30, 2021

SANTA BARBARA EDUCATION FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

MELISSA PETERSEN & COMPANY

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Santa Barbara Education Foundation

I have audited the accompanying financial statements of Santa Barbara Education Foundation (a California nonprofit organization), which comprise the statement of financial position as of June 30, 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.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 Foundation'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 Foundation's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Barbara Education Foundation as of June 30, 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.

A handwritten signature in black ink, appearing to read "Melinda A. [unclear]", with a long horizontal flourish extending to the right.

Santa Barbara, California

August 1, 2022

SANTA BARBARA EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021

<u>ASSETS</u>	<u>2021</u>
Current Assets	
Cash and cash equivalents	\$ 739,388
Investments	6,018,776
Pledges receivable - current (Note 5)	-
Prepaid expenses	14,108
Total Current Assets	6,772,272
Pledges receivable - Long Term (Note 5)	-
Beneficial interest in assets held by others (Note 4)	118,096
Property and equipment (Note 6)	3,695
Total Assets	\$ 6,894,063
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 23,790
Accrued payroll and related expenses	43,977
PPP Loan	-
Total Current Liabilities	67,767
Total Liabilities	67,767
Net Assets	
Without donor restrictions	5,291,560
With donor restrictions (Note 7)	1,534,736
Total Net Assets	6,826,296
Total Liabilities and Net Assets	\$ 6,894,063

The accompanying notes are an integral part of this financial statement

SANTA BARBARA EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Support			
Contributions	\$ 606,939	\$ 1,576,019	\$ 2,182,958
In-kind contributions	45,022	-	45,022
Special events (net of expenses of \$22,349)	27,936	-	27,936
Total Support	<u>679,897</u>	<u>1,576,019</u>	<u>2,255,916</u>
Revenue			
Program fees	126,222	-	126,222
Unrealized gains	723,219	-	723,219
Investment income	51,455	-	51,455
Total Revenue	<u>900,896</u>	<u>-</u>	<u>900,896</u>
Net assets released from restrictions			
Expiration of program restrictions	1,861,569	(1,861,569)	-
Total Support and Revenue	<u>3,442,362</u>	<u>(285,550)</u>	<u>3,156,812</u>
Expenses			
Program Services	1,912,825	-	1,912,825
Supporting Services			
Administrative	389,033	-	389,033
Fundraising	44,483	-	44,483
Total Supporting Services	<u>433,516</u>	<u>-</u>	<u>433,516</u>
Total Expenses	<u>2,346,341</u>	<u>-</u>	<u>2,346,341</u>
Change in Net Assets	1,096,021	(285,550)	810,471
Net Assets at Beginning of Year	<u>4,195,539</u>	<u>1,820,286</u>	<u>6,015,825</u>
Net Assets at End of Year	<u>\$ 5,291,560</u>	<u>\$ 1,534,736</u>	<u>\$ 6,826,296</u>

The accompanying notes are an integral part of this financial statement

SANTA BARBARA EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Administrative	Fundraising	2021 Total
Salaries and wages	\$ 474,779	\$ 269,280	\$ 39,000	\$ 783,059
Payroll taxes	47,530	25,550	-	73,080
Employee benefits	12,595	14,634	-	27,229
Total salary and related expenses	534,904	309,464	39,000	883,368
Advertising	14,258	12,028	-	26,286
Bank charges	3,330	1,508	248	5,086
Direct program expenditures	1,298,332	-	-	1,298,332
Equipment purchases	-	2,091	-	2,091
Insurance	6,418	8,699	-	15,117
Meeting expense	4,152	516	-	4,668
Office expense	8,363	12,685	2,070	23,118
Printing, postage and copy	1,059	4,558	3,165	8,782
Professional services	3,261	26,380	-	29,641
Rent	35,198	11,104	-	46,302
Total Expenses Before Depreciation	1,909,275	389,033	44,483	2,342,791
Depreciation	3,550	-	-	3,550
Total Expenses	\$ 1,912,825	\$ 389,033	\$ 44,483	\$ 2,346,341

SANTA BARBARA EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021

	2021
Cash Flows from Operating Activities	
Change in net assets	\$ 810,471
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,550
Unrealized Gains	(723,219)
Changes in	
Pledges receivable	401,620
Prepaid expenses	(1,107)
Accounts payable and accrued expenses	(173,038)
Accrued payroll and related expenses	18,554
Deferred revenue	(84,638)
Net Cash Provided by Operating Activities	252,193
Cash Flows from Investing Activities	
Purchase of investments	331,320
Purchase of fixed assets	-
Net Cash Used by Investing Activities	331,320
Net Increase in Cash	583,513
Cash and Cash Equivalents, Beginning of Year	155,875
Cash and Cash Equivalents, End of Year	\$ 739,388

SANTA BARBARA EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Santa Barbara Education Foundation (the Foundation) is a non-profit organization, formed in 1985 as a public foundation to serve the Santa Barbara Unified School District. The Foundation raises funds to support 22 schools within the Santa Barbara School District. Funds support programs such as art and music to ensure a well-rounded education. The Foundation also supports programs such as early childhood education, parent education, violence prevention, mentoring and tutoring.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. The financial activity of the Foundation is classified into net asset categories as follows:

Net Assets Without Donor Restrictions: Those net assets and activities which represent the portion of expendable funds available to support general operations. These net assets are received without donor-imposed restrictions. A portion of these net assets may be designated by the Board of Directors for specific purposes. Restricted contributions that are received and used in the same period are recorded as net assets without donor restrictions.

Net Assets With Donor Restrictions: Those net assets, contributions and other increases of funds temporarily or permanently subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Foundation that fulfills donor stipulations.

Basis of Presentation

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, including demand deposits and money market accounts.

SANTA BARBARA EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Unconditional promises to give (pledges) are recorded as contribution income and as receivable at the time the pledge is made. Long-term pledges are discounted to present value using a discount rate commensurate with the risk involved. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution and the nature of the fund-raising activity.

Investments

Investments are recorded at market value. All gains and losses on investments are reported as increases or decreases to unrestricted net assets specifically restricted by donors.

Property and Equipment

The Foundation records property and equipment at cost if purchased or at fair market value at time of contribution if donated and depreciates these assets using the straight-line method over their estimated useful lives. Leasehold improvements are depreciated over 10 years, while furniture and equipment are depreciated over periods of 5 to 7 years. Assets with a cost of \$1,000 or more and useful life of more than one year are capitalized.

Contributions

Contributions and other inflows of funds are recognized as the funds are received or the donor has made an unconditional promise to give. Contributions with donor-imposed restrictions are recorded as increases in net assets with donor restrictions and are then reclassified as net assets without donor restrictions when the restrictions have been satisfied.

Donated Goods

The Foundation receives donated goods for use in its various programs. The Foundation records these donations at their estimated fair market value.

Taxes

The Foundation has been granted tax exempt status by the Internal Revenue Service and the Franchise Tax Board under section 501(c)(3) and 23071d, respectively and is not considered a private foundation.

SANTA BARBARA EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The Foundation allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their expenditure classification. Expenses that are associated with more than one program or supporting service are allocated based on time spent in the various functions as estimated by the Foundation's management.

NOTE 3: INVESTMENTS

Investments at June 30, 2021 consist of certificates of deposit with terms of more than 90 days, and of publicly traded securities. Certificates of deposit are held at multiple institutions to keep all investment balances below the federally insured level.

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gains/Losses</u>
Certificates of Deposit	\$ 900,000	\$ 900,000	\$ -
Corporate stock & ETF's	4,395,557	5,118,776	723,219
Total	\$ 5,295,557	\$ 6,018,776	\$ 723,219
Change in unrealized gain			\$ 699,933

NOTE 4: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation has a beneficiary interest in the Santa Barbara Foundation Endowment Fund (Fund) under an Agency Fund Agreement (Fund Agreement). The Fund attempts to provide stable capital appreciation on a total return basis. Assets of the Fund are fully exposed to market risks and may experience market volatility and principal loss. The Fund is subject to the Santa Barbara Foundation's investment and spending policies. The Foundation has historically chosen to forego distributions from the Fund in favor of increasing the balance invested in the Fund. In accordance with California State law the Santa Barbara Foundation retains sole and absolute discretion over distributions from the Fund. However, the Fund Agreement allows the Santa Barbara Foundation to seek the Foundation's advice concerning the timing and amounts of distributions from the Fund to the Foundation. The Foundation also may request an extraordinary distribution from the Fund. The funding of any extraordinary distribution is at the Santa Barbara Foundation's sole discretion. The beneficial interest in the Fund is reported by the Foundation at the estimated fair market value which is based on the reported net asset value of the fund as reported by the Santa Barbara Foundation.

SANTA BARBARA EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Continued)

Changes in the Fund for the year ended June 30, 2021 are as follows:

Balance at June 30, 2020	\$	97,363
Earnings		-
Fees		-
Realized loss		-
Unrealized gain		<u>20,733</u>
Balance at June 30, 2021	\$	118,096

NOTE 5: PROPERTY AND EQUIPMENT

The Foundation's investment in property and equipment at June 30, 2021 was as follows:

	<u>2021</u>
Leasehold improvements	\$ 9,697
Furniture and Fixtures	3,845
Office equipment	<u>16,821</u>
	30,363
Less: accumulated depreciation	<u>(26,668)</u>
Net Property and Equipment	<u>\$ 3,695</u>

Depreciation expense was \$3,550 in the year ending June 30, 2021.

SANTA BARBARA EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, the Foundation had net assets with donor-imposed restrictions that are temporary in nature as follows:

For use in specific internal programs	\$ 58,317
For use in specific fiscally sponsored programs	1,475,316
Funds to be received in the future	<u>-</u>
Total	<u>\$ 1,533,633</u>

In addition, at June 30, 2021, the Foundation had net assets with donor restrictions that are permanent in nature, consisting of a \$1,103 endowment fund, the earnings from which are unrestricted.

NOTE 7: FAIR VALUE MEASUREMENTS

The Foundation has adopted a framework for measuring and disclosing the fair value of assets and liabilities. Accounting principles define fair value as the price that would be received by the Foundation to sell an asset or be paid by the Foundation to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established that prioritizes valuation inputs into three broad levels to ensure consistency and comparability. The valuation hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3) described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; including general partner estimates and recent third-party appraisals.

SANTA BARBARA EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7: FAIR VALUE MEASUREMENTS (Continued)

Fair value measurements at June 30, 2021 are summarized as follows:

	Quoted Prices In Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investments	\$ 6,018,776	\$ -	\$ -
Beneficiary interest in assets held by others	-	-	118,096 (see note 4)
Total	\$ 6,018,776	\$ -	\$ 118,096

NOTE 8: ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Significant estimates used in preparing these financial statements include:

- Depreciable lives
- Allocation of certain expenses by function
- Value of in-kind contributions
- Allowance for uncollectible pledges receivable

It is at least reasonably possible that the significant estimates used will change within the next year.

SANTA BARBARA EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 9: LIQUIDITY AND AVAILABLE RESOURCES

The Foundation has \$6,800,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of substantially cash and investments of \$6,800,000. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The contribution receivables are subject to implied time restrictions but are expected to be collected within one year. The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expense, which are, on average, approximately \$390,000. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 1, 2022, which is the date that the financial statements were issued. Management has determined that no subsequent events requiring disclosure or significantly impacting disclosure have occurred.