

SANTA BARBARA WILDLIFE CARE NETWORK

FINANCIAL STATEMENTS

JUNE 30, 2021

SANTA BARBARA WILDLIFE CARE NETWORK

JUNE 30, 2021

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Santa Barbara Wildlife Care Network
Santa Barbara, California

We have audited the accompanying financial statements of Santa Barbara Wildlife Care Network (a non-profit 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

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 Wildlife Care Network as of June 30, 2021, and the change 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.

McGowan Guntermann

Santa Barbara, California

August 15, 2023

SANTA BARBARA WILDLIFE CARE NETWORK

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Current Assets			
Cash and cash equivalents	\$ 941,759	\$ 9,665	\$ 951,424
Pledges receivable, current	-	183,478	183,478
Prepaid expenses	4,141	-	4,141
Total Current Assets	945,900	193,143	1,139,043
Other Assets			
Investments	2,718,164	100,000	2,818,164
Pledges receivable, long term	-	50,000	50,000
Net property and equipment	4,737,171	-	4,737,171
Total Other Assets	7,455,335	150,000	7,605,335
Total Assets	\$ 8,401,235	\$ 343,143	\$ 8,744,378

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts payable and accrued expenses	\$ 303,168	\$ -	\$ 303,168
Line of credit	423,401	-	423,401
Total Current Liabilities	726,569	-	726,569
Total Liabilities	726,569	-	726,569
Net Assets			
Without Donor Restrictions			
Operating net assets	7,674,666	-	7,674,666
Total Without Donor Restrictions	7,674,666	-	7,674,666
With Donor Restrictions			
Total Net Assets	-	343,143	343,143
Total Net Assets	7,674,666	343,143	8,017,809
Total Liabilities and Net Assets	\$ 8,401,235	\$ 343,143	\$ 8,744,378

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

SANTA BARBARA WILDLIFE CARE NETWORK

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Revenue, Gains, and Other Support			
Contributions	\$ 1,200,966	\$ 7,065	\$ 1,208,031
Capital Campaign	1,807,666	233,478	2,041,144
In-kind contributions	16,513	-	16,513
Government grants	120,473	-	120,473
Special events (net of expenses of \$38,185)	73,787	-	73,787
Investment income, net of fees	544,166	-	544,166
Other income	9,791	-	9,791
Net assets released from restrictions	-	-	-
Total Revenue, Gains, and Other Support	3,773,362	240,543	4,013,905
 Expenses			
Program Services	1,034,706	-	1,034,706
Supporting Services			
Administrative	243,061	-	243,061
Fundraising	234,618	-	234,618
Total Supporting Services	477,679	-	477,679
Total Expenses	1,512,385	-	1,512,385
 Change in Net Assets	2,260,977	240,543	2,501,520
 Net Assets, Beginning of Year	5,413,689	102,600	5,516,289
 Net Assets, End of Year	\$ 7,674,666	\$ 343,143	\$ 8,017,809

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

SANTA BARBARA WILDLIFE CARE NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services	Administrative	Fundraising	Total 2021
Payroll Related Expenses				
Salaries and wages	\$ 537,036	\$ 117,126	\$ 150,103	\$ 804,265
Employee benefits	22,607	9,158	-	31,765
Payroll taxes	<u>44,652</u>	<u>9,759</u>	<u>12,434</u>	<u>66,845</u>
Total Payroll Related Expenses	604,295	136,043	162,537	902,875
Operating Expenses				
Accounting fees	-	9,754	-	9,754
Advertising and promotions	-	143	13,225	13,368
Bank fees	-	5,993	51	6,044
Consulting	15,200	35,227	4,200	54,627
Dues	-	12,693	11,013	23,706
Information technology	-	2,004	8,791	10,795
Insurance	14,469	5,465	3,063	22,997
Interest expense	-	6,967	-	6,967
Licenses and fees	35	1,357	11,313	12,705
Occupancy	60,895	16,036	18,789	95,720
Payroll processing	-	7,320	-	7,320
Travel	1,820	312	-	2,132
Animal food and supplies	206,926	3,747	1,636	212,309
Repairs and maintenance	55,992	-	-	55,992
Software	<u>11,035</u>	<u>-</u>	<u>-</u>	<u>11,035</u>
Total Operating Expenses	366,372	107,018	72,081	545,471
Depreciation	<u>64,039</u>	<u>-</u>	<u>-</u>	<u>64,039</u>
2021 Total Expenses	<u>\$ 1,034,706</u>	<u>\$ 243,061</u>	<u>\$ 234,618</u>	<u>\$ 1,512,385</u>

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

SANTA BARBARA WILDLIFE CARE NETWORK

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	2021
Cash Flows from Operating Activities:	
Change in net assets	\$ 2,501,520
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	64,039
Realized gain on sale of investments	(90,337)
Unrealized gain on investments	(423,323)
Loan forgiveness	(120,473)
Refundable advance	(500,000)
Decrease (increase) in:	
Pledges receivable	(233,478)
Prepaid expenses	(1,164)
Increase (decrease) in:	
Accounts payable and accrued expenses	180,618
Net Cash Provided by Operating Activities	1,377,402
 Cash Flows From Investing Activities:	
Purchase of property and equipment	(1,612,156)
Purchase of securities	(297,331)
Proceeds from sale of securities	402,343
Net Cash Used by Investing Activities	(1,507,144)
 Net Decrease in Cash	(129,742)
 Cash - Beginning of Year	1,081,166
 Cash - End of Year	\$ 951,424
 Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for:	
Interest	\$ 6,967
 Non-cash transactions consisted of the following:	
In-kind contributions	\$ 16,513

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

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Santa Barbara Wildlife Care Network (the Organization) is a nonprofit corporation that rescues, rehabilitates, and releases birds, reptiles, amphibians, and terrestrial mammals in Santa Barbara and Ventura Counties while educating the public about living in harmony with wildlife.

Basis of Accounting

The Organization uses the accrual basis of accounting, recognizing revenues when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Description of Net Assets

The Organization reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on net assets with donor restrictions are reported as an increase in net assets with donor restrictions. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as “Net assets released from restrictions”. Net assets with donor restrictions include pledges and funds restricted for capital campaign projects and other projects. The change in value of the underlying assets is recorded as an unrealized gain or loss in net assets with donor restrictions on the Statement of Activities. Net assets with donor restrictions also consist of those donor-restricted endowments held by the Organization as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Cash and Cash Equivalents

The Organization classifies cash, money market accounts and time certificates held by financial institutions as cash and cash equivalents.

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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

Property and Equipment

Equipment is recorded at cost or, if donated, at fair market value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 5 years. Assets with a cost of \$1,000 or more and useful life of more than one year are capitalized.

Contributions

All contributions are considered to be available for use without restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with restrictions.

In-Kind Contributions

Donated goods and services are recognized as in-kind contributions in accordance with generally accepted accounting principles for not-for-profit organizations, if the goods and services (a) create or enhance non-financial assets or (b) the services require specialized skills and are performed by people with those skills, and would otherwise be purchased by the Organization. The amount of in-kind contributions of goods and services received for the year ended June 30, 2021, totaled \$16,513.

Donated Services

The Organization relies heavily on volunteers to perform certain services for some of its programs. Because these services do not meet specified criteria for recognition as income and expense, the value of these services has not been included in the Statement of Activities. Management estimates that over 200 local volunteers donated dozens of hours to the Organization throughout the year ended June 30, 2021.

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Estimates and assumptions include, but are not limited to depreciation, valuation of in-kind donations, estimated life of fixed assets, and allocation of expenses among programs. It is at least reasonably possible that the significant estimates used will change within the next year.

Tax Exempt Status

The Organization is a public benefit corporation and is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Organization is not considered a private foundation.

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2021, the Organization had no uncertain tax positions requiring accrual.

The Organization files tax returns in California and U.S. federal jurisdictions. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for fiscal years ending before June 30, 2017 and June 30, 2016, respectively.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 15, 2023, the date the financial statements.

Note 2 – PLEDGES RECEIVABLE

Pledges receivable represent multi-year commitments and irrevocable bequests by donors.

A provision for uncollectible accounts is determined based upon an analysis of the pledges, loans, grants and accounts receivable at the end of each fiscal year. Management expects no material write-offs for receivables at June 30, 2021; therefore, there no current provision has been made.

Recognition of all pledges receivable for the next five years ending June 30 and after is expected to be as follows:

2022	\$ 183,478
2023	<u>50,000</u>
Total	<u>\$ 233,478</u>

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 3 – INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At June 30, 2021, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Equities	\$ 1,262,836	\$ 1,842,817	\$ 579,981
Fixed Income	934,523	949,632	15,109
REIT	<u>25,715</u>	<u>25,715</u>	<u>-</u>
Total	<u>\$ 2,223,074</u>	<u>\$ 2,818,164</u>	<u>\$ 595,090</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at end of the year	\$ 2,223,074	\$ 2,818,164	\$ 595,090
Balance at beginning of the year	1,951,130	2,113,897	<u>162,767</u>
Net change in unrealized gain			<u>\$ 432,323</u>

The following summarizes the investment return included in the statement of activities for the year ended June 30, 2021:

Investment and dividend income	\$ 45,553
Unrealized gain on value of securities	432,323
Realized gain on value of securities	90,337
Investment fees	<u>(24,047)</u>
Net Investment Gain	<u>\$ 544,166</u>

Note 4 – FAIR VALUE MEASUREMENT

The Organization has established a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The standard describes three levels of inputs that may be used to measure fair value:

- 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;

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 4 – FAIR VALUE MEASUREMENT (continued)

Level 3: Unobservable inputs that are supported by little or no market activity;

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. As of June 30, 2021, there were no Level 3 investments.

The following table presents assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at June 30, 2021:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 1,842,817	\$ -	\$ -	\$ 1,842,817
Fixed Income	949,632	-	-	949,632
Real Estate Investment Trusts	-	25,715	-	25,715
Total assets measured at fair value	<u>\$ 2,792,449</u>	<u>\$ 25,715</u>	<u>\$ -</u>	<u>\$ 2,818,164</u>

Note 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021; depreciation expense for the year ended June 30, 2021, totaled \$64,039.

Land	\$ 1,473,310
Building & improvements	1,694,183
Equipment	258,391
Construction in process	<u>1,912,101</u>
Total property and equipment	5,337,985
Less accumulated depreciation	<u>(600,814)</u>
Net property and equipment	<u>\$ 4,737,171</u>

Note 6 – LINE OF CREDIT

The Organization has entered into a line of credit agreement with Union Bank. The line of credit provides a maximum principal balance of \$500,000 at one percent in excess of the Daily Adjusting Thirty-Day LIBOR Rate. The line of credit is secured by the Organization's investment account with Union Bank. The line expires March 5, 2024. As of June 30, 2021, the line had a balance of \$423,014.

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 6 – LINE OF CREDIT (credit)

Effective February 26, 2021, the Organization obtained an additional line of credit with Union Bank. The line of credit provides a maximum balance of \$1,500,000 at two percent in excess of the Daily Adjusting Thirty-Day LIBOR Rate. The line of credit is secured by the Organization's investment account with Union Bank. The line expires March 5, 2024. There was no balance on this line of credit as of June 30, 2021.

Note 7 – SBA LOAN UNDER PAYCHECK PROTECTION PROGRAM

On May 5, 2020, the Organization received loan funding of \$110,473 under the Paycheck Protection Program (PPP) as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the Organization.

The Organization filed an application for loan forgiveness and it was expected to be granted, therefore the loan forgiveness has been reported as government grant revenue during the year ended June 30, 2021. The PPP loan was fully forgiven by the Small Business Administration on August 2, 2021.

Note 8 – ENDOWMENT FUNDS

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the California adopted Universal Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is also classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 8 – ENDOWMENT FUNDS (continued)

Interpretation of Relevant Law (continued)

In accordance with California UPMIFA the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds;

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to preserve corpus and provide for reserves as needed to support special projects and operating shortfalls related to programs activities. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that generates interest income, while protecting principal.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution amounts needed only for special projects or to supplement operating shortfalls related to program activities. This is consistent with the Organization's objective to maintain the corpus of the endowment assets held in perpetuity or for a specified term as well as to provide operating reserves through Board designated endowments.

Endowment net assets with donor restrictions totaled \$100,000, consisting of total original gift endowment contributions of \$100,000 as of June 30, 2021.

Note 9 – CONCENTRATIONS, CREDIT RISK AND UNCERTAINTIES

Concentrations

The Organization derives the majority of its revenue from residents that reside within Santa Barbara County.

Credit Risk

The Organization maintains cash balances insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of June 30, 2021, uninsured cash and cash equivalent balances totaled approximately \$548,000.

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 9 – CONCENTRATIONS, CREDIT RISK AND UNCERTAINTIES (continued)

Uncertainties

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of August 15, 2023, the Organization's office is open, subject to local protocol regulations.

The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Organization's financial position, changes in net assets and cash flows in 2022 and the future.

Note 10 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2021:

Current assets	
Cash and cash equivalents available within one year	\$ 951,424
Pledges receivable	183,478
Other current assets	<u>4,141</u>
Total Current Assets	<u>1,139,043</u>
Investments	<u>2,718,164</u>
Current liabilities	<u>(726,569)</u>
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2021	<u>\$ 3,130,638</u>

Note 11 – NET ASSETS

Net Assets Without Donor Restrictions

As of June 30, 2021, net assets without donor restrictions consist of the following:

Operating net assets	\$ 2,937,495
Property and equipment, net	<u>4,737,171</u>
Total	<u>\$ 7,674,666</u>

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 11 – NET ASSETS (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021, are restricted for future periods for the following:

Endowment	\$	100,000
Donations restricted for Capital Campaign		233,478
Donations restricted for other uses		<u>9,665</u>
Total	\$	<u>343,143</u>