



Elementary Institute of Science

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



Leaf & Cole, LLP
Certified Public Accountants

**ELEMENTARY INSTITUTE OF SCIENCE
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Elementary Institute of Science

Report on the Financial Statements

We have audited the accompanying financial statements of Elementary Institute of Science, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

To the Board of Directors
Elementary Institute of Science

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elementary Institute of Science as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
May 4, 2021

**ELEMENTARY INSTITUTE OF SCIENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
<u>Current Assets:</u> (Notes 2, 4, 5 and 6)		
Cash and cash equivalents	\$ 488,291	\$ 241,585
Investments	9,055	9,008
Accounts receivable	1,100	10,985
Contributions receivable	117,890	165,000
Prepaid expenses	10,805	400
Total Current Assets	<u>627,141</u>	<u>426,978</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 7 and 8)		
Property and equipment, net	4,024,446	4,142,831
Investment in limited partnership	858	1,017
Beneficial interest in endowment funds	747,470	735,761
Total Noncurrent Assets	<u>4,772,774</u>	<u>4,879,609</u>
TOTAL ASSETS	<u>\$ 5,399,915</u>	<u>\$ 5,306,587</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 11)		
Accounts payable	\$ 10,793	\$ 18,836
Accrued payroll and vacation	34,032	21,938
Deferred revenue	160,069	34,296
Total Current Liabilities	<u>204,894</u>	<u>75,070</u>
Total Liabilities	<u>204,894</u>	<u>75,070</u>
<u>Commitments and Contingencies</u> (Note 11)		
<u>Net Assets:</u> (Notes 2, 9 and 10)		
Without donor restrictions	4,231,297	4,336,186
With donor restrictions	963,724	895,331
Total Net Assets	<u>5,195,021</u>	<u>5,231,517</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,399,915</u>	<u>\$ 5,306,587</u>

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

**ELEMENTARY INSTITUTE OF SCIENCE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions	\$ 722,079	\$ 204,494	\$ 926,573	\$ 687,257	\$ 193,170	\$ 880,427
Tuition and fees	106,959	-	106,959	164,095	-	164,095
Investment (loss) income	(98)	19,467	19,369	85	28,327	28,412
Rental and other income	375	-	375	450	-	450
Net assets released from restrictions	155,568	(155,568)	-	193,480	(193,480)	-
Total Revenue and Support	984,883	68,393	1,053,276	1,045,367	28,017	1,073,384
Expenses:						
Program Services:						
Education programs	862,996	-	862,996	924,630	-	924,630
Total Program Services	862,996	-	862,996	924,630	-	924,630
Supporting Services:						
General and administrative	39,921	-	39,921	69,024	-	69,024
Fundraising	186,855	-	186,855	117,657	-	117,657
Total Supporting Services	226,776	-	226,776	186,681	-	186,681
Total Expenses	1,089,772	-	1,089,772	1,111,311	-	1,111,311
Change in Net Assets	(104,889)	68,393	(36,496)	(65,944)	28,017	(37,927)
Net Assets at Beginning of Year	4,336,186	895,331	5,231,517	4,402,130	867,314	5,269,444
NET ASSETS AT END OF YEAR	\$ 4,231,297	\$ 963,724	\$ 5,195,021	\$ 4,336,186	\$ 895,331	\$ 5,231,517

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

**ELEMENTARY INSTITUTE OF SCIENCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Supporting Services				Total
	Education Programs	General and Administrative	Fundraising	Total Supporting Services	
Salaries and Related Expenses:					
Salaries and wages	\$ 458,990	\$ 22,119	\$ 118,678	\$ 140,797	\$ 599,787
Payroll taxes and related costs	45,139	1,797	10,042	11,839	56,978
Employee benefits	34,494	539	10,180	10,719	45,213
Total Salaries and Related Expenses	<u>538,623</u>	<u>24,455</u>	<u>138,900</u>	<u>163,355</u>	<u>701,978</u>
Nonsalary Related Expenses:					
Advertising and marketing	2,912	196	514	710	3,622
Bank charges	1,941	130	343	473	2,414
Computer support	2,005	407	82	489	2,494
Contract services	47,892	398	7,992	8,390	56,282
Fees and other charges	1,863	49	-	49	1,912
Field trips	20,607	-	-	-	20,607
Insurance	19,975	166	3,334	3,500	23,475
Meetings, events and travel	1,002	25	862	887	1,889
Printing and copying	1,409	13	68	81	1,490
Postage	22	362	409	771	793
Professional fees	10,815	599	-	599	11,414
Rent	3,097	208	547	755	3,852
Repairs and maintenance	42,285	2,840	7,469	10,309	52,594
Supplies	21,504	198	365	563	22,067
Telephone and internet	6,261	420	1,106	1,526	7,787
Utilities	38,446	2,582	6,790	9,372	47,818
Total Nonsalary Related Expenses	<u>222,036</u>	<u>8,593</u>	<u>29,881</u>	<u>38,474</u>	<u>260,510</u>
Add: Depreciation	<u>102,337</u>	<u>6,873</u>	<u>18,074</u>	<u>24,947</u>	<u>127,284</u>
Total Expenses	<u>\$ 862,996</u>	<u>\$ 39,921</u>	<u>\$ 186,855</u>	<u>\$ 226,776</u>	<u>\$ 1,089,772</u>

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

**ELEMENTARY INSTITUTE OF SCIENCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Supporting Services				Total
	Education Programs	General and Administrative	Fundraising	Total Supporting Services	
Salaries and Related Expenses:					
Salaries and wages	\$ 463,153	\$ 27,348	\$ 66,826	\$ 94,174	\$ 557,327
Payroll taxes and related costs	44,248	2,244	5,940	8,184	52,432
Employee benefits	29,145	1,720	12,986	14,706	43,851
Total Salaries and Related Expenses	536,546	31,312	85,752	117,064	653,610
Nonsalary Related Expenses:					
Advertising and marketing	3,384	80	4,805	4,885	8,269
Bank charges	4,003	219	56	275	4,278
Computer support	1,059	6,052	140	6,192	7,251
Contract services	40,688	54	15,783	15,837	56,525
Fees and other charges	924	181	-	181	1,105
Field trips	28,386	-	-	-	28,386
Insurance	17,890	2,698	-	2,698	20,588
Meetings, events and travel	4,148	1,590	1,348	2,938	7,086
Printing and copying	2,169	241	150	391	2,560
Postage	-	402	-	402	402
Professional fees	31,914	6,534	-	6,534	38,448
Rent	3,260	491	-	491	3,751
Repairs and maintenance	53,027	2,077	-	2,077	55,104
Supplies	45,013	713	-	713	45,726
Telephone and internet	3,477	3,546	-	3,546	7,023
Utilities	40,501	6,106	-	6,106	46,607
Total Nonsalary Related Expenses	279,843	30,984	22,282	53,266	333,109
Add: Depreciation	108,241	6,728	9,623	16,351	124,592
Total Expenses	\$ 924,630	\$ 69,024	\$ 117,657	\$ 186,681	\$ 1,111,311

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

**ELEMENTARY INSTITUTE OF SCIENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (36,496)	\$ (37,927)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	127,284	124,592
Net realized and unrealized gain on investments	(67)	(118)
Endowment contributions	-	(33,600)
Endowment investment income	(19,467)	(28,327)
Endowment distributions	7,758	-
(Increase) Decrease in:		
Accounts receivable	9,885	(10,385)
Contributions receivable	47,110	(15,000)
Prepaid expenses	(10,405)	(300)
Increase (Decrease) in:		
Accounts payable	(8,043)	11,304
Accrued payroll and vacation	12,094	4,723
Deferred revenue	125,773	2,841
Net Cash Provided by Operating Activities	<u>255,426</u>	<u>17,803</u>
<u>Cash Flows From Investing Activities:</u>		
Investment purchases and sales, net	179	48
Purchase of property and equipment	(8,899)	(64,469)
Beneficial interest in endowment funds	(11,709)	(61,927)
Net Cash Used in Investing Activities	<u>(20,429)</u>	<u>(126,348)</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment contributions	-	33,600
Endowment investment income	19,467	28,327
Endowment distributions	(7,758)	-
Net Cash Provided by Financing Activities	<u>11,709</u>	<u>61,927</u>
Net Increase (Decrease) in Cash and Cash Equivalents	246,706	(46,618)
Cash and Cash Equivalents at Beginning of Year	<u>241,585</u>	<u>288,203</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 488,291</u>	<u>\$ 241,585</u>

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

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 1 - Organization:

Elementary Institute of Science (“EIS”) is a premier science enrichment center dedicated to developing STEM skills and interests in order to address the widening gap of under-represented students in science. Through inquiry-based project learning activities, children are able explore, experiment and understand the world of science, technology, engineering and math (STEM).

EIS was established in Southeast San Diego in 1964. The founder, Tom Watts, started a hands-on science club in the back of his classroom. He believed science education would provide a strong foundation for the students to continue on to college and to succeed in the rapidly expanding STEM-skilled workforce. The after-school club thrived. EIS became one of the first and finest after-school STEM programs in the United States.

The EIS Science and Technology Learning Center is a landmark building which provides the ideal environment for hands-on learning and exploration. The 15,000-square foot facility includes five science labs, two IT labs, a photography lab, lecture theatre and conference room. EIS provides on-going, progressive STEM programs that continue to challenge and engage students from the age of 7 through high school graduation in a specialized laboratory setting. All subjects include a hands-on learning component. Classes have a maximum ratio of 10 students to one instructor. The programs encompass 18 different subjects with continuously improved curriculum and topical themes. EIS programs utilize community resources and collaborations. Programs are offered both after-school and on Saturdays, in addition to a popular Summer Science Camp. EIS’ approach is designed to produce long-term learning gains and sustain interest in STEM learning through stepped levels. Program activities include field trips, presentations and career exploration.

Over 10,000 students from all over San Diego County have attended the Elementary Institute of Science. Many EIS students have gone on to attend the finest universities in the United States and have become doctors, scientists and other STEM professionals.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of EIS have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

EIS invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the statements of financial position.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

EIS' statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments held at San Diego Foundation are considered Level 2 assets and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund manager, San Diego Foundation, since these funds are valued by the fund manager and are not traded in an active market.
- Beneficial interests in endowment funds held by San Diego Foundation, Jewish Community Foundation and Rancho Santa Fe Foundation are considered Level 3 assets which represents the fair value of the underlying assets as reported by San Diego Foundation, Jewish Community Foundation and Rancho Santa Fe Foundation (Note 8).

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts and contributions receivable are fully collectible; therefore, no allowance for doubtful accounts and contributions receivable was recorded at June 30, 2020 and 2019.

Capitalization and Depreciation

EIS capitalizes all expenditures in excess of \$5,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific 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 support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, EIS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. EIS reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment is depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	50 years
Building improvements	7 - 39 years
Office equipment	5 years
Furniture and fixtures	5 years

Depreciation totaled \$127,284 and \$124,592 for the years ended June 30, 2020 and 2019, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Impairment of Real Estate

EIS reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2020 and 2019.

Investment in Limited Partnership

EIS owns a .06% limited partner interest in a limited partnership accounted for on the equity method totaling \$858 and \$1,017 at June 30, 2020 and 2019, respectively.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Compensated Absences

Accumulated unpaid vacation benefits totaling \$29,147 and \$21,938 at June 30, 2020 and 2019, respectively, is accrued when incurred and is included in accrued payroll and vacation.

Revenue Recognition

Revenue from tuition and fees is recognized as revenue when the related program occurs. Deferred revenue from tuition and fees totaled \$5,697 and \$34,296 at June 30, 2020 and 2019, respectively.

Contributions are recognized when the donor makes a promise to give to EIS that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are 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. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Donated Services and Supplies

Many individuals volunteer their time and perform a variety of tasks that assist EIS with specific programs and various committee assignments. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended June 30, 2020 and 2019 did not meet the requirements above; therefore, no amounts were recognized in the financial statements for volunteer time.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. EIS allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services based on space utilized, time records and estimates made by EIS's management.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes

EIS is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. EIS believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. EIS is not a private foundation.

EIS' Return of Organization Exempt from Income Tax for the years ended June 30, 2020, 2019, 2018 and 2017 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

EIS maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. EIS has not experienced any losses in such accounts. EIS believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statements of cash flows, EIS considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended June 30, 2020 had no effect on the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

Subsequent Events

In preparing these financial statements, EIS has evaluated events and transactions for potential recognition or disclosure through May 4, 2021, the date the financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 3 - Liquidity and Availability:

EIS regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. EIS considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, EIS considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure within one year are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 488,291	\$ 241,585
Investments	9,055	9,008
Accounts receivable	1,100	10,985
Contributions receivable	117,890	165,000
Financial assets available for general expenditures within one year	<u>\$ 616,336</u>	<u>\$ 426,578</u>

In addition to financial assets available to meet general expenditures over the next 12 months, EIS operates with a balanced budget and anticipates generating sufficient investment income to cover general expenditures.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy as described in Note 10. The portion of the donor restricted endowment funds required to be held in perpetuity are not available for general expenditure.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30:

	2020			Balance at June 30, 2020
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments held at San Diego Foundation	\$ -	\$ 9,055	\$ -	\$ 9,055
Beneficial interest in endowment funds (Note 8)	-	-	747,470	747,470
	<u>\$ -</u>	<u>\$ 9,055</u>	<u>\$ 747,470</u>	<u>\$ 756,525</u>
	2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Investments held at San Diego Foundation	\$ -	\$ 9,008	\$ -	\$ 9,008
Beneficial interest in endowment funds (Note 8)	-	-	735,761	735,761
	<u>\$ -</u>	<u>\$ 9,008</u>	<u>\$ 735,761</u>	<u>\$ 744,769</u>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in Note 8 as indicated above.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 4 - Fair Value Measurements: (Continued)

The following table represents EIS' Level 3 financial instruments, the valuation techniques used to measure the fair value of the financial instruments, and the significant unobservable inputs and the range of values for those inputs for the years ended June 30:

2020				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 61,074	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in endowment funds	\$ 117,595	Valuation of underlying assets as provided by Jewish Community Foundation	Base price	N/A
Beneficial interest in endowment funds	\$ 568,801	Valuation of underlying assets as provided by Rancho Santa Fe Foundation	Base price	N/A
2019				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 60,495	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in endowment funds	\$ 118,056	Valuation of underlying assets as provided by Jewish Community Foundation	Base price	N/A
Beneficial interest in endowment funds	\$ 557,210	Valuation of underlying assets as provided by Rancho Santa Fe Foundation	Base price	N/A

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 5 - Investments:

EIS' investments held at San Diego Foundation are held in an investment pool, which is structured for long-term, total return consisting of 29% domestic equities, 22% international equities, 20% fixed income, 19% alternative investments, 5% real estate and 5% commodities, which consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
San Diego Foundation	\$ 9,055	\$ 9,008
Total Investments	<u>\$ 9,055</u>	<u>\$ 9,008</u>

The following schedule summarizes the investment (loss) income and its classification in the statements of activities for the years ended June 30:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 14	\$ 14,535	\$ 14,549
Realized and unrealized (losses) gains	(67)	9,478	9,411
Investment fees	(45)	(4,546)	(4,591)
Total Investment (Loss) Income	<u>\$ (98)</u>	<u>\$ 19,467</u>	<u>\$ 19,369</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 11	\$ 17,534	\$ 17,545
Realized and unrealized gains	118	15,076	15,194
Investment fees	(44)	(4,263)	(4,327)
Total Investment Income	<u>\$ 85</u>	<u>\$ 28,327</u>	<u>\$ 28,412</u>

Note 6 - Contributions Receivable:

Contributions receivable totaling \$117,890 and \$165,000 at June 30, 2020 and 2019, respectively, are due within one year.

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Note 7 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 5,622,125	\$ 5,622,125
Building improvements	155,526	146,627
Office equipment	283,548	283,548
Furniture and fixtures	98,668	98,668
Land	91,000	91,000
Subtotal	<u>6,250,867</u>	<u>6,241,968</u>
Less: Accumulated depreciation	<u>(2,226,421)</u>	<u>(2,099,137)</u>
Property and Equipment, Net	<u>\$ 4,024,446</u>	<u>\$ 4,142,831</u>

Note 8 - Beneficial Interest in Endowment Funds:

San Diego Foundation

EIS has a beneficial interest in endowment funds held by San Diego Foundation, which is classified as with donor restrictions and must be maintained in perpetuity. The beneficial interest in endowment funds held by San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 25% international equities, 28% domestic equities, 22% alternative investments, 17% fixed income, 6% real estate and 2% commodities. EIS receives distributions of earnings on an annual basis. The activity in the beneficial interest in endowment funds held by San Diego Foundation consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 60,495	\$ 58,414
Investment income, net	579	2,051
Balance at End of Year	<u>\$ 61,074</u>	<u>\$ 60,495</u>

Jewish Community Foundation

EIS has a beneficial interest in endowment funds held by Jewish Community Foundation, which is classified as with donor restrictions and must be maintained in perpetuity. The beneficial interest in endowment funds held by Jewish Community Foundation are invested in the Endowment Pool, which invests 51% in domestic and international equities, 31% in multi-strategy, 12% in fixed income and 6% in real assets consisting of REITS and/or commodities. The activity in the beneficial interest in endowment funds held by Jewish Community Foundation consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 118,056	\$ 113,967
Investment (loss) income, net	(461)	4,089
Balance at End of Year	<u>\$ 117,595</u>	<u>\$ 118,056</u>

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Note 8 - Beneficial Interest in Endowment Funds: (Continued)

Rancho Santa Fe Foundation

EIS has a beneficial interest in endowment funds held by Rancho Santa Fe Foundation, which is classified as with donor restriction and must be maintained in perpetuity. The beneficial interest in endowment funds held by Rancho Santa Fe Foundation is held in an investment pool, which is structured for long-term, total return consisting of 32% domestic equities, 21% international equities, 6% emerging markets, 42% fixed income and 1% in cash and cash equivalents. The activity in the beneficial interest in endowment funds held by Rancho Santa Fe Foundation consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 557,210	\$ 501,423
Contributions	-	33,600
Investment income, net	19,349	22,181
Distributions	<u>(7,758)</u>	<u>-</u>
Balance at End of Year	<u>\$ 568,801</u>	<u>\$ 557,210</u>

Note 9- Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by EIS, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
COVID-19 related expenditures	\$ 57,500	\$ -
FireUp!	30,000	30,000
Camps and afterschool programs	24,000	4,570
Lab equipment and other supplies	20,494	-
Girls Take Flight Project	12,500	-
Development associate and fundraising costs	<u>11,760</u>	<u>125,000</u>
Total Subject to Expenditure for Specified Purpose	<u>156,254</u>	<u>159,570</u>
Subject to the Passage of Time:		
Contributions receivable	<u>60,000</u>	<u>-</u>
Perpetual in Nature:		
Endowments (Note 10)	<u>747,470</u>	<u>735,761</u>
Total Net Assets with Donor Restrictions	<u>\$ 963,724</u>	<u>\$ 895,331</u>

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Note 9- Net Assets With Donor Restrictions: (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Accomplished:		
Grant Writer	\$ 113,240	\$ 8,500
FireUp!	30,000	-
STEM and other programs	4,570	-
Girls Take Flight	-	34,980
Time Restrictions Fulfilled:		
Contributions receivable	-	150,000
Endowment Distributions	<u>7,758</u>	<u>-</u>
Total Net Assets Released From Restrictions	<u>\$ 155,568</u>	<u>\$ 193,480</u>

Note 10 - Endowment Net Assets:

EIS' endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. EIS' endowment funds are held and managed by San Diego Foundation, Jewish Community Foundation and Rancho Santa Fe Foundation (the "Foundations").

The Foundations manage the funds in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The Foundations' objectives are to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require EIS to retain as a fund of perpetual duration. EIS classifies donor restricted net assets of a perpetual nature held by the Foundations as:

- The original value of gifts donated to the fund
- The original value of EIS funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income and realized and unrealized gains and losses on investments
- Distributions from the fund in accordance with the spending policy

The Foundations have adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

San Diego Foundation's endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return. San Diego Foundation's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

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Note 10 - Endowment Net Assets: (Continued)

Jewish Community Foundation endowment funds are invested in a portfolio of equity and debt securities which is structured for long-term total return. Jewish Community Foundation’s spending policy is to disburse 5% annually, based upon endowment principal market value. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

Rancho Santa Fe endowment funds are invested in funds with longer-term investment objectives and strategies that will accommodate relevant, reasonable or probable events. Management of the assets is designed to preserve the principal of the funds and provide a source of funds for current operations and programs. Rancho Santa Fe Foundation’s spending policy allows for annual distributions of equity to 5% of the current value, which includes contributions to the fund, income earned on such contributions and all gains and losses on such funds.

The beneficial interest in endowment funds and changes in endowment net assets as of and for the years ended June 30:

	<u>San Diego Foundation</u>	<u>Jewish Community Foundation</u>	<u>Rancho Santa Fe Foundation</u>	<u>Total</u>
Endowment Net Assets at June 30, 2018	\$ 58,444	\$ 113,967	\$ 501,423	\$ 673,834
Contributions	-	-	33,600	33,600
Investment income	<u>2,051</u>	<u>4,089</u>	<u>22,187</u>	<u>28,327</u>
Endowment Net Assets at June 30, 2019	60,495	118,056	557,210	735,761
Investment income (loss)	579	(461)	19,349	19,467
Distribution	-	-	(7,758)	(7,758)
Endowment Net Assets at June 30, 2020	<u>\$ 61,074</u>	<u>\$ 117,595</u>	<u>\$ 568,801</u>	<u>\$ 747,470</u>

Note 11 – Commitments and Contingencies:

Retirement Plan

EIS has adopted a pension plan (the “Plan”) for all employees 21 years of age and older. Employees are eligible to make elective deferrals beginning on their hire date and are eligible to receive the employer matching and discretionary contributions after two years of eligible service. Under terms of the Plan, EIS will match 50% of employee contributions up to 6%. EIS may also make a discretionary contribution to the Plan. The contribution to the Plan totaled \$7,664 and \$6,928 for the years ended June 30, 2020 and 2019, respectively, and is included in employee benefits.

City of San Diego Lease

EIS leases property from the City of San Diego at an initial rate of \$2,501 per year, increasing annually by the Consumer Price Index. Rent expense totaled \$3,853 and \$3,751 for the years ended June 30, 2020 and 2019, respectively.

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Note 11 – Commitments and Contingencies: (Continued)

Payroll Protection Program Loan

In May 2020, EIS received a loan totaling \$154,372 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that EIS meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and is due in May 2022. The amount received totaling \$154,372 has been included in deferred revenue at June 30, 2020. EIS expects to satisfy the terms and conditions of forgiveness of the PPP and will recognize the forgivable portion of the loan as revenue during the year ended June 30, 2021, when forgiveness has been granted by the lender.

Coronavirus Pandemic Contingency

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. EIS, as a nonessential business, was required to close the facility, temporarily cancel in-person programs, and cease most operations. The potential impacts to EIS include disruptions or restrictions on employees’ ability to work, suspension of in-person programs, closure of the facility, and reduction in contributions from donors. In addition, there has been significant volatility in the financial markets, which may have an impact on EIS’s valuation of investments and investment income. Changes to the operating environment may also be impacted and may have an impact on operating costs. The future effects of these issues are unknown.