



**Elementary Institute of Science**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

DRAFT



**Leaf & Cole, LLP**  
*Certified Public Accountants*

**ELEMENTARY INSTITUTE OF SCIENCE  
FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

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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

We have audited the accompanying financial statements of Elementary Institute of Science, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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.

***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, 2015 and 2014, 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.

***Other Matters***

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of functional expenses for the years ended June 30, 2015 and 2014 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

San Diego, California

\_\_\_\_\_, 2015

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**ELEMENTARY INSTITUTE OF SCIENCE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b><u>Assets:</u></b> ( Notes 1, 2, 3, 4, 5, 6, 7 and 8)		
Cash and cash equivalents	\$ 124,346	\$ 65,615
Investments	7,792	7,959
Contributions receivable	32,500	33,500
Prepaid expenses	1,038	10,000
Property and equipment, net	4,530,550	4,642,027
Investment in limited partnership	1,139	1,324
Beneficial interest in San Diego Foundation	56,950	59,141
Beneficial interest in Jewish Community Foundation	96,764	144,225
Beneficial interest in Rancho Santa Fe Foundation	<u>119,628</u>	<u>141,841</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>4,970,707</u></b>	<b>\$ <u>5,105,632</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b><u>Liabilities:</u></b> (Notes 1 and 9)		
Accounts payable	\$ 14,971	\$ 20,649
Accrued vacation	7,920	17,930
Deferred revenue	43,199	49,633
Advance pledge	<u>200,000</u>	<u>200,000</u>
Total Liabilities	<u>266,090</u>	<u>288,212</u>
<b><u>Commitments</u></b> (Note 12)		
<b><u>Net Assets</u></b> (Notes 1, 10 and 11)		
Unrestricted	4,323,775	4,424,213
Temporarily restricted	107,500	48,000
Permanently restricted	<u>273,342</u>	<u>345,207</u>
Total Net Assets	<u>4,704,617</u>	<u>4,817,420</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>4,970,707</u></b>	<b>\$ <u>5,105,632</u></b>

The accompanying notes are integral part of the financial statements.

**ELEMENTARY INSTITUTE OF SCIENCE  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support:</b>								
Contributions	\$ 435,611	\$ 127,500	\$ 26,804	\$ 589,915	\$ 445,782	\$ 107,278	\$ -	\$ 553,060
Tuition and fees	105,889	-	-	105,889	90,470	-	-	90,470
Rental income	27,013	-	-	27,013	26,132	-	-	26,132
In-kind donations	7,952	-	-	7,952	7,684	-	-	7,684
Investment income (loss)	(338)	-	3,614	3,276	4,836	-	43,083	47,919
Net assets released from restrictions	170,283	(68,000)	(102,283)	-	61,390	(59,278)	(2,112)	-
Total Revenue and Support	<u>746,410</u>	<u>59,500</u>	<u>(71,865)</u>	<u>734,045</u>	<u>636,294</u>	<u>48,000</u>	<u>40,971</u>	<u>725,265</u>
<b>Expenses:</b>								
<b>Program Services:</b>								
Education program	713,330	-	-	713,330	664,045	-	-	664,045
Total Program Services	<u>713,330</u>	<u>-</u>	<u>-</u>	<u>713,330</u>	<u>664,045</u>	<u>-</u>	<u>-</u>	<u>664,045</u>
<b>Supporting Services:</b>								
General and administrative	104,660	-	-	104,660	128,744	-	-	128,744
Fundraising	28,858	-	-	28,858	29,252	-	-	29,252
Total Supporting Services	<u>133,518</u>	<u>-</u>	<u>-</u>	<u>133,518</u>	<u>157,996</u>	<u>-</u>	<u>-</u>	<u>157,996</u>
Total Program and Supporting Services	<u>846,848</u>	<u>-</u>	<u>-</u>	<u>846,848</u>	<u>822,041</u>	<u>-</u>	<u>-</u>	<u>822,041</u>
Change in Net Assets	(100,438)	59,500	(71,865)	(112,803)	(185,747)	48,000	40,971	(96,776)
Net Assets at Beginning of Year	<u>4,424,213</u>	<u>48,000</u>	<u>345,207</u>	<u>4,817,420</u>	<u>4,609,960</u>	<u>-</u>	<u>304,236</u>	<u>4,914,196</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 4,323,775</u>	<u>\$ 107,500</u>	<u>\$ 273,342</u>	<u>\$ 4,704,617</u>	<u>\$ 4,424,213</u>	<u>\$ 48,000</u>	<u>\$ 345,207</u>	<u>\$ 4,817,420</u>

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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ (112,803)	\$ (96,776)
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
Depreciation	122,446	128,822
Realized and unrealized losses (gains) on investments	167	(5,075)
Limited partnership loss	185	326
Permanently restricted contributions	(26,804)	-
Permanently restricted investment income	(3,614)	(43,083)
Permanently restricted distributions	102,283	2,112
<b>(Increase) Decrease in:</b>		
Contributions receivable	1,000	(33,500)
Prepaid expenses	8,962	(6,077)
<b>Increase (Decrease) in:</b>		
Accounts payable	(5,678)	13,878
Accrued vacation	(10,010)	(714)
Deferred revenue	(6,434)	17,477
Net Cash Provided by (Used in) Operating Activities	<u>69,700</u>	<u>(22,610)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment purchases and sales, net	-	44,913
Purchase of property and equipment	(10,969)	(6,722)
Beneficial interest in San Diego Foundation	2,191	(5,415)
Beneficial interest in Jewish Community Foundation	47,461	(16,584)
Beneficial interest in Rancho Santa Fe Foundation	22,213	(18,972)
Net Cash Provided by (Used in) Investing Activities	<u>60,896</u>	<u>(2,780)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Permanently restricted contributions	26,804	-
Permanently restricted investment income	3,614	43,083
Permanently restricted distributions	(102,283)	(2,112)
Net Cash (Used in) Provided by Financing Activities	<u>(71,865)</u>	<u>40,971</u>
Increase in Cash and Cash Equivalents	58,731	15,581
Cash and Cash Equivalents at Beginning of Year	<u>65,615</u>	<u>50,034</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 124,346</u>	<u>\$ 65,615</u>

**ELEMENTARY INSTITUTE OF SCIENCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**Note 1 - Organization and Significant Accounting Policies:**

**Organization**

The 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.

**Significant Accounting Policies**

**Method of Accounting**

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 (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.



**ELEMENTARY INSTITUTE OF SCIENCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Financial Statement Presentation**

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of EIS and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by EIS. The income from these assets is available for either general operations or specific programs as specified by the donor.

The FASB has issued reporting standards for endowments of not-for-profit Organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

**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.

**ELEMENTARY INSTITUTE OF SCIENCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**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' statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in San Diego Foundation funds 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 San Diego Foundation, Jewish Community Foundation and Rancho Santa Fe Foundation are considered Level 3 assets which represent an approximation of the discounted future cash flow based on the fair value of the underlying assets.

**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 contributions receivable are fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2015 and 2014.

**ELEMENTARY INSTITUTE OF SCIENCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**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 unrestricted support 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 restricted support. Absent donor stipulations regarding how long 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 temporarily restricted net assets to unrestricted net assets 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	5 - 39 years
Office equipment	5 years
Furniture and fixtures	5 years

Depreciation totaled \$122,446 and \$128,822 for the years ended June 30, 2015 and 2014, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

**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 2015 and 2014.

**Investment in Limited Partnership**

EIS owns a .06% limited partner interest in a limited partnership accounted for on the equity method totaling \$1,139 and \$1,324 at June 30, 2015 and 2014, respectively.

**ELEMENTARY INSTITUTE OF SCIENCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Compensated Absences**

Accumulated unpaid vacation benefits totaling \$7,920 and \$17,930 at June 30, 2015 and 2014, respectively, is accrued when incurred.

**Revenue and Expense Recognition**

Revenues from tuition, fees and expenses directly associated with a future event are deferred until the fiscal year in which the event occurs. Prepaid expenses related to future events totaled \$-0- and \$10,000 at June 30, 2015 and 2014, respectively. Deferred revenue from tuition and fees totaled \$43,199 and \$49,633 at June 30, 2015 and 2014, 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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**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 year ended June 30, 2015, did not meet the requirements above; therefore no amounts were recognized in the financial statements for volunteer time.

EIS has received donations for supplies, which are recorded at their fair value and totaled \$7,952 and \$7,684 for the years ended June 30, 2015 and 2014, respectively, and have been included in revenue and expenses.

**Allocated Expenses**

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by EIS' management.

**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, 2015, 2014, 2013, and 2012 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

**ELEMENTARY INSTITUTE OF SCIENCE  
NOTES TO FINANCIAL STATEMENTS  
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**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**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 statement 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.

**Subsequent Events**

EIS has evaluated subsequent events through \_\_\_\_\_, 2015, which is the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed except as disclosed in Note 13.

**Note 2 - Fair Value Measurements:**

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

	2015			
	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, 2015
Investments held at San Diego Foundation	\$ -	\$ 7,792	\$ -	\$ 7,792
Beneficial interest in San Diego Foundation (Note 6)	-	-	56,950	56,950
Beneficial interest in Jewish Community Foundation (Note 7)	-	-	96,764	96,764
Beneficial interest in Rancho Santa Fe Foundation (Note 8)	-	-	119,628	119,628
	<u>\$ -</u>	<u>\$ 7,792</u>	<u>\$ 273,342</u>	<u>\$ 281,134</u>

**ELEMENTARY INSTITUTE OF SCIENCE  
NOTES TO FINANCIAL STATEMENTS  
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**Note 2 - Fair Value Measurements: (Continued)**

	2014			
	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, 2014
Investments held at San Diego Foundation	\$ -	\$ 7,959	\$ -	\$ 7,959
Beneficial interest in San Diego Foundation (Note 6)	-	-	59,141	59,141
Beneficial interest in Jewish Community Foundation (Note 7)	-	-	144,225	144,225
Beneficial interest in Rancho Santa Fe Foundation (Note 8)	-	-	141,841	141,841
	\$ -	\$ 7,959	\$ 345,207	\$ 353,166

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

**Note 3 - Investments:**

EIS' investments consist of the following at June 30:

	2015	2014
San Diego Foundation	\$ 7,792	\$ 7,959
Total Investments	\$ 7,792	\$ 7,959

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

	2015		
	Unrestricted	Permanently Restricted	Total
Realized and unrealized gains (losses)	\$ (352)	\$ (315)	\$ (667)
Interest and dividends	57	5,557	5,614
Investment fees	(43)	(1,628)	(1,671)
Total Investment Income (Loss)	\$ (338)	\$ 3,614	\$ 3,276

**ELEMENTARY INSTITUTE OF SCIENCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**Note 3 - Investments: (Continued)**

	2014		
	Unrestricted	Permanently Restricted	Total
Realized and unrealized gains	\$ 5,075	\$ 40,260	\$ 45,335
Interest and dividends	-	4,538	4,538
Investment fees	(239)	(1,715)	(1,954)
Total Investment Income	<u>\$ 4,836</u>	<u>\$ 43,083</u>	<u>\$ 47,919</u>

**Note 4 - Contributions Receivable:**

Contributions receivable consist of the following at June 30:

	2015	2014
Receivables due in less than one year	\$ 27,500	\$ 33,500
Receivables due in one to five years	5,000	-
Total Contributions Receivable	<u>\$ 32,500</u>	<u>\$ 33,500</u>

**Note 5 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	2015	2014
Land	\$ 91,000	\$ 91,000
Buildings	5,622,125	5,622,125
Building improvements	71,438	71,438
Office equipment	259,877	248,908
Furniture and fixtures	98,668	98,668
Subtotal	<u>6,143,108</u>	<u>6,132,139</u>
Less: Accumulated depreciation	<u>(1,612,558)</u>	<u>(1,490,112)</u>
Property and Equipment, Net	<u>\$ 4,530,550</u>	<u>\$ 4,642,027</u>

**Note 6 - Beneficial Interest in San Diego Foundation:**

EIS has a beneficial interest in endowment funds held at San Diego Foundation, which are classified as permanently restricted as these investments must be maintained in perpetuity. The beneficial interest in San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 25% domestic equities, 30% international equities, 16% alternative investments, 17% fixed income, 4% commodities and 8% real estate. EIS receives distributions of earnings on an annual basis.

**ELEMENTARY INSTITUTE OF SCIENCE  
NOTES TO FINANCIAL STATEMENTS  
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**Note 6 - Beneficial Interest in San Diego Foundation: (Continued)**

The activity in the beneficial interest in San Diego Foundation consisted of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Balance at Beginning of Year	\$ 59,141	\$ 53,726
Investment income, net	92	7,527
Distributions	(2,283)	(2,112)
Balance at End of Year	<u>\$ 56,950</u>	<u>\$ 59,141</u>

**Note 7 - Beneficial Interest in Jewish Community Foundation:**

EIS has a beneficial interest in endowment funds held at Jewish Community Foundation. The funds held at Jewish Community Foundation are invested in the Endowment Pool, which invests 55% in domestic and international equities, 30% in multi-strategy, 10% in fixed income and 5% in real assets consisting of REITS and/or commodities, and in mutual funds which invests in equities and fixed income securities.

The activity in the beneficial interest in Jewish Community Foundation consisted of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Balance at Beginning of Year	\$ 144,225	\$ 127,641
Contributions	26,804	-
Investment income, net	735	16,584
Distributions	(75,000)	-
Balance at End of Year	<u>\$ 96,764</u>	<u>\$ 144,225</u>

**Note 8 - Beneficial Interest in Rancho Santa Fe Foundation:**

EIS has a beneficial interest in endowment funds held at Rancho Santa Fe Foundation, which is classified as permanently restricted as the beneficial interest must be maintained in perpetuity. The beneficial interest in Rancho Santa Fe Foundation is held in an investment pool, which is structured for long-term, total return consisting of 36% domestic equities, 18% international equities, 4% in emerging markets, 35% fixed income and 7% in cash and cash equivalents.

The activity in the beneficial interest in Rancho Santa Fe Foundation consisted of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Balance at Beginning of Year	\$ 141,841	\$ 122,869
Investment income, net	2,787	18,972
Distributions	(25,000)	-
Balance at End of Year	<u>\$ 119,628</u>	<u>\$ 141,841</u>



**ELEMENTARY INSTITUTE OF SCIENCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**Note 9 - Advance Pledge:**

The Jacobs-Jabara Endowment Fund (the “Endowment Fund”) pledged a gift of \$500,000 in a 2-1 challenge grant in which they will match \$1 for every \$2 raised for the permanent endowment. The Endowment Fund advanced \$250,000 of the pledge in advance of EIS meeting the matching requirement. The liability is released to contribution income in increments of \$50,000 as the funds are matched. The balance of the advance pledge totaled \$200,000 at June 30, 2015 and 2014.

**Note 10 - Temporarily Restricted Net Assets:**

Temporarily restricted net assets consist of contributions received with time or purpose restrictions and consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Operations	\$ 107,500	\$ 20,000
Me2We Trip	-	28,000
Total Temporarily Restricted Net Assets	\$ 107,500	\$ 48,000

Net assets in the amount of \$68,000 and \$59,278 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2015 and 2014, respectively.

**Note 11 - 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’ 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 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 permanently restricted net assets 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

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**Note 11 - Endowment Net Assets: (Continued)**

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.

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 permanent 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.

Endowment composition by type of fund and changes in endowment net assets as of and for the years ended June 30:

	Beneficial Interest in San Diego Foundation	Beneficial Interest in Jewish Community Foundation	Beneficial Interest in Rancho Santa Fe Foundation	Total
Endowment Net Assets at June 30, 2013	\$ 53,726	\$ 127,641	\$ 122,869	\$ 304,236
Investment income	7,527	16,584	18,972	43,083
Appropriation of endowment assets for expenditure	(2,112)	-	-	(2,112)
Endowment Net Assets at June 30, 2014	59,141	144,225	141,841	345,207
Contributions	-	26,804	-	26,804
Investment income	92	735	2,787	3,614
Appropriation of endowment assets for expenditure	(2,283)	(75,000)	(25,000)	(102,283)
Endowment Net Assets at June 30, 2015	<u>\$ 56,950</u>	<u>\$ 96,764</u>	<u>\$ 119,628</u>	<u>\$ 273,342</u>

**ELEMENTARY INSTITUTE OF SCIENCE  
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JUNE 30, 2015 AND 2014**

**Note 12 – Commitments:**

**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. Contributions to the Plan totaled \$2,226 and \$4,990 for the years ended June 30, 2015 and 2014, respectively, and is included in employee benefits.

**City of San Diego Lease**

EIS leases property from the City of San Diego under a fifteen (15) year lease through February 2018 at an initial rate of \$2,501 per year, increasing annually by the Consumer Price Index. Rent expense totaled \$3,583 and \$3,350 for the years ended June 30, 2015 and 2014, respectively.

**Rooftop Lease**

EIS leases rooftop space under a five year lease with five additional five-year renewal terms. Rental income totaled \$27,013 and \$26,132 for the years ended June 30, 2015 and 2014, respectively.

**Note 13 – Subsequent Event:**

In October 2015, EIS sold the rooftop lease for \$\_\_\_\_\_.

**ELEMENTARY INSTITUTE OF SCIENCE  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Supporting Services				Total
	Education Programs	General and Administrative	Fundraising	Total Supporting Services	
<b><u>Salaries and Related Expenses:</u></b>					
Salaries and wages	\$ 301,330	\$ 27,708	\$ 17,318	\$ 45,026	\$ 346,356
Payroll taxes and related costs	26,626	2,449	1,530	3,979	30,605
Employee benefits	14,264	811	676	1,487	15,751
Total Salaries and Related Expenses	<u>342,220</u>	<u>30,968</u>	<u>19,524</u>	<u>50,492</u>	<u>392,712</u>
<b><u>Nonsalary Related Expenses:</u></b>					
Accounting	5,515	22,060	-	22,060	27,575
Advertising and marketing	2,160	-	-	-	2,160
Bank charges	-	3,465	-	3,465	3,465
Computer support	19,835	2,306	923	3,229	23,064
Consulting	20,619	1,316	-	1,316	21,935
Fees and other charges	10,741	342	393	735	11,476
Field trips	29,423	-	-	-	29,423
Insurance	10,237	3,365	421	3,786	14,023
Meetings, events and travel	11,848	1,347	269	1,616	13,464
Miscellaneous	-	-	-	-	-
Printing and copying	7,503	587	293	880	8,383
Postage	1,132	261	58	319	1,451
Rent	2,974	502	107	609	3,583
Repairs and maintenance	69,668	10,068	805	10,873	80,541
Security	2,627	375	125	500	3,127
Stipends	2,000	-	-	-	2,000
Supplies	35,219	4,025	1,006	5,031	40,250
Telephone	4,877	701	263	964	5,841
Utilities	34,938	3,993	998	4,991	39,929
Total Nonsalary Related Expenses	<u>271,316</u>	<u>54,713</u>	<u>5,661</u>	<u>60,374</u>	<u>331,690</u>
Add: Depreciation	<u>99,794</u>	<u>18,979</u>	<u>3,673</u>	<u>22,652</u>	<u>122,446</u>
<b>TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES</b>	<u>\$ 713,330</u>	<u>\$ 104,660</u>	<u>\$ 28,858</u>	<u>\$ 133,518</u>	<u>\$ 846,848</u>

**ELEMENTARY INSTITUTE OF SCIENCE  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014**

	Supporting Services				Total
	Education Programs	General and Administrative	Fundraising	Total Supporting Services	
<b><u>Salaries and Related Expenses:</u></b>					
Salaries and wages	\$ 332,684	\$ 62,171	\$ 21,000	\$ 83,171	\$ 415,855
Payroll taxes and related costs	28,370	5,413	1,680	7,093	35,463
Employee benefits	26,027	5,519	988	6,507	32,534
Total Salaries and Related Expenses	<u>387,081</u>	<u>73,103</u>	<u>23,668</u>	<u>96,771</u>	<u>483,852</u>
<b><u>Nonsalary Related Expenses:</u></b>					
Advertising and marketing	85	-	-	-	85
Bank charges	-	2,901	-	2,901	2,901
Computer support	2,926	418	139	557	3,483
Consulting	9,404	-	-	-	9,404
Fees and other charges	253	4,995	-	4,995	5,248
Field trips	7,027	-	-	-	7,027
Insurance	17,728	6,463	665	7,128	24,856
Meetings, events and travel	4,335	798	185	983	5,318
Miscellaneous	678	78	-	78	756
Printing and copying	9,316	831	239	1,070	10,386
Postage	2,065	415	113	528	2,593
Rent	2,761	505	84	589	3,350
Repairs and maintenance	40,990	6,714	706	7,420	48,410
Security	2,475	554	46	600	3,075
Stipends	6,385	-	-	-	6,385
Supplies	23,157	3,608	620	4,228	27,385
Telephone	3,490	655	220	875	4,365
Utilities	37,611	6,094	635	6,729	44,340
Total Nonsalary Related Expenses	<u>170,686</u>	<u>35,029</u>	<u>3,652</u>	<u>38,681</u>	<u>209,367</u>
Add: Depreciation	<u>106,278</u>	<u>20,612</u>	<u>1,932</u>	<u>22,544</u>	<u>128,822</u>
<b>TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES</b>	<u>\$ 664,045</u>	<u>\$ 128,744</u>	<u>\$ 29,252</u>	<u>\$ 157,996</u>	<u>\$ 822,041</u>