



Elementary Institute of Science

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015



Leaf & Cole, LLP
Certified Public Accountants

**ELEMENTARY INSTITUTE OF SCIENCE
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 18
Supplementary Information:	
Supplementary Schedule of Functional Expenses - 2016	19
Supplementary Schedule of Functional Expenses - 2015	20



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, 2016 and 2015, 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, 2016 and 2015, 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 information on pages 19 to 20 is 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.

Leaf & Cole LLP

San Diego, California
July 28, 2017

**ELEMENTARY INSTITUTE OF SCIENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
<u>Assets:</u> (Notes 1, 2, 3, 4, 5 and 6)		
Cash and cash equivalents	\$ 403,828	\$ 124,346
Investments	7,567	7,792
Accounts receivable	8,175	-
Contributions receivable	73,000	32,500
Prepaid expenses	3,188	1,038
Property and equipment, net	4,407,488	4,530,550
Investment in limited partnership	1,137	1,139
Beneficial interest in endowment funds	<u>411,671</u>	<u>273,342</u>
TOTAL ASSETS	\$ <u>5,316,054</u>	\$ <u>4,970,707</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities:</u> (Notes 1 and 7)		
Accounts payable	\$ 9,302	\$ 14,971
Accrued vacation	9,572	7,920
Deferred revenue	57,703	43,199
Advance payable	<u>200,000</u>	<u>200,000</u>
Total Liabilities	<u>276,577</u>	<u>266,090</u>
<u>Commitments</u> (Note 10)		
<u>Net Assets</u> (Notes 1, 8 and 9)		
Unrestricted	4,472,173	4,323,775
Temporarily restricted	155,633	107,500
Permanently restricted	<u>411,671</u>	<u>273,342</u>
Total Net Assets	<u>5,039,477</u>	<u>4,704,617</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,316,054</u>	\$ <u>4,970,707</u>

The accompanying notes are integral part of the financial statements.

**ELEMENTARY INSTITUTE OF SCIENCE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:								
Contributions	\$ 365,807	\$ 175,095	\$ 143,297	\$ 684,199	\$ 435,611	\$ 127,500	\$ 26,804	\$ 589,915
Gain on sale of lease	368,088	-	-	368,088	-	-	-	-
Tuition and fees	178,501	-	-	178,501	105,889	-	-	105,889
Rental income	16,199	-	-	16,199	27,013	-	-	27,013
In-kind donations	-	-	-	-	7,952	-	-	7,952
Investment income (loss)	(169)	-	(2,591)	(2,760)	(338)	-	3,614	3,276
Net assets released from restrictions	129,339	(126,962)	(2,377)	-	170,283	(68,000)	(102,283)	-
Total Revenue and Support	<u>1,057,765</u>	<u>48,133</u>	<u>138,329</u>	<u>1,244,227</u>	<u>746,410</u>	<u>59,500</u>	<u>(71,865)</u>	<u>734,045</u>
Expenses:								
Program Services:								
Education programs	737,919	-	-	737,919	713,330	-	-	713,330
Total Program Services	<u>737,919</u>	<u>-</u>	<u>-</u>	<u>737,919</u>	<u>713,330</u>	<u>-</u>	<u>-</u>	<u>713,330</u>
Supporting Services:								
General and administrative	141,646	-	-	141,646	104,660	-	-	104,660
Fundraising	29,802	-	-	29,802	28,858	-	-	28,858
Total Supporting Services	<u>171,448</u>	<u>-</u>	<u>-</u>	<u>171,448</u>	<u>133,518</u>	<u>-</u>	<u>-</u>	<u>133,518</u>
Total Expenses	<u>909,367</u>	<u>-</u>	<u>-</u>	<u>909,367</u>	<u>846,848</u>	<u>-</u>	<u>-</u>	<u>846,848</u>
Change in Net Assets	148,398	48,133	138,329	334,860	(100,438)	59,500	(71,865)	(112,803)
Net Assets at Beginning of Year	<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>
NET ASSETS AT END OF YEAR	<u>\$ 4,472,173</u>	<u>\$ 155,633</u>	<u>\$ 411,671</u>	<u>\$ 5,039,477</u>	<u>\$ 4,323,775</u>	<u>\$ 107,500</u>	<u>\$ 273,342</u>	<u>\$ 4,704,617</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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 334,860	\$ (112,803)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	123,062	122,446
Realized and unrealized losses on investments	188	167
Limited partnership loss	2	185
Permanently restricted contributions	(143,297)	(26,804)
Permanently restricted investment loss (income)	2,591	(3,614)
Permanently restricted distributions	2,377	102,283
(Increase) Decrease in:		
Accounts receivable	(8,175)	-
Contributions receivable	(40,500)	1,000
Prepaid expenses	(2,150)	8,962
Increase (Decrease) in:		
Accounts payable	(5,669)	(5,678)
Accrued vacation	1,652	(10,010)
Deferred revenue	14,504	(6,434)
Net Cash Provided by Operating Activities	<u>279,445</u>	<u>69,700</u>
<u>Cash Flows From Investing Activities:</u>		
Investment purchases and sales, net	37	-
Purchase of property and equipment	-	(10,969)
Beneficial interest in endowment funds	(138,329)	71,865
Net Cash (Used in) Provided by Investing Activities	<u>(138,292)</u>	<u>60,896</u>
<u>Cash Flows From Financing Activities:</u>		
Permanently restricted contributions	143,297	26,804
Permanently restricted investment (loss) income	(2,591)	3,614
Permanently restricted distributions	(2,377)	(102,283)
Net Cash Provided by (Used in) Financing Activities	<u>138,329</u>	<u>(71,865)</u>
Increase in Cash and Cash Equivalents	279,482	58,731
Cash and Cash Equivalents at Beginning of Year	<u>124,346</u>	<u>65,615</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 403,828</u>	<u>\$ 124,346</u>

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

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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, 2016 AND 2015**

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' 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 at 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 6).

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, 2016 and 2015.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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 \$123,062 and \$122,446 for the years ended June 30, 2016 and 2015, 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 2016 and 2015.

Investment in Limited Partnership

EIS owns a .06% limited partner interest in a limited partnership accounted for on the equity method totaling \$1,137 and \$1,139 at June 30, 2016 and 2015, respectively.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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

Significant Accounting Policies (Continued)

Compensated Absences

Accumulated unpaid vacation benefits totaling \$9,572 and \$7,920 at June 30, 2016 and 2015, 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. Deferred revenue from tuition and fees totaled \$57,703 and \$43,199 at June 30, 2016 and 2015, 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 years ended June 30, 2016 and 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 \$-0- and \$7,952 for the years ended June 30, 2016 and 2015, respectively, and have been included in in-kind donations 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.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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

Significant Accounting Policies (Continued)

Income Taxes (Continued)

EIS' Return of Organization Exempt from Income Tax for the years ended June 30, 2016, 2015, 2014, and 2013 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.

Subsequent Events

EIS has evaluated subsequent events through July 28, 2017, 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.

Note 2 - Fair Value Measurements:

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

	2016			
	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, 2016
Investments held at San Diego Foundation	\$ -	\$ 7,567	\$ -	\$ 7,567
Beneficial interest in endowment funds (Note 6)	-	-	411,671	411,671
	<u>\$ -</u>	<u>\$ 7,567</u>	<u>\$ 411,671</u>	<u>\$ 419,238</u>

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 2 - Fair Value Measurements: (Continued)

	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 endowment funds (Note 6)	-	-	273,342	273,342
	<u>\$ -</u>	<u>\$ 7,792</u>	<u>\$ 273,342</u>	<u>\$ 281,134</u>

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.

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:

Instrument	Fair Value	2016		
		Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 53,455	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in endowment funds	94,811	Valuation of underlying assets as provided by Jewish Community Foundation	Base price	N/A
Beneficial interest in endowment funds	263,405	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, 2016 AND 2015**

Note 2 - Fair Value Measurements: (Continued)

Instrument	Fair Value	2015		Significant Input Values
		Principal Valuation Technique	Unobservable Inputs	
Beneficial interest in endowment funds	\$ 56,950	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in endowment funds	96,764	Valuation of underlying assets as provided by Jewish Community Foundation	Base price	N/A
Beneficial interest in endowment funds	119,628	Valuation of underlying assets as provided by Rancho Santa Fe Foundation	Base price	N/A

Note 3 - Investments:

EIS' investments consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
San Diego Foundation	\$ <u>7,567</u>	\$ <u>7,792</u>
Total Investments	\$ <u><u>7,567</u></u>	\$ <u><u>7,792</u></u>

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

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 57	\$ 8,618	\$ 8,675
Realized and unrealized losses	(188)	(8,420)	(8,608)
Investment fees	(38)	(2,789)	(2,827)
Total Investment Income (Loss)	<u>\$ (169)</u>	<u>\$ (2,591)</u>	<u>\$ (2,760)</u>
	<u>2015</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 57	\$ 5,557	\$ 5,614
Realized and unrealized losses	(352)	(315)	(667)
Investment fees	(43)	(1,628)	(1,671)
Total Investment Income (Loss)	<u>\$ (338)</u>	<u>\$ 3,614</u>	<u>\$ 3,276</u>

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 4 - Contributions Receivable:

Contributions receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Receivables due in less than one year	\$ 73,000	\$ 27,500
Receivables due in one to five years	-	5,000
Total Contributions Receivable	<u>\$ 73,000</u>	<u>\$ 32,500</u>

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 5,622,125	\$ 5,622,125
Office equipment	259,877	259,877
Furniture and fixtures	98,668	98,668
Land	91,000	91,000
Building improvements	71,438	71,438
Subtotal	<u>6,143,108</u>	<u>6,143,108</u>
Less: Accumulated depreciation	<u>(1,735,620)</u>	<u>(1,612,558)</u>
Property and Equipment, Net	<u>\$ 4,407,488</u>	<u>\$ 4,530,550</u>

Note 6 - Beneficial Interest in Endowment Funds:

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 endowment funds held at San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 26% domestic equities, 28% international equities, 16% alternative investments, 17% fixed income, 4% commodities, 8% real estate and 1% cash and cash equivalents. EIS receives distributions of earnings on an annual basis.

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

	<u>2016</u>	<u>2015</u>
Balance at Beginning of Year	\$ 56,950	\$ 59,141
Investment (loss) income, net	(1,118)	92
Distributions	<u>(2,377)</u>	<u>(2,283)</u>
Balance at End of Year	<u>\$ 53,455</u>	<u>\$ 56,950</u>

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 6 - Beneficial Interest in Endowment Funds: (Continued)

Jewish Community Foundation

EIS has a beneficial interest in endowment funds held at Jewish Community Foundation. The beneficial interest in endowment funds held at Jewish Community Foundation are invested in the Endowment Pool, which invests 56% in domestic and international equities, 29% in multi-strategy, 10% in fixed income and 5% in real assets consisting of REITS and/or commodities.

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

	<u>2016</u>	<u>2015</u>
Balance at Beginning of Year	\$ 96,764	\$ 144,225
Contributions	-	26,804
Investment (loss) income, net	(1,953)	735
Distributions	-	(75,000)
Balance at End of Year	<u>\$ 94,811</u>	<u>\$ 96,764</u>

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 endowment funds held at Rancho Santa Fe Foundation is held in an investment pool, which is structured for long-term, total return consisting of 35% domestic equities, 21% international equities, 5% in emerging markets, 35% fixed income and 4% in cash and cash equivalents.

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

	<u>2016</u>	<u>2015</u>
Balance at Beginning of Year	\$ 119,628	\$ 141,841
Contributions	143,297	-
Investment income, net	480	2,787
Distributions	-	(25,000)
Balance at End of Year	<u>\$ 263,405</u>	<u>\$ 119,628</u>

Note 7 - Advance Payable:

The Jacobs-Jabara Endowment Fund (“JFF”) advanced \$250,000 to EIS. In accordance with the funds agreement with JFF, EIS will raise \$200,000 (or any portion thereof) of contributions for the EIS endowment fund and deposit those contributions into the Rancho Santa Fe Foundation endowment fund. Once deposited, JFF will forgive an amount of the advance equal to the amount of endowment contributions received. In the event the \$200,000 is not raised by December 31, 2019, EIS will repay any portion thereof still outstanding at that date to JFF. The advance payable totaled \$200,000 at June 30, 2016 and 2015.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 8 - 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>2016</u>	<u>2015</u>
EIS Outpost	\$ 50,000	\$ -
STEM 2016-2017	48,000	-
Operations	22,633	107,500
Website design	20,000	-
Summer enrichment	15,000	-
Total Temporarily Restricted Net Assets	\$ 155,633	\$ 107,500

Net assets in the amount of \$126,962 and \$68,000 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2016 and 2015, respectively.

Note 9 - 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

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.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 9 - 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 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.

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

	San Diego Foundation	Community Foundation	Santa Fe Foundation	Total
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	56,950	96,764	119,628	273,342
Contributions	-	-	143,297	143,297
Investment (loss) income	(1,118)	(1,953)	480	(2,591)
Appropriation of endowment assets for expenditure	(2,377)	-	-	(2,377)
Endowment Net Assets at June 30, 2016	\$ 53,455	\$ 94,811	\$ 263,405	\$ 411,671

Note 10 - 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 \$875 and \$2,226 for the years ended June 30, 2016 and 2015, 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 \$3,500 for each of the years ended June 30, 2016 and 2015, respectively.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 10 - Commitments: (Continued)

Rooftop Lease

EIS leased rooftop space under a five-year lease with five additional five-year renewal terms. Rental income totaled \$16,199 and \$27,013 for the years ended June 30, 2016 and 2015, respectively. In September 2015, EIS sold a 99-year lease for rooftop space for \$368,088 and \$-0-which has been reported as gain on sale of lease in the statements of activities for the years ended June 30, 2016 and 2015, respectively.

**ELEMENTARY INSTITUTE OF SCIENCE
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Supporting Services				Total
	Education Programs	General and Administrative	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 352,028	\$ 66,005	\$ 22,002	\$ 88,007	\$ 440,035
Payroll taxes and related costs	30,047	5,634	1,878	7,512	37,559
Employee benefits	12,034	2,557	451	3,008	15,042
Total Salaries and Related Expenses	<u>394,109</u>	<u>74,196</u>	<u>24,331</u>	<u>98,527</u>	<u>492,636</u>
<u>Nonsalary Related Expenses:</u>					
Accounting	18,665	-	-	-	18,665
Advertising and marketing	5,948	-	-	-	5,948
Bank charges	-	5,256	-	5,256	5,256
Computer support	26,364	3,766	1,255	5,021	31,385
Consulting	20,914	-	-	-	20,914
Fees and other charges	554	10,523	-	10,523	11,077
Field trips	17,827	-	-	-	17,827
Insurance	16,953	6,208	716	6,924	23,877
Meetings, events and travel	763	140	28	168	931
Miscellaneous	31	4	-	4	35
Printing and copying	1,575	140	35	175	1,750
Postage	277	55	14	69	346
Rent	2,870	525	105	630	3,500
Repairs and maintenance	50,521	8,321	594	8,915	59,436
Security	1,326	315	17	332	1,658
Supplies	26,040	3,983	613	4,596	30,636
Telephone	5,192	973	324	1,297	6,489
Utilities	45,849	7,551	539	8,090	53,939
Total Nonsalary Related Expenses	<u>241,669</u>	<u>47,760</u>	<u>4,240</u>	<u>52,000</u>	<u>293,669</u>
Add: Depreciation	<u>102,141</u>	<u>19,690</u>	<u>1,231</u>	<u>20,921</u>	<u>123,062</u>
TOTAL EXPENSES	<u>\$ 737,919</u>	<u>\$ 141,646</u>	<u>\$ 29,802</u>	<u>\$ 171,448</u>	<u>\$ 909,367</u>

**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	
<u>Salaries and Related Expenses:</u>					
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	342,220	30,968	19,524	50,492	392,712
<u>Nonsalary Related Expenses:</u>					
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	271,316	54,713	5,661	60,374	331,690
Add: Depreciation	99,794	18,979	3,673	22,652	122,446
TOTAL EXPENSES	\$ 713,330	\$ 104,660	\$ 28,858	\$ 133,518	\$ 846,848