



Elementary Institute of Science

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



Leaf & Cole, LLP
Certified Public Accountants

**ELEMENTARY INSTITUTE OF SCIENCE
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017 are presented for purposes of additional analysis and are 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
October 22, 2018

**ELEMENTARY INSTITUTE OF SCIENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
<u>Current Assets:</u> (Notes 2, 3, 4 and 5)		
Cash and cash equivalents	\$ 288,203	\$ 302,266
Investments	8,818	8,410
Accounts receivable	600	-
Contributions receivable	150,000	150,000
Prepaid expenses	100	-
Total Current Assets	<u>447,721</u>	<u>460,676</u>
<u>Noncurrent Assets:</u> (Notes 2, 3, 5, 6 and 7)		
Contributions receivable, net	-	144,175
Property and equipment, net	4,202,954	4,288,002
Investment in limited partnership	1,137	1,137
Beneficial interest in endowment funds	673,834	455,317
Total Noncurrent Assets	<u>4,877,925</u>	<u>4,888,631</u>
TOTAL ASSETS	<u>\$ 5,325,646</u>	<u>\$ 5,349,307</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u> (Note 2)		
Accounts payable	\$ 7,532	\$ 3,181
Accrued payroll and vacation	17,215	19,301
Deferred revenue	31,455	41,190
Total Current Liabilities	<u>56,202</u>	<u>63,672</u>
<u>Noncurrent Liabilities:</u> (Note 8)		
Advance payable	<u>-</u>	<u>200,000</u>
Total Liabilities	<u>56,202</u>	<u>263,672</u>
<u>Commitments</u> (Note 11)		
<u>Net Assets:</u> (Notes 2, 9 and 10)		
Unrestricted	4,402,130	4,306,143
Temporarily restricted	193,480	324,175
Permanently restricted	673,834	455,317
Total Net Assets	<u>5,269,444</u>	<u>5,085,635</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,325,646</u>	<u>\$ 5,349,307</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, 2018 AND 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenue and Support:</u>								
Contributions	\$ 685,006	\$ 153,479	\$ 200,000	\$ 1,038,485	\$ 477,384	\$ 394,175	\$ 1,500	\$ 873,059
Tuition and fees	154,443	-	-	154,443	143,419	-	-	143,419
Investment income	423	-	28,358	28,781	1,444	-	44,271	45,715
Rental and other income	4,560	-	-	4,560	4,218	-	-	4,218
In-kind donations	-	-	-	-	1,912	-	-	1,912
Net assets released from restrictions	294,015	(284,174)	(9,841)	-	227,758	(225,633)	(2,125)	-
Total Revenue and Support	<u>1,138,447</u>	<u>(130,695)</u>	<u>218,517</u>	<u>1,226,269</u>	<u>856,135</u>	<u>168,542</u>	<u>43,646</u>	<u>1,068,323</u>
<u>Expenses:</u>								
Program Services:								
Education programs	827,493	-	-	827,493	791,109	-	-	791,109
Total Program Services	<u>827,493</u>	<u>-</u>	<u>-</u>	<u>827,493</u>	<u>791,109</u>	<u>-</u>	<u>-</u>	<u>791,109</u>
Supporting Services:								
General and administrative	172,461	-	-	172,461	194,045	-	-	194,045
Fundraising	42,506	-	-	42,506	37,011	-	-	37,011
Total Supporting Services	<u>214,967</u>	<u>-</u>	<u>-</u>	<u>214,967</u>	<u>231,056</u>	<u>-</u>	<u>-</u>	<u>231,056</u>
Total Expenses	<u>1,042,460</u>	<u>-</u>	<u>-</u>	<u>1,042,460</u>	<u>1,022,165</u>	<u>-</u>	<u>-</u>	<u>1,022,165</u>
Change in Net Assets	95,987	(130,695)	218,517	183,809	(166,030)	168,542	43,646	46,158
Net Assets at Beginning of Year	<u>4,306,143</u>	<u>324,175</u>	<u>455,317</u>	<u>5,085,635</u>	<u>4,472,173</u>	<u>155,633</u>	<u>411,671</u>	<u>5,039,477</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,402,130</u>	<u>\$ 193,480</u>	<u>\$ 673,834</u>	<u>\$ 5,269,444</u>	<u>\$ 4,306,143</u>	<u>\$ 324,175</u>	<u>\$ 455,317</u>	<u>\$ 5,085,635</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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 183,809	\$ 46,158
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	119,439	119,486
Realized and unrealized gains on investments	(450)	(881)
Advance payable forgiven	(200,000)	-
Permanently restricted contributions	(200,000)	(1,500)
Permanently restricted investment income	(28,358)	(44,271)
Permanently restricted distributions	9,841	2,125
(Increase) Decrease in:		
Accounts receivable	(600)	8,175
Contributions receivable, net	144,175	(221,175)
Prepaid expenses	(100)	3,188
Increase (Decrease) in:		
Accounts payable	4,351	(6,121)
Accrued payroll and vacation	(2,086)	9,729
Deferred revenue	(9,735)	(16,513)
Net Cash Provided by (Used in) Operating Activities	<u>20,286</u>	<u>(101,600)</u>
<u>Cash Flows From Investing Activities:</u>		
Investment purchases and sales, net	42	38
Purchase of property and equipment	(34,391)	-
Beneficial interest in endowment funds	(218,517)	(43,646)
Net Cash Used in Investing Activities	<u>(252,866)</u>	<u>(43,608)</u>
<u>Cash Flows From Financing Activities:</u>		
Permanently restricted contributions	200,000	1,500
Permanently restricted investment income	28,358	44,271
Permanently restricted distributions	(9,841)	(2,125)
Net Cash Provided by Financing Activities	<u>218,517</u>	<u>43,646</u>
Net Decrease in Cash and Cash Equivalents	(14,063)	(101,562)
Cash and Cash Equivalents at Beginning of Year	<u>302,266</u>	<u>403,828</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 288,203</u>	<u>\$ 302,266</u>

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

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

Note 2 - 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, 2018 AND 2017**

Note 2 - 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 7).

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, 2018 and 2017.

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.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation (Continued)

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 \$119,439 and \$119,486 for the years ended June 30, 2018 and 2017, 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 2018 and 2017.

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 \$1,137 at June 30, 2018 and 2017, respectively.

Compensated Absences

Accumulated unpaid vacation benefits totaling \$17,215 and \$9,874 at June 30, 2018 and 2017, 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 \$31,455 and \$41,190 at June 30, 2018 and 2017, 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.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
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Note 2 - Significant Accounting Policies: (Continued)

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, 2017 and 2016, 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 \$1,912 for the years ended June 30, 2018 and 2017, 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.

EIS' Return of Organization Exempt from Income Tax for the years ended June 30, 2018, 2017, 2016 and 2015 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

In preparing these financial statements, EIS has evaluated events and transactions for potential recognition or disclosure through October 22, 2018, 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, 2018 AND 2017**

Note 3 - Fair Value Measurements:

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

	2018			Balance at June 30, 2018
	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	\$ -	\$ 8,818	\$ -	\$ 8,818
Beneficial interest in endowment funds (Note 7)	-	-	673,834	673,834
	<u>\$ -</u>	<u>\$ 8,818</u>	<u>\$ 673,834</u>	<u>\$ 682,652</u>
	2017			
	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, 2017
Investments held at San Diego Foundation	\$ -	\$ 8,410	\$ -	\$ 8,410
Beneficial interest in endowment funds (Note 7)	-	-	455,317	455,317
	<u>\$ -</u>	<u>\$ 8,410</u>	<u>\$ 455,317</u>	<u>\$ 463,727</u>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in Note 7 as indicated above.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

Note 3 - 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:

		2018		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 58,444	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in endowment funds	113,967	Valuation of underlying assets as provided by Jewish Community Foundation	Base price	N/A
Beneficial interest in endowment funds	501,423	Valuation of underlying assets as provided by Rancho Santa Fe Foundation	Base price	N/A
		2017		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 57,344	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in endowment funds	105,552	Valuation of underlying assets as provided by Jewish Community Foundation	Base price	N/A
Beneficial interest in endowment funds	292,421	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, 2018 AND 2017**

Note 4 - Investments:

EIS' investments held at San Diego Foundation are held in an investment pool, which is structured for long-term, total return consisting of 27% domestic equities, 25% international equities, 19% fixed income, 20% alternative investments, 4% real estate and 5% commodities, which consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
San Diego Foundation	\$ 8,818	\$ 8,410
Total Investments	\$ 8,818	\$ 8,410

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

	2018		
	Unrestricted	Permanently Restricted	Total
Interest and dividends	\$ 15	\$ 12,483	\$ 12,906
Realized and unrealized gains	450	19,441	19,441
Investment fees	(42)	(3,566)	(3,566)
Total Investment Income	\$ 423	\$ 28,358	\$ 28,781
	2017		
	Unrestricted	Permanently Restricted	Total
Interest and dividends	\$ 601	\$ 8,287	\$ 8,888
Realized and unrealized gains	881	38,939	39,820
Investment fees	(38)	(2,955)	(2,993)
Total Investment Income	\$ 1,444	\$ 44,271	\$ 45,715

Note 5 - Contributions Receivable:

Contributions receivable consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Receivables due in less than one year	\$ 150,000	\$ 150,000
Total Current	150,000	150,000
Receivables due in one to five years	-	150,000
Less: Discount	-	(5,825)
Total Noncurrent	-	144,175
Total Contributions Receivable, Net	\$ 150,000	\$ 294,175

**ELEMENTARY INSTITUTE OF SCIENCE
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Note 6 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 5,622,125	\$ 5,622,125
Building improvements	96,637	71,438
Office equipment	269,069	259,877
Furniture and fixtures	98,668	98,668
Land	91,000	91,000
Subtotal	<u>6,177,499</u>	<u>6,143,108</u>
Less: Accumulated depreciation	<u>(1,974,545)</u>	<u>(1,855,106)</u>
Property and Equipment, Net	<u>\$ 4,202,954</u>	<u>\$ 4,288,002</u>

Note 7 - 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 27% international equities, 25% domestic equities, 21% alternative investments, 17% fixed income, 7% real estate and 3% commodities. 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>2018</u>	<u>2017</u>
Balance at Beginning of Year	\$ 57,344	\$ 53,455
Investment income, net	3,510	6,014
Distributions	<u>(2,410)</u>	<u>(2,125)</u>
Balance at End of Year	<u>\$ 58,444</u>	<u>\$ 57,344</u>

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 57% in domestic and international equities, 29% in multi-strategy, 10% in fixed income and 4% 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>2018</u>	<u>2017</u>
Balance at Beginning of Year	\$ 105,552	\$ 94,811
Investment income, net	8,415	10,741
Balance at End of Year	<u>\$ 113,967</u>	<u>\$ 105,552</u>

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

Note 7 - Beneficial Interest in Endowment Funds: (Continued)

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 33% domestic equities, 23% international equities, 2% emerging markets, 38% 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>2018</u>	<u>2017</u>
Balance at Beginning of Year	\$ 292,421	\$ 263,405
Contributions	200,000	1,500
Investment income, net	16,433	27,516
Distributions	(7,431)	-
Balance at End of Year	<u>\$ 501,423</u>	<u>\$ 292,421</u>

Note 8 - 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 was forgiven during 2018 due to EIS raising the required matching funds and the \$200,000 is included in contribution revenue. The balance of the advance payable totaled \$0- and \$200,000 at June 30, 2018 and 2017, respectively.

Note 9 - 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>2018</u>	<u>2017</u>
Contributions receivable, net	\$ 150,000	\$ 294,175
Girls Take Flight Project	34,980	-
Grant Writer	8,500	-
Steps - 2 - STEM	-	30,000
Total Temporarily Restricted Net Assets	<u>\$ 193,480</u>	<u>\$ 324,175</u>

Net assets in the amount of \$284,174 and \$225,633 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2018 and 2017, respectively.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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' 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.

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.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

Note 10 - Endowment Net Assets: (Continued)

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>Community Foundation</u>	<u>Santa Fe Foundation</u>	<u>Total</u>
Endowment Net Assets at June 30, 2016	\$ 53,455	\$ 94,811	\$ 263,405	\$ 411,671
Contributions	-	-	1,500	1,500
Investment income	6,014	10,741	27,516	44,271
Appropriation of endowment assets for expenditure	<u>(2,125)</u>	<u>-</u>	<u>-</u>	<u>(2,125)</u>
Endowment Net Assets at June 30, 2017	57,344	105,552	292,421	455,317
Contributions	-	-	200,000	200,000
Investment income	3,510	8,415	16,433	28,358
Appropriation of endowment assets for expenditure	<u>(2,410)</u>	<u>-</u>	<u>(7,431)</u>	<u>(9,841)</u>
Endowment Net Assets at June 30, 2018	<u>\$ 58,444</u>	<u>\$ 113,967</u>	<u>\$ 501,423</u>	<u>\$ 673,834</u>

Note 11 - 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. The contribution to the Plan totaled \$12,719 and \$325 for the years ended June 30, 2018 and 2017, 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 \$3,597 and \$3,500 for the years ended June 30, 2018 and 2017, respectively.

**ELEMENTARY INSTITUTE OF SCIENCE
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Supporting Services				Total
	Education Programs	General and Administrative	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 443,962	\$ 83,242	\$ 27,748	\$ 110,990	\$ 554,952
Payroll taxes and related costs	39,711	7,446	2,482	9,928	49,639
Employee benefits	31,257	5,860	1,954	7,814	39,071
Total Salaries and Related Expenses	514,930	96,548	32,184	128,732	643,662
<u>Nonsalary Related Expenses:</u>					
Advertising and marketing	2,383	1,456	2,599	4,055	6,438
Bank charges	3,458	-	-	-	3,458
Computer support	7,458	1,066	355	1,421	8,879
Consulting	12,129	1,600	3,175	4,775	16,904
Fees and other charges	67	1,269	-	1,269	1,336
Field trips	27,423	-	-	-	27,423
Insurance	14,287	5,232	604	5,836	20,123
Meetings, events and travel	5,771	2,479	153	2,632	8,403
Miscellaneous	135	-	-	-	135
Printing and copying	1,041	93	23	116	1,157
Postage	7	248	432	680	687
Professional fees	-	23,303	-	23,303	23,303
Rent	2,950	539	108	647	3,597
Repairs and maintenance	43,729	7,203	514	7,717	51,446
Supplies	39,976	3,527	278	3,805	43,781
Telephone	5,284	991	330	1,321	6,605
Utilities	47,330	7,796	557	8,353	55,683
Total Nonsalary Related Expenses	213,428	56,802	9,128	65,930	279,358
Add: Depreciation	99,135	19,111	1,194	20,305	119,440
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	\$ 827,493	\$ 172,461	\$ 42,506	\$ 214,967	\$ 1,042,460

**ELEMENTARY INSTITUTE OF SCIENCE
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Supporting Services				Total
	Education Programs	General and Administrative	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 432,382	\$ 81,072	\$ 27,024	\$ 108,096	\$ 540,478
Payroll taxes and related costs	38,947	7,302	2,434	9,736	48,683
Employee benefits	20,600	3,862	1,287	5,149	25,749
Total Salaries and Related Expenses	<u>491,929</u>	<u>92,236</u>	<u>30,745</u>	<u>122,981</u>	<u>614,910</u>
<u>Nonsalary Related Expenses:</u>					
Accounting	-	18,100	-	18,100	18,100
Advertising and marketing	14,613	-	-	-	14,613
Bank charges	-	702	-	702	702
Computer support	19,441	2,777	926	3,703	23,144
Consulting	10,834	34,051	1,881	35,932	46,766
Fees and other charges	69	1,318	-	1,318	1,387
Field trips	24,206	-	-	-	24,206
Insurance	13,964	5,113	590	5,703	19,667
Meetings, events and travel	5,868	1,074	215	1,289	7,157
Miscellaneous	283	32	-	32	315
Printing and copying	2,805	249	62	311	3,116
Postage	519	104	26	130	649
Rent	2,870	525	105	630	3,500
Repairs and maintenance	36,124	5,950	425	6,375	42,499
Supplies	20,145	4,623	-	4,623	24,768
Telephone	5,375	1,008	336	1,344	6,719
Utilities	42,891	7,065	505	7,570	50,461
Total Nonsalary Related Expenses	<u>200,007</u>	<u>82,691</u>	<u>5,071</u>	<u>87,762</u>	<u>287,769</u>
Add: Depreciation	<u>99,173</u>	<u>19,118</u>	<u>1,195</u>	<u>20,313</u>	<u>119,486</u>
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	<u>\$ 791,109</u>	<u>\$ 194,045</u>	<u>\$ 37,011</u>	<u>\$ 231,056</u>	<u>\$ 1,022,165</u>