



Elementary Institute of Science

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



Leaf & Cole, LLP
Certified Public Accountants

**ELEMENTARY INSTITUTE OF SCIENCE
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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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

Opinion

We have audited the accompanying financial statements of Elementary Institute of Science (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Elementary Institute of Science, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Elementary Institute of Science's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Elementary Institute of Science's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Elementary Institute of Science's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Leaf & Cole LLP

San Diego, California
May 31, 2023

ELEMENTARY INSTITUTE OF SCIENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current Assets:</u> (Notes 2, 4, 5 and 6)		
Cash and cash equivalents	\$ 1,376,100	\$ 994,097
Investments	10,185	11,484
Accounts receivable	6,160	5,850
Contributions receivable	39,776	87,415
Prepaid expenses	22,897	13,737
Total Current Assets	<u>1,455,118</u>	<u>1,112,583</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 7 and 8)		
Property and equipment, net	3,811,978	3,923,218
Investment in limited partnership	475	555
Beneficial interest in endowment funds	830,251	932,695
Total Noncurrent Assets	<u>4,642,704</u>	<u>4,856,468</u>
TOTAL ASSETS	<u>\$ 6,097,822</u>	<u>\$ 5,969,051</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 11)		
Accounts payable	\$ 26,561	\$ 15,992
Accrued payroll and vacation	48,538	56,441
Deferred revenue	17,863	186,182
Total Current Liabilities	<u>92,962</u>	<u>258,615</u>
Total Liabilities	<u>92,962</u>	<u>258,615</u>
<u>Commitments and Contingencies</u> (Note 11)		
<u>Net Assets:</u> (Notes 2, 9 and 10)		
Without donor restrictions	4,682,618	4,574,041
With donor restrictions	1,322,242	1,136,395
Total Net Assets	<u>6,004,860</u>	<u>5,710,436</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,097,822</u>	<u>\$ 5,969,051</u>

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

**ELEMENTARY INSTITUTE OF SCIENCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Supporting Services				Total
	Education Programs	General and Administrative	Fundraising	Total Supporting Services	
Salaries and Related Expenses:					
Salaries and wages	\$ 694,792	\$ 30,571	\$ 145,043	\$ 175,614	\$ 870,406
Payroll taxes and related costs	67,457	3,458	11,875	15,333	82,790
Employee benefits	42,878	5,932	5,627	11,559	54,437
Total Salaries and Related Expenses	<u>805,127</u>	<u>39,961</u>	<u>162,545</u>	<u>202,506</u>	<u>1,007,633</u>
Nonsalary Related Expenses:					
Advertising and marketing	19,743	2,080	2,289	4,369	24,112
Bank charges	2,680	156	1,098	1,254	3,934
Computer support	4,277	476	265	741	5,018
Contract services	14,767	-	-	-	14,767
Fees and other charges	1,123	131	52	183	1,306
Field trips	17,653	-	-	-	17,653
Insurance	16,811	2,000	784	2,784	19,595
Meetings, events and travel	4,399	3,579	1,783	5,362	9,761
Printing and copying	684	80	32	112	796
Postage	310	35	480	515	825
Professional fees	75,982	4,855	1,942	6,797	82,779
Rent	3,511	408	163	571	4,082
Repairs and maintenance	43,122	5,002	2,001	7,003	50,125
Supplies	55,554	3,117	93	3,210	58,764
Telephone and internet	2,402	5,414	89	5,503	7,905
Utilities	42,425	4,933	1,973	6,906	49,331
Total Nonsalary Related Expenses	<u>305,443</u>	<u>32,266</u>	<u>13,044</u>	<u>45,310</u>	<u>350,753</u>
Add: Depreciation	111,978	13,021	5,208	18,229	130,207
Total Expenses	<u>\$ 1,222,548</u>	<u>\$ 85,248</u>	<u>\$ 180,797</u>	<u>\$ 266,045</u>	<u>\$ 1,488,593</u>

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

**ELEMENTARY INSTITUTE OF SCIENCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Supporting Services				Total
	Education Programs	General and Administrative	Fundraising	Total Supporting Services	
Salaries and Related Expenses:					
Salaries and wages	\$ 484,035	\$ 40,602	\$ 136,782	\$ 177,384	\$ 661,419
Payroll taxes and related costs	46,464	4,387	11,915	16,302	62,766
Employee benefits	22,475	15,201	16,255	31,456	53,931
Total Salaries and Related Expenses	<u>552,974</u>	<u>60,190</u>	<u>164,952</u>	<u>225,142</u>	<u>778,116</u>
Nonsalary Related Expenses:					
Advertising and marketing	4,659	4,454	2,286	6,740	11,399
Bank charges	2,506	1,054	-	1,054	3,560
Computer support	3,459	181	481	662	4,121
Contract services	30,728	3,556	1,276	4,832	35,560
Fees and other charges	2,079	-	231	231	2,310
Field trips	75	-	-	-	75
Insurance	22,233	218	2,646	2,864	25,097
Meetings, events and travel	1,228	-	272	272	1,500
Printing and copying	1,493	28	197	225	1,718
Postage	443	708	14	722	1,165
Professional fees	9,394	-	520	520	9,914
Rent	3,150	556	211	767	3,917
Repairs and maintenance	39,371	903	4,883	5,786	45,157
Supplies	17,841	30	808	838	18,679
Telephone and internet	6,869	176	860	1,036	7,905
Utilities	32,820	838	4,115	4,953	37,773
Total Nonsalary Related Expenses	<u>178,348</u>	<u>12,702</u>	<u>18,800</u>	<u>31,502</u>	<u>209,850</u>
Add: Depreciation	102,852	2,908	24,410	27,317	130,169
Total Expenses	<u>\$ 834,174</u>	<u>\$ 75,800</u>	<u>\$ 208,162</u>	<u>\$ 283,961</u>	<u>\$ 1,118,135</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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 294,424	\$ 515,415
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	130,207	130,169
Net realized and unrealized loss (gain) on investments	1,321	2,289
Endowment investment loss (income)	94,356	(193,282)
Endowment distributions	8,087	8,057
(Increase) Decrease in:		
Accounts receivable	(310)	(4,750)
Contributions receivable	47,639	30,475
Prepaid expenses	(9,160)	(2,932)
Increase (Decrease) in:		
Accounts payable	10,569	5,199
Accrued payroll and vacation	(7,903)	22,409
Deferred revenue	(168,319)	26,113
Net Cash Provided by Operating Activities	<u>400,911</u>	<u>539,162</u>
<u>Cash Flows From Investing Activities:</u>		
Investment (purchases) and sales, net	58	(4,415)
Purchase of property and equipment	(18,967)	(28,941)
Beneficial interest in endowment funds	102,444	(185,225)
Net Cash Provided by (Used in) Investing Activities	<u>83,535</u>	<u>(218,581)</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment investment income	(94,356)	193,282
Endowment distributions	(8,087)	(8,057)
Net Cash (Used in) Provided by Financing Activities	<u>(102,443)</u>	<u>185,225</u>
Net Increase in Cash and Cash Equivalents	382,003	505,806
Cash and Cash Equivalents at Beginning of Year	<u>994,097</u>	<u>488,291</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,376,100</u>	<u>\$ 994,097</u>

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

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 to explore, experiment, and understand the world of science, technology, engineering, and math (STEM).

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

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

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

Note 2 - Significant Accounting Policies:

Accounting Method

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

Financial Statement Presentation

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

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

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

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

Fair Value Measurements

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

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

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

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

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, 2022 and 2021.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - 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 support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, EIS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. EIS reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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

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

Depreciation totaled \$130,207 and \$130,169 for the years ended June 30, 2022 and 2021, respectively.

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

Impairment of Real Estate

EIS reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2022 and 2021.

Investment in Limited Partnership

EIS owns a .06% limited partner interest in a limited partnership accounted for on the equity method totaling \$475 and \$555 at June 30, 2022 and 2021, respectively.

Compensated Absences

Accumulated unpaid vacation benefits totaling \$30,634 and \$27,126 at June 30, 2022 and 2021, respectively, is accrued when incurred, and is included in accrued payroll and vacation.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition

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

Revenue from tuition and fees is recognized as revenue when the related program occurs. Deferred revenue from tuition and fees totaled \$17,863 and \$57,737 at June 30, 2022 and 2021, respectively.

Donated Services

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, 2022 and 2021 did not meet the requirements above; therefore, no amounts were recognized in the financial statements for volunteer time.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. EIS allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services based on space utilized, time records and estimates made by EIS' 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, 2022, 2021, 2020 and 2019 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.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

Cash and Cash Equivalents

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

Accounting Pronouncements Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

Subsequent Events

In preparing these financial statements, EIS has evaluated events and transactions for potential recognition or disclosure through May 31, 2023, 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 3 - Liquidity and Availability:

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

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,376,100	\$ 994,097
Investments	10,185	11,484
Accounts receivable	6,160	5,850
Contributions receivable	39,776	87,415
Financial assets available for general expenditures within one year	<u>\$ 1,432,221</u>	<u>\$ 1,098,846</u>

In addition to financial assets available to meet general expenditures over the next 12 months, EIS operates with a balanced budget and anticipates generating sufficient investment income to cover general expenditures. Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy as described in Note 10. The portion of the donor-restricted endowment funds required to be held in perpetuity are not available for general expenditure.

**ELEMENTARY INSTITUTE OF SCIENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 4 - Fair Value Measurements:

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

	2022			Balance at June 30, 2022
	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	\$ -	\$ 10,185	\$ -	\$ 10,185
Beneficial interest in endowment funds (Note 8)	-	-	830,251	830,251
	<u>\$ -</u>	<u>\$ 10,185</u>	<u>\$ 830,251</u>	<u>\$ 840,436</u>
	2021			Balance at June 30, 2021
	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	\$ -	\$ 11,484	\$ -	\$ 11,484
Beneficial interest in endowment funds (Note 8)	-	-	932,695	932,695
	<u>\$ -</u>	<u>\$ 11,484</u>	<u>\$ 932,695</u>	<u>\$ 944,179</u>

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

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	Principal Valuation Technique	2022	
			Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 76,004	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in endowment funds	\$ 485,405	Valuation of underlying assets as provided by Jewish Community Foundation	Base price	N/A
Beneficial interest in endowment funds	\$ 268,842	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, 2022 AND 2021**

Note 4 - Fair Value Measurements: (Continued)

2021				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 79,242	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in endowment funds	\$ 541,959	Valuation of underlying assets as provided by Jewish Community Foundation	Base price	N/A
Beneficial interest in endowment funds	\$ 311,494	Valuation of underlying assets as provided by Rancho Santa Fe Foundation	Base price	N/A

Note 5 - Investments:

EIS' investments held at San Diego Foundation are held in an investment pool, which is structured for long-term, total return consisting of 48% international equities, 16% fixed income, 21% hedge funds, and 15% real assets, which consist of the following at June 30:

	2022	2021
San Diego Foundation	\$ 10,185	\$ 11,484
Total Investments	<u>\$ 10,185</u>	<u>\$ 11,484</u>

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 438	\$ 12,431	\$ 12,869
Realized and unrealized loss	(1,321)	(100,697)	(102,018)
Investment fees	(58)	(6,090)	(6,148)
Total Investment Loss	<u>\$ (941)</u>	<u>\$ (94,356)</u>	<u>\$ (95,297)</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 360	\$ 11,266	\$ 11,626
Realized and unrealized gain	2,289	186,375	188,664
Investment fees	(350)	(4,359)	(4,709)
Total Investment Income	<u>\$ 2,299</u>	<u>\$ 193,282</u>	<u>\$ 195,581</u>

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Note 6 - Contributions Receivable:

Contributions receivable totaling \$39,776 and \$87,415 at June 30, 2022 and 2021, respectively, are due within one year.

Note 7 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 5,622,125	\$ 5,622,125
Building improvements	193,275	178,067
Office equipment	293,762	290,003
Furniture and fixtures	98,668	98,668
Land	91,000	91,000
Subtotal	<u>6,298,830</u>	<u>6,279,863</u>
Less: Accumulated depreciation	<u>(2,486,852)</u>	<u>(2,356,645)</u>
Property and Equipment, Net	<u>\$ 3,811,978</u>	<u>\$ 3,923,218</u>

Note 8 - Beneficial Interest in Endowment Funds:

San Diego Foundation

EIS has a beneficial interest in endowment funds held by San Diego Foundation, which is classified as with donor restrictions and must be maintained in perpetuity. The beneficial interest in endowment funds held by San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 39% international equities, 33% alternative investments, 11% fixed income, 10% real estate, and 7% real assets. EIS receives distributions of earnings on an annual basis. The activity in the beneficial interest in endowment funds held by San Diego Foundation consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Balance at Beginning of Year	\$ 79,242	\$ 61,074
Investment (loss) income, net	<u>(3,238)</u>	<u>18,168</u>
Balance at End of Year	<u>\$ 76,004</u>	<u>\$ 79,242</u>

Jewish Community Foundation

EIS has a beneficial interest in endowment funds held by Jewish Community Foundation, which is classified as with donor restrictions and must be maintained in perpetuity. The beneficial interest in endowment funds held by Jewish Community Foundation are invested in the Endowment Pool, which invests 39% in equities, 25% private assets, 18% fixed income, 13% multi-strategy and 5% real assets. The activity in the beneficial interest in endowment funds held by Jewish Community Foundation consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Balance at Beginning of Year	\$ 541,959	\$ 117,595
Investment (loss) income, net	<u>(56,554)</u>	<u>64,517</u>
Transfer	<u>-</u>	<u>359,847</u>
Balance at End of Year	<u>\$ 485,405</u>	<u>\$ 541,959</u>

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

Rancho Santa Fe Foundation

EIS has a beneficial interest in endowment funds held by Rancho Santa Fe Foundation, which is classified as with donor restriction and must be maintained in perpetuity. The beneficial interest in endowment funds held by Rancho Santa Fe Foundation is held in an investment pool, which is structured for long-term, total return consisting of 38% domestic equities, 17% international equities, 6% emerging markets, 24% fixed income, and 15% in cash and cash equivalents. The activity in the beneficial interest in endowment funds held by Rancho Santa Fe Foundation consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Balance at Beginning of Year	\$ 311,494	\$ 568,801
Investment income, net	(34,564)	110,597
Transfer	-	(359,847)
Distributions	(8,088)	(8,057)
Balance at End of Year	<u>\$ 268,842</u>	<u>\$ 311,494</u>

Note 9 - Net Assets With Donor Restrictions:

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

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Level Up Camps and FIRE UP	\$ 260,584	\$ -
STEM and other programs	100,000	47,500
San Diego Institute of Science	50,000	22,222
Lab equipment and other supplies	30,019	-
Girls Take Flight Project	10,000	9,614
STEM Field Trips	10,000	-
FireUp!	6,388	-
Camps and afterschool programs	-	91,864
Dr. Matthews event	-	2,500
Total Subject to Expenditure for Specified Purpose	<u>466,991</u>	<u>173,700</u>
Subject to the Passage of Time:		
Contributions receivable	<u>25,000</u>	<u>30,000</u>
Perpetual in Nature:		
Endowments (Note 10)	<u>830,251</u>	<u>932,695</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,322,242</u>	<u>\$ 1,136,395</u>

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

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

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished:		
STEM and other programs	\$ 234,000	\$ 251,050
Girls Take Flight	97,113	69,036
Camps and after-school programs	91,864	58,616
Level Up Camps and FIRE UP	65,146	-
San Diego Institute of Science	47,222	2,778
Lab equipment and other supplies	5,987	25,494
FireUp!	5,000	32,500
Dr. Matthews event	2,500	-
COVID-19-related expenditures	-	57,500
Grant Writer	-	11,760
Time Restrictions Fulfilled:		
Contributions receivable	30,000	30,000
Endowment Distributions	<u>8,088</u>	<u>8,057</u>
Total Net Assets Released From Restrictions	\$ <u>586,920</u>	\$ <u>546,791</u>

Note 10 - Endowment Net Assets:

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

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

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

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

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

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Note 10 - 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 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	Jewish Community Foundation	Rancho Santa Fe Foundation	Total
Endowment Net Assets at June 30, 2020	\$ 61,074	\$ 117,595	\$ 568,801	\$ 747,470
Investment income (loss)	18,168	64,517	110,597	193,282
Distribution	-	-	(8,057)	(8,057)
Transfer	-	359,847	(359,847)	-
Endowment Net Assets at June 30, 2021	79,242	541,959	311,494	932,695
Investment income (loss)	(3,238)	(56,554)	(34,564)	(94,356)
Distribution	-	-	(8,088)	(8,088)
Endowment Net Assets at June 30, 2022	\$ 76,004	\$ 485,405	\$ 268,842	\$ 830,251

Note 11 - Commitments and Contingencies:

Retirement Plan

EIS has adopted a pension plan (the "Plan") for all employees 21 years of age and older. Employees are eligible to make elective deferrals beginning on their hire date, and are eligible to receive the employer matching and discretionary contributions after two years of eligible service. Under terms of the Plan, EIS will match 50% of employee contributions, up to 6%. EIS may also make a discretionary contribution to the Plan. The contribution to the Plan totaled \$10,662 and \$7,930 for the years ended June 30, 2022 and 2021, respectively, and is included in employee benefits.

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Note 11 - Commitments and Contingencies: (Continued)

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 \$4,082 and \$3,917 for the years ended June 30, 2022 and 2021, respectively.

Consolidated Appropriations Act Paycheck Protection Program

In April 2021, EIS received a loan totaling \$128,445 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program ("PPP2"). The loan is forgivable to the extent that EIS meets the terms and conditions of PPP2. Any portion of the loan that is not forgiven bears interest at 1%, and is due April 2026. EIS has included the loan totaling \$-0- and \$128,445 in deferred revenue at June 30, 2022 and 2021, respectively. EIS has recognized \$128,445 and \$-0- as revenue for the years ended June 30, 2022 and 2021, respectively. The PPP2 loan was forgiven on February 14, 2022.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. EIS is closely monitoring its investment portfolio and its liquidity, and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on EIS' operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on EIS' customers, donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact EIS' financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.