

San Luis Coastal Education Foundation

Financial Statements

Years Ended June 30, 2021 and 2020

**San Luis Coastal Education Foundation
Financial Statements
Years Ended June 30, 2021 and 2020**

Table of Contents

| | Page |
|---|-------------|
| Independent Auditors' Report | 3-4 |
| Statement of Financial Position | 5 |
| Statement of Activities – Year Ended June 30, 2021 | 6 |
| Statement of Activities – Year Ended June 30, 2020 | 7 |
| Statement of Functional Expenses – Year Ended June 30, 2021 | 8 |
| Statement of Functional Expenses – Year Ended June 30, 2020 | 9 |
| Statement of Cash Flows | 10 |
| Notes to Financial Statements | 11-18 |



Independent Auditors' Report

To the Board of Directors of
San Luis Coastal Education Foundation
San Luis Obispo, California

We have audited the accompanying financial statements of San Luis Coastal Education Foundation (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditors' 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.

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**Board of Directors of
San Luis Coastal Education Foundation
Page 2**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Luis Coastal Education Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

October 19, 2021

San Luis Coastal Education Foundation
Statement of Financial Position
June 30, 2021 and 2020

| Assets | 2021 | 2020 |
|---------------------------------------|----------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 655,375 | \$ 1,215,025 |
| Accounts receivable | 1,965 | |
| Total current assets | <u>657,340</u> | <u>1,215,025</u> |
| Noncurrent assets: | | |
| SB 1090 receivable | 3,250,000 | 5,500,000 |
| Quasi-endowment investments | 7,920,516 | 4,490,794 |
| Total other assets | <u>11,170,516</u> | <u>9,990,794</u> |
| Total assets | <u>\$ 11,827,856</u> | <u>\$ 11,205,819</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ | \$ 60,243 |
| Accrued liabilities | 26,850 | 15,238 |
| Total current liabilities | <u>26,850</u> | <u>75,481</u> |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 3,460,067 | 5,564,718 |
| Board designated for quasi-endowment | 7,920,516 | 4,490,794 |
| Total without donor restrictions | <u>11,380,583</u> | <u>10,055,512</u> |
| With donor restrictions | 420,423 | 1,074,826 |
| Total net assets | <u>11,801,006</u> | <u>11,130,338</u> |
| Total liabilities and net assets | <u>\$ 11,827,856</u> | <u>\$ 11,205,819</u> |

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

San Luis Coastal Education Foundation
Statement of Activities
Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|----------------------|
| Support: | | | |
| Contributions | \$ 64,869 | \$ 214,456 | \$ 279,325 |
| SB 1090 revenue | | | - |
| In-kind contributions | 176,342 | | 176,342 |
| Investment income, net | 243,883 | | 243,883 |
| Miscellaneous income | 99 | | 99 |
| Net assets released from restrictions | 868,859 | (868,859) | - |
| | <u>1,354,052</u> | <u>(654,403)</u> | <u>699,649</u> |
| Expenses: | | | |
| Program services | 990,824 | | 990,824 |
| Supporting services: | | | |
| Management and general | 83,785 | | 83,785 |
| Fundraising | 41,156 | | 41,156 |
| Total expenses | <u>1,115,765</u> | | <u>1,115,765</u> |
| Net depreciation (realized and unrealized) | <u>(1,086,784)</u> | | <u>(1,086,784)</u> |
| Change in net assets | 1,325,071 | (654,403) | 670,668 |
| Net assets - beginning of year | <u>10,055,512</u> | <u>1,074,826</u> | <u>11,130,338</u> |
| Net assets - end of year | <u>\$ 11,380,583</u> | <u>\$ 420,423</u> | <u>\$ 11,801,006</u> |

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

San Luis Coastal Education Foundation
Statement of Activities
Year Ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|----------------------|
| Support: | | | |
| Contributions | \$ 127,848 | \$ 1,298,300 | \$ 1,426,148 |
| SB 1090 revenue | 10,000,000 | | 10,000,000 |
| In-kind contributions | 169,786 | | 169,786 |
| Investment income, net | 66,953 | | 66,953 |
| Net assets released from restrictions | 223,474 | (223,474) | - |
| | <u>10,588,061</u> | <u>1,074,826</u> | <u>11,662,887</u> |
| Total support | | | |
| Expenses: | | | |
| Program services | 365,896 | | 365,896 |
| Supporting services: | | | |
| Management and general | 84,239 | | 84,239 |
| Fundraising | 83,279 | | 83,279 |
| Total expenses | <u>533,413</u> | | <u>533,413</u> |
| Net appreciation (realized and unrealized) | <u>75,896</u> | | <u>75,896</u> |
| Change in net assets | 9,978,752 | 1,074,826 | 11,053,578 |
| Net assets - beginning of year | <u>76,760</u> | | <u>76,760</u> |
| Net assets - end of year | <u>\$ 10,055,512</u> | <u>\$ 1,074,826</u> | <u>\$ 11,130,338</u> |

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

San Luis Coastal Education Foundation
Statement of Functional Expenses
Year Ended June 30, 2021

| | <u>Program Services</u> | | | | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------------|-------------------------|------------------------|----------------------------|----------------------------------|-----------------------------------|--------------------|---------------------|
| | <u>iINNOVATE</u> | <u>Legacy Fund</u> | <u>Learning Grants</u> | <u>School Closure Impact</u> | | | |
| Advertising | \$ | \$ | \$ | \$ | | \$ 840 | \$ 840 |
| Audit and tax | | | | | 10,200 | | 10,200 |
| Grant expense | 7,123 | 10,000 | 2,321 | 49,982 | | | 69,426 |
| Grant expense - lab contract labor | 71,621 | | | | | | 71,621 |
| Grant expense - lab furnishings | 287,519 | | | | | | 287,519 |
| Grant expense - lab supplies | 175,514 | | | | | | 175,514 |
| Grant expense - lab technology | 316,207 | | | | | | 316,207 |
| Insurance | | | | | 1,942 | | 1,942 |
| Legal fees | | | | | 264 | | 264 |
| Occupancy | 655 | | | | 655 | 327 | 1,637 |
| Online transaction fees | | | | | 41 | 1,061 | 1,102 |
| Other expense | | | | | 801 | | 801 |
| Personnel expense | 69,882 | | | | 69,882 | 34,941 | 174,705 |
| Printing and publications | | | | | | 1,035 | 1,035 |
| Software | | | | | | 2,952 | 2,952 |
| | <u>\$ 928,521</u> | <u>\$ 10,000</u> | <u>\$ 2,321</u> | <u>\$ 49,982</u> | <u>\$ 83,785</u> | <u>\$ 41,156</u> | <u>\$ 1,115,765</u> |

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

San Luis Coastal Education Foundation
Statement of Functional Expenses
Year Ended June 30, 2020

| | <u>Program Services</u> | | | | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------------|-------------------------|------------------------|----------------------------|----------------------------------|-----------------------------------|--------------------|-------------------|
| | <u>iINNOVATE</u> | <u>Legacy Fund</u> | <u>Learning Grants</u> | <u>School Closure Impact</u> | | | |
| Advertising | \$ | \$ | \$ | \$ | | \$ 1,607 | \$ 1,607 |
| Audit and tax | | | | | 12,000 | | 12,000 |
| Grant expense | | | 107,802 | 51,000 | | | 158,802 |
| Grant expense - lab contract labor | 80,946 | | | | | | 80,946 |
| Grant expense - lab supplies | 19,054 | | | | | | 19,054 |
| Grant expense - lab technology | 72,474 | | | | | | 72,474 |
| Insurance | | | | | 1,973 | | 1,973 |
| Internship fees | | | | | | 2,598 | 2,598 |
| Legal fees | | | | | 1,398 | | 1,398 |
| Meals | 191 | | | | | 463 | 654 |
| Occupancy | 327 | | | | 655 | 655 | 1,637 |
| Online transaction fees | | | | | - | 2,343 | 2,343 |
| Other expense | | | | | 953 | | 953 |
| Personnel expense | 33,630 | | | | 67,260 | 67,260 | 168,149 |
| Printing and publications | | | | | | 5,701 | 5,701 |
| Software | | | | | | 2,652 | 2,652 |
| Travel and conferences | 472 | | | | | | 472 |
| | <u>\$ 207,094</u> | <u>\$</u> | <u>\$ 107,802</u> | <u>\$ 51,000</u> | <u>\$ 84,239</u> | <u>\$ 83,279</u> | <u>\$ 533,413</u> |

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

San Luis Coastal Education Foundation
Statement of Cash Flows
Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|--------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 670,668 | \$ 11,053,578 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Net realized and unrealized (gain) loss on investments | (1,086,784) | 75,896 |
| Changes in operating assets and liabilities: | | |
| SB 1090 receivable | 2,250,000 | (5,500,000) |
| Accounts receivable | (1,965) | |
| Accounts payable | (60,243) | 59,404 |
| Accrued liabilities | 11,612 | 15,238 |
| Net cash provided by operating activities | <u>1,783,288</u> | <u>5,704,116</u> |
| Cash flows from investing activities: | | |
| Purchase of investments and reinvestment of net investment earnings | (5,760,707) | (5,470,388) |
| Proceeds from sale of investments | <u>3,417,769</u> | <u>903,698</u> |
| Net cash used in investing activities | <u>(2,342,938)</u> | <u>(4,566,690)</u> |
| Net increase (decrease) in cash | (559,650) | 1,137,426 |
| Cash and cash equivalents - beginning of year | <u>1,215,025</u> | <u>77,599</u> |
| Cash and cash equivalents - end of year | <u>\$ 655,375</u> | <u>\$ 1,215,025</u> |
| Supplemental disclosures of cash flow information: | | |
| Interest paid during the period | \$ 1,102 | \$ 1,637 |

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

San Luis Coastal Education Foundation
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Business

The San Luis Coastal Education Foundation (the Organization) was established in 2019 in San Luis Obispo, California, and is a nonprofit organization incorporated for charitable purposes as permitted under section 501(c)(3) of the Internal Revenue Code. The mission of the Organization is to provide resources and opportunities for excellence in teaching, promote innovation in learning and partner with the community to enhance the quality of education for all students of the San Luis Coastal Unified School District (the District). The Organization derives the majority of its revenues from contributions and grants.

Note 2: Summary of Significant Accounting Policies

Cash and Cash Equivalents and Restricted Cash

For purposes of the statement of cash flow, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents at June 30, 2021 and 2020.

Accounts Receivable and Allowance for Doubtful Accounts

It is the policy of management to review the outstanding grants, accounts and contributions receivable at year-end, as well as historical bad debt write-offs and aging analysis, and establish an allowance for doubtful accounts for estimated uncollectible amounts. At June 30, 2021 and 2020, management believed that no allowance for doubtful accounts was necessary for accounts receivable.

Investments and Quasi-Endowment Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain or loss is reported in the statement of activities and may include interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Funds received by the Organization as the result of the passage of Senate Bill 1090 (SB 1090) are maintained in a Quasi-Endowment Fund. This board-designated fund has been established to protect the resources and provide stewardship funds for various programs and operating expenses that enable the Organization to fulfill its mission long term. These funds included \$7,920,516 and \$4,490,794 in net assets without donor restrictions for the years ended June 30, 2021 and 2020, respectively. Investment fees for this fund were \$29,717 and \$10,877 for the years ended June 30, 2021 and 2020, respectively.

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Page 2

Note 2: Summary of Significant Accounting Policies (Continued)

The quasi-endowment is managed as follows:

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for quasi-endowment assets that attempt to maintain a prudent balance between preservation of capital and long-term growth as well as sufficient liquidity to provide for periodic disbursements to support the objectives of the quasi-endowment. The investment objectives call for a philosophy which avoids extreme positions or opportunistic styles.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that balances a greater emphasis on equity-based investments to achieve its long-term rate-of-return objectives within prudent risk constraints along with an allocation to fixed income to provide certainty of return and tempering of volatility.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Organization has a policy of appropriating for distribution each year not more than an amount equal to the prior year's growth, after adjusting for inflation as defined in the bylaws of the Organization. For the years ended June 30, 2021 and 2020, there were distributions of \$150,000 and \$0, respectively.

Net Assets

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 therein 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. The governing board has designated, from net assets without donor restrictions, assets totaling \$7,920,516 and \$4,490,794 to be maintained in a quasi-endowment fund at June 30, 2021 and 2020, respectively.

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.

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Page 3

Note 2: Summary of Significant Accounting Policies (Continued)

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give at June 30, 2021 and 2020.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. Annually, the Organization files a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. Management has determined the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred and were \$840 and \$1,607 during the years ended June 30, 2021 and 2020, respectively.

Donated Materials and Services

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Page 4

Note 2: Summary of Significant Accounting Policies (Continued)

The personnel costs of the Organization, which currently consist of the Executive Director are paid by San Luis Coastal Unified School District, who also provides office space, utilities and equipment to the Organization. This contribution consists of \$174,705 in personnel related costs and \$1,636 for occupancy related costs for the year ended June 30, 2021, and \$168,149 in personnel related costs and \$1,637 for occupancy related costs for the year ended June 30, 2020, and are included in the statement of activities as in-kind contributions.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. At June 30, 2021 and 2020, cash in excess of insured amounts were \$330,375 and \$945,633, respectively. To date, the Organization has not experienced losses in any of these accounts.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and the size of the accounts receivable balances. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization and the board believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Functional Allocations of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Based upon management estimates, costs have been allocated between program services and supporting services, including fundraising, as they relate to those functions. The expenses that are allocated include personnel and occupancy expense which are allocated on the basis of estimates of time and effort.

Fair Value Measurements

The Organization records its financial assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of FASB ASC (the Topic). The Topic provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Page 5

Note 2: Summary of Significant Accounting Policies (Continued)

transaction between market participants at the reporting date. The Topic also establishes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

This hierarchy requires the Organization to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Equity and tangible assets: Equity and tangible assets are recorded at fair value based upon quoted market prices using Level 1 inputs.

Bonds: Bonds are primarily municipal and other government bonds that are recorded at based upon quoted market prices for similar assets in inactive markets using Level 2 inputs.

At June 30, 2021, the following sets forth by level, within the fair value hierarchy, the Organization's quasi-endowment investments at fair value:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|---------------------|---------------------|----------------|---------------------|
| Cash and money market funds pending investment | \$ 338,779 | \$ | \$ | \$ 338,779 |
| Mutual funds | | | | |
| Bonds | | 2,970,796 | | 2,970,796 |
| Equity | 4,351,953 | | | 4,351,953 |
| Tangible assets | 258,988 | | | 258,988 |
| Total assets at fair value | <u>\$ 4,949,720</u> | <u>\$ 2,970,796</u> | <u>\$ -</u> | <u>\$ 7,920,516</u> |

San Luis Coastal Education Foundation
Notes to Financial Statements
June 30, 2021 and 2020
Page 6

Note 2: Summary of Significant Accounting Policies (Continued)

At June 30, 2020, the following sets forth by level, within the fair value hierarchy, the Organization’s quasi-endowment investments at fair value:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|---------------------|---------------------|----------------|---------------------|
| Cash and money market funds pending investment | \$ 515,829 | \$ | \$ | \$ 515,829 |
| Mutual funds | | | | |
| Bonds | | 1,629,970 | | 1,629,970 |
| Equity | 2,213,317 | | | 2,213,317 |
| Tangible assets | <u>131,678</u> | | | <u>131,678</u> |
| | | | | |
| Total assets at fair value | <u>\$ 2,860,824</u> | <u>\$ 1,629,970</u> | <u>\$ -</u> | <u>\$ 4,490,794</u> |

Reclassifications

Certain amounts in the prior year financial statements have been reclassified in order to be comparable with the current year presentation.

Note 3: Liquidity and Availability

At June 30, 2021, financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|--|-------------------|
| Cash and cash equivalents | \$ 655,375 |
| Accounts receivable | 1,965 |
| Less: net assets with purpose restrictions | <u>(420,423)</u> |
| | <u>\$ 236,917</u> |

The Organization is committed to investing in the long-term success of the San Luis Coastal Unified School District. To do so, management believes the investment strategy must balance the Organization’s need to invest in near term program initiatives while ensuring the long-term stability of the Foundation. As part of management’s liquidity management plan, cash in excess of daily requirements is maintained in cash and savings accounts.

As shown on the statement of financial position, the board has designated a portion of their net assets without donor restrictions as a quasi-endowment. It is the board’s intent to add the SB 1090 receivables of \$2,250,000 to the quasi-endowment once received so they have been excluded from the liquidity and availability table above. See Note 4.

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Page 7

Note 4: Investments and Quasi-Endowment Investments

At June 30, 2021 and 2020, quasi-endowment investments were carried at fair value and consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash and money market funds pending investment | \$ 338,779 | \$ 515,829 |
| Mutual funds | | |
| Bonds | 2,970,796 | 1,629,970 |
| Equity | 4,351,953 | 2,213,317 |
| Tangible asset | <u>258,988</u> | <u>131,678</u> |
| Total quasi-endowment investments | <u>\$ 7,920,516</u> | <u>\$ 4,490,794</u> |

The SB 1090 Quasi-Endowment Fund was established by the Board and is currently invested in cash, and bond and equity mutual funds. The funds are intended to be used for a variety of activities related to stewardship funds for various programs and the operational costs of the Organization and are included in net assets without donor restriction. The portfolio emphasizes safety and income, with a secondary goal of capital growth. Short term losses are acceptable in return for a degree of long-term growth. The portfolio is primarily invested in mutual funds but may be adjusted based on long-term trends in the market.

For the years ended June 30, 2021 and 2020, changes in quasi-endowment net assets were as follows:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Quasi-endowment net assets - beginning of year | \$ 4,490,794 | \$ |
| Investment Return: | | |
| Investment income, net of fees | 242,938 | 66,690 |
| Net appreciation (realized and unrealized) | <u>1,086,784</u> | <u>(75,896)</u> |
| Total investment return | 1,329,722 | (9,206) |
| Contributions | 2,250,000 | 4,500,000 |
| Appropriation of quasi-endowment assets for expenditure | <u>(150,000)</u> | <u>-</u> |
| Quasi-endowment net assets - end of year | <u>\$ 7,920,516</u> | <u>\$ 4,490,794</u> |

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Page 8

Note 5: Restrictions on Net Assets

At June 30, 2021 and 2020, the Organization had the following net assets with donor restrictions:

| | <u>2021</u> | <u>2020</u> |
|----------------------------|-------------------|---------------------|
| Purpose restrictions: | | |
| iINNOVATE | \$ 379,303 | \$ 1,027,311 |
| Andrea Blanco Legacy Fund | 2,778 | 1,938 |
| School Closure Impact Fund | 34,702 | 45,577 |
| Opportunity Fund | 3,640 | |
| | <u>\$ 420,423</u> | <u>\$ 1,074,826</u> |

Note 6: Related Party Transactions

The Organization received a contribution of salary and benefits, office space, utilities, and equipment from a related party. See Note 2.

Note 7: COVID-19 Pandemic

The Organization has been impacted by the COVID-19 pandemic. The extent to which COVID-19 will impact business will depend on future developments and public health advancements, which are highly uncertain and cannot be predicted with confidence. Due to this uncertainty surrounding the on-going pandemic, the length and severity of the outbreak, and the disruption across supply chains, economies and financial markets, there is uncertainty as to how these events will affect results of operations in the future.

Note 8: Subsequent Events

Events subsequent to June 30, 2021 have been evaluated through October 19, 2021, which is the date the financial statements were available to be issued. Management did not identify any subsequent events requiring disclosure.