

San Luis Coastal Education Foundation



Audited Financial Statements

Years Ended June 30, 2023 and 2022



San Luis Coastal Education Foundation
Financial Statements
Years Ended June 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of
San Luis Coastal Education Foundation

Opinion

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, 2023 and 2022, 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 San Luis Coastal Education Foundation as of June 30, 2023 and 2022, 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 audit 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 San Luis Coastal Education Foundation 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 opinions.

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 San Luis Coastal Education Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Board of Directors of
San Luis Coastal Education Foundation
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Auditor's Responsibility 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 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 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 San Luis Coastal Education Foundation'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 San Luis Coastal Education Foundation'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.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

October 17, 2023

San Luis Coastal Education Foundation
Statement of Financial Position
June 30, 2023 and 2022

| Assets | 2023 | 2022 |
|---------------------------------------|-----------------------------|-----------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 765,806 | \$ 722,441 |
| Prepaid expenses | <u>22,528</u> | <u> </u> |
| Total current assets | <u>788,334</u> | <u>722,441</u> |
| Noncurrent assets: | | |
| SB 1090 receivable | | 1,000,000 |
| Endowment investments | <u>10,412,228</u> | <u>8,751,418</u> |
| Total other assets | <u>10,412,228</u> | <u>9,751,418</u> |
| Total assets | <u><u>\$ 11,200,562</u></u> | <u><u>\$ 10,473,859</u></u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accrued liabilities | <u>\$ 18,636</u> | <u>\$ 23,992</u> |
| Total current liabilities | <u>18,636</u> | <u>23,992</u> |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 376,851 | 1,269,850 |
| Board designated endowment | <u>10,412,228</u> | <u>8,751,418</u> |
| Total without donor restrictions | <u>10,789,079</u> | <u>10,021,268</u> |
| With donor restrictions | <u>392,847</u> | <u>428,599</u> |
| Total net assets | <u>11,181,926</u> | <u>10,449,867</u> |
| Total liabilities and net assets | <u><u>\$ 11,200,562</u></u> | <u><u>\$ 10,473,859</u></u> |

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

San Luis Coastal Education Foundation
Statement of Activities
Year Ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------|
| Support: | | | |
| Contributions | \$ 117,125 | \$ 294,341 | \$ 411,466 |
| Contributions of nonfinancial assets | 245,194 | | 245,194 |
| Miscellaneous income | 159 | | 159 |
| | | | |
| Gross special events revenue | 2,512 | | 2,512 |
| Less cost of direct benefits to donors | (50,441) | | (50,441) |
| Net special event revenue | (47,929) | | (47,929) |
| | | | |
| Net investment return | 950,603 | | 950,603 |
| Net assets released from restrictions | 330,093 | (330,093) | |
| | | | |
| Total support | 1,595,245 | (35,752) | 1,559,493 |
| Expenses: | | | |
| Program services | 564,842 | | 564,842 |
| Supporting services: | | | |
| Management and general | 71,618 | | 71,618 |
| Fundraising | 190,974 | | 190,974 |
| Total expenses | 827,434 | | 827,434 |
| | | | |
| Change in net assets | 767,811 | (35,752) | 732,059 |
| | | | |
| Net assets - beginning of year | 10,021,268 | 428,599 | 10,449,867 |
| | | | |
| Net assets - end of year | \$ 10,789,079 | \$ 392,847 | \$ 11,181,926 |

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

San Luis Coastal Education Foundation
Statement of Activities
Year Ended June 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|----------------------|
| Support: | | | |
| Contributions | \$ 58,454 | \$ 249,855 | \$ 308,309 |
| SB 1090 revenue | | | |
| Contributions of nonfinancial assets | 186,792 | | 186,792 |
| Miscellaneous income | 242 | | 242 |
| Net investment return (loss) | (1,268,703) | | (1,268,703) |
| Net assets released from restrictions | <u>241,679</u> | <u>(241,679)</u> | |
| Total support | <u>(781,536)</u> | <u>8,176</u> | <u>(773,360)</u> |
| Expenses: | | | |
| Program services | 367,523 | | 367,523 |
| Supporting services: | | | |
| Management and general | 58,680 | | 58,680 |
| Fundraising | <u>151,576</u> | | <u>151,576</u> |
| Total expenses | <u>577,779</u> | | <u>577,779</u> |
| Change in net assets | (1,359,315) | 8,176 | (1,351,139) |
| Net assets - beginning of year | <u>11,380,583</u> | <u>420,423</u> | <u>11,801,006</u> |
| Net assets - end of year | <u>\$ 10,021,268</u> | <u>\$ 428,599</u> | <u>\$ 10,449,867</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, 2023

| | Program Services | | | Total Program Services | Management and General | Fundraising | Cost of Direct Benefits to Donors | |
|--|-------------------|--------------------|-------------------|------------------------------|---------------------------|-------------------|---|-------------------|
| | iINNOVATE | Learning Grants | Opportunity | | | | Total | |
| Advertising | \$ | \$ | \$ | \$ | \$ | \$ 23,885 | \$ | \$ 23,885 |
| Annual event | | | | | | | 50,441 | 50,441 |
| Audit and tax | | | | | 19,275 | | | 19,275 |
| Grant expense | 188,573 | 40,583 | 235,755 | 464,911 | | | | 464,911 |
| Insurance | | | | | 1,929 | 587 | | 2,516 |
| Legal fees | | | | | 1,050 | | | 1,050 |
| Meals | | | 42 | 42 | 3,094 | 1,672 | | 4,808 |
| Occupancy | 409 | | 327 | 736 | 327 | 573 | | 1,636 |
| Online transaction fees | | | | | | 1,034 | | 1,034 |
| Other expense | | | | | 1,875 | | | 1,875 |
| Personnel expense | 55,085 | | 44,068 | 99,153 | 44,068 | 159,088 | | 302,309 |
| Software | | | | | | 4,135 | | 4,135 |
| Total expenses by function | 244,067 | 40,583 | 280,192 | 564,842 | 71,618 | 190,974 | 50,441 | 877,875 |
| Less expenses included with revenues on the statement of activities | | | | | | | | |
| Cost of direct benefits to donors | | | | | | | (50,441) | (50,441) |
| Total expenses included in expense section on the statement of activities | \$ 244,067 | \$ 40,583 | \$ 280,192 | \$ 564,842 | \$ 71,618 | \$ 190,974 | \$ - | \$ 827,434 |

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

San Luis Coastal Education Foundation
Statement of Functional Expenses
Year Ended June 30, 2022

| | Program Services | | | Total Program Services | Management and General | Fundraising | Total |
|--------------------------------|-------------------|--------------------|------------------|------------------------------|---------------------------|-------------------|-------------------|
| | iINNOVATE | Learning Grants | Opportunity | | | | |
| Advertising | \$ 1,757 | \$ | \$ | \$ 1,757 | \$ | \$ 4,198 | \$ 5,955 |
| Audit and tax | | | | | 12,000 | | 12,000 |
| Grant expense | 206,492 | 39,254 | 11,128 | 256,874 | | | 256,874 |
| Grant expense - lab supplies | 8,292 | | | 8,292 | | | 8,292 |
| Grant expense - lab technology | 16,544 | | | 16,544 | | | 16,544 |
| Insurance | | | | | 2,308 | | 2,308 |
| Legal fees | | | | | 1,050 | | 1,050 |
| Meals | | | | | 2,383 | | 2,383 |
| Occupancy | 409 | | 327 | 736 | 327 | 574 | 1,637 |
| Online transaction fees | | | | | | 660 | 660 |
| Other expense | | | | | 3,581 | | 3,581 |
| Personnel expense | 46,289 | | 37,031 | 83,320 | 37,031 | 132,122 | 252,473 |
| Printing and publications | | | | | | 9,614 | 9,614 |
| Software | | | | | | 4,408 | 4,408 |
| | <u>\$ 279,783</u> | <u>\$ 39,254</u> | <u>\$ 48,486</u> | <u>\$ 367,523</u> | <u>\$ 58,680</u> | <u>\$ 151,576</u> | <u>\$ 577,779</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, 2023 and 2022

| | 2023 | 2022 |
|---|-------------|----------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 732,059 | \$ (1,351,139) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Net realized and unrealized (gain) loss on investments | (817,049) | 1,659,453 |
| Changes in operating assets and liabilities: | | |
| SB 1090 receivable | 1,000,000 | 2,250,000 |
| Accounts receivable | | 1,965 |
| Prepaid expenses | (22,528) | |
| Accrued liabilities | (5,356) | (2,858) |
| Net cash provided by operating activities | 887,126 | 2,557,421 |
| Cash flows from investing activities: | | |
| Purchase of investments and reinvestment of net investment earnings | (4,181,805) | (10,332,966) |
| Proceeds from sale of investments | 3,338,044 | 7,842,611 |
| Net cash used in investing activities | (843,761) | (2,490,355) |
| Net increase in cash | 43,365 | 67,066 |
| Cash and cash equivalents - beginning of year | 722,441 | 655,375 |
| Cash and cash equivalents - end of year | \$ 765,806 | \$ 722,441 |
| Supplemental disclosures of cash flow information: | | |
| Interest paid during the period | \$ 660 | \$ 660 |

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

San Luis Coastal Education Foundation
Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022.

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, 2023 and 2022, management believed that no allowance for doubtful accounts was necessary for accounts receivable.

Investments and 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 Board Designated-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 \$10,401,228 and \$8,751,418 in net assets without donor restrictions as of June 30, 2023 and 2022, respectively. Investment fees for this fund were \$35,205 and \$37,777 for the years ended June 30, 2023 and 2022, respectively.

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2023 and 2022

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Note 2: Summary of Significant Accounting Policies (Continued)

The Organization also has one donor restricted endowment that was established in 2023 and will be maintained in perpetuity and designated to support excellence in teaching and innovations in learning. This endowment fund included \$11,000 in net assets with donor restrictions as of June 30, 2023.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2023, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023, there were no underwater funds.

The endowments are managed as follows:

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for 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 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,

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2023 and 2022

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Note 2: Summary of Significant Accounting Policies (Continued)

2023 and 2022, there were distributions of \$300,000 and \$150,000, respectively, from the board-designated endowment. There were no distributions from the donor restricted endowment fund during the year ended June 30, 2023.

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 \$10,401,228 and \$8,751,418 to be maintained in a board-designated endowment fund at June 30, 2023 and 2022, 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.

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, 2023 and 2022.

Reclassifications

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

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2023 and 2022

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Note 2: Summary of Significant Accounting Policies (Continued)

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 \$23,885 and \$5,955 during the years ended June 30, 2023 and 2022, 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.

The personnel costs of the Organization that are related to 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 \$220,339 in personnel related costs and \$1,637 for occupancy related costs for the year ended June 30, 2023, and \$185,155 in personnel related costs and \$1,637 for occupancy related costs for the year ended June 30, 2022, and are included in the statement of activities as contributions of nonfinancial assets.

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.

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2023 and 2022

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Note 2: Summary of Significant Accounting Policies (Continued)

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, 2023 and 2022, cash in excess of insured amounts were \$974,880 and \$472,441, 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

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;

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2023 and 2022

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Note 2: Summary of Significant Accounting Policies (Continued)

- 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, 2023, the following sets forth by level, within the fair value hierarchy, the Organization's 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 | \$ 886,504 | \$ | \$ | \$ 886,504 |
| Mutual funds | | | | |
| Bonds | | 3,009,531 | | 3,009,531 |
| Equity | 6,112,871 | | | 6,112,871 |
| Tangible assets | 403,322 | | | 403,322 |
| Total assets at fair value | <u>\$ 7,402,697</u> | <u>\$ 3,009,531</u> | <u>\$ -</u> | <u>\$ 10,412,228</u> |

At June 30, 2022, the following sets forth by level, within the fair value hierarchy, the Organization's 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 | \$ 415,112 | \$ | \$ | \$ 415,112 |
| Mutual funds | | | | |
| Bonds | | 3,041,983 | | 3,041,983 |
| Equity | 5,024,813 | | | 5,024,813 |
| Tangible assets | 269,510 | | | 269,510 |
| Total assets at fair value | <u>\$ 5,709,435</u> | <u>\$ 3,041,983</u> | <u>\$ -</u> | <u>\$ 8,751,418</u> |

San Luis Coastal Education Foundation

Notes to Financial Statements

June 30, 2023 and 2022

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Note 3: Liquidity and Availability

At June 30, 2023, 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:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 765,806 | \$ 722,441 |
| Less: net assets with purpose restrictions | <u>(392,847)</u> | <u>(428,599)</u> |
| | <u>\$ 372,959</u> | <u>\$ 293,842</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 Organization. As part of management's liquidity management plan, cash in excess of daily requirements is maintained in cash and savings accounts.

The Organization's endowment fund consists of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The board-designated endowment is subject to annual spending limits as described in Note 2. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 4: Investments and Endowment Investments

At June 30, 2023 and 2022, endowment investments were carried at fair value and consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|---------------------|
| Cash and money market funds pending investment | \$ 886,504 | \$ 415,112 |
| Mutual funds | | |
| Bonds | 3,009,531 | 3,041,983 |
| Equity | 6,112,871 | 5,024,813 |
| Tangible asset | <u>403,322</u> | <u>269,510</u> |
| Total endowment investments | <u>\$ 10,412,228</u> | <u>\$ 8,751,418</u> |

The SB 1090 Board-Designated 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

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Note 4: Investments and Endowment Investments (Continued)

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 year ended June 30, 2023, changes in endowment net assets were as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Endowment net assets - beginning of year | \$ 8,751,418 | \$ | \$ 8,751,418 |
| Investment Return: | | | |
| Investment income, net of fees | 344,663 | | 344,663 |
| Net appreciation (realized and unrealized) | <u>605,147</u> | | <u>605,147</u> |
| Total investment return | 949,810 | | 949,810 |
| Contributions | 1,000,000 | 11,000 | 1,011,000 |
| Appropriation of endowment assets for expenditure | <u>(300,000)</u> | | <u>(300,000)</u> |
| Endowment net assets - end of year | <u>\$ 10,401,228</u> | <u>\$ 11,000</u> | <u>\$ 10,412,228</u> |

For the year ended June 30, 2022, changes in endowment net assets were as follows:

| | <u>Without Donor Restrictions</u> |
|--|---------------------------------------|
| Board-designated endowment net assets - beginning of year | \$ 7,920,516 |
| Investment Return: | |
| Investment income, net of fees | 390,355 |
| Net appreciation (realized and unrealized) | <u>(1,659,453)</u> |
| Total investment return | (1,269,098) |
| Contributions | 2,250,000 |
| Appropriation of quasi-endowment assets for expenditure | <u>(150,000)</u> |
| Board-designated endowment net assets - end of year | <u>\$ 8,751,418</u> |

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Note 5: Restrictions on Net Assets

At June 30, 2023 and 2022, the Organization had the following net assets with donor restrictions:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|-------------------|-------------------|
| Purpose restrictions: | | |
| iINNOVATE | \$ 281,911 | \$ 368,083 |
| Andrea Blanco Legacy Fund | | 3,228 |
| School Closure Impact Fund | | 37,823 |
| Opportunity Fund | | 19,465 |
| ELEVATE Next Gen | 99,835 | |
| ELEVATE Athletics | 101 | |
| Perpetual in nature: | | |
| Education Impact Endowment Fund | 11,000 | |
| | <u>\$ 392,847</u> | <u>\$ 428,599</u> |

During the year ended June 30, 2023, the Organization combined the existing donor restricted net assets for the Andrea Blanco Legacy Fund, School Closure Impact Fund, and the Opportunity Fund into the ELEVATE Next Gen program.

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: Subsequent Events

Events subsequent to June 30, 2023, have been evaluated through October 16, 2023, which is the date the financial statements were available to be issued. Management did not identify any subsequent events requiring disclosure.