



Financial Statements
June 30, 2021 and 2020

Santa Monica Education Foundation

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Independent Auditor's Report

Board of Directors
Santa Monica Education Foundation
Santa Monica, California

Report on the Financial Statements

We have audited the accompanying financial statements of Santa Monica Education Foundation (the Foundation) (a California Nonprofit Public Benefit Corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2021, 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.

Report on Comparative Information

We have previously audited the 2020 financial statements of the Foundation, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 2021. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
November 15, 2021

Santa Monica Education Foundation
 Statements of Financial Position
 June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 565,972	\$ 855,665
Short-term investments	3,793,777	3,379,577
Unconditional promises to give, net	123,753	113,355
Prepaid expenses	22,242	19,707
Total current assets	4,505,744	4,368,304
Non-current assets		
Unconditional promises to give, net	42,057	89,557
Investments	8,738,636	6,918,183
Property and equipment, net	2,709	6,919
Total non-current assets	8,783,402	7,014,659
Total assets	\$ 13,289,146	\$ 11,382,963
Liabilities		
Current liabilities		
Annual Fund payable	\$ 1,463,229	\$ 2,068,155
Grants payable	57,463	32,033
Accounts payable	3,392	1,128
Deferred revenue	27,154	17,294
Refundable advance	96,972	-
Refundable advance - Paycheck Protection Program (PPP)	94,021	98,401
Total current liabilities	1,742,231	2,217,011
Net Assets		
Without donor restrictions	1,321,734	989,227
With donor restrictions	10,225,181	8,176,725
Total net assets	11,546,915	9,165,952
Total liabilities and net assets	\$ 13,289,146	\$ 11,382,963

Santa Monica Education Foundation
 Statements of Activities
 Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 10,419	\$ 2,473,655	\$ 2,484,074
PPP loan forgiveness revenue	98,401	-	98,401
In-kinds contributions	95,000	-	95,000
Special events net of direct benefit expense of \$48,122	-	98,667	98,667
Interest and dividends net of fees of \$43,893	43,622	154,687	198,309
Realized gains on investments	254,085	1,137,359	1,391,444
Unrealized gains on investments	132,046	596,832	728,878
Summer school	20,698	-	20,698
Net assets released from restrictions	2,412,744	(2,412,744)	-
Total support and revenues	<u>3,067,015</u>	<u>2,048,456</u>	<u>5,115,471</u>
Expenses			
Program services	2,066,048	-	2,066,048
Management and general	128,062	-	128,062
Fundraising and development	540,398	-	540,398
Total expenses	<u>2,734,508</u>	<u>-</u>	<u>2,734,508</u>
Change in Net Assets	332,507	2,048,456	2,380,963
Net Assets, Beginning of Year	<u>989,227</u>	<u>8,176,725</u>	<u>9,165,952</u>
Net Assets, End of Year	<u>\$ 1,321,734</u>	<u>\$ 10,225,181</u>	<u>\$ 11,546,915</u>

Santa Monica Education Foundation
 Statements of Activities
 Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ -	\$ 2,773,431	\$ 2,773,431
Donated professional services	17,150	-	17,150
In-kinds contributions	95,000	-	95,000
Special events net of direct benefit expense of \$29,534	56,488	-	56,488
Interest and dividends net of fees of \$45,699	64,403	161,071	225,474
Realized gains on investments	10,732	8,641	19,373
Unrealized gains on investments	10,447	100,185	110,632
Summer school	100,315	-	100,315
Net assets released from restrictions	2,933,455	(2,933,455)	-
Total support and revenues	<u>3,287,990</u>	<u>109,873</u>	<u>3,397,863</u>
Expenses			
Program services	2,559,228	-	2,559,228
Management and general	151,002	-	151,002
Fundraising and development	596,474	-	596,474
Total expenses	<u>3,306,704</u>	<u>-</u>	<u>3,306,704</u>
Change in Net Assets	(18,714)	109,873	91,159
Net Assets, Beginning of Year	<u>1,007,941</u>	<u>8,066,852</u>	<u>9,074,793</u>
Net Assets, End of Year	<u>\$ 989,227</u>	<u>\$ 8,176,725</u>	<u>\$ 9,165,952</u>

Santa Monica Education Foundation
 Statements of Functional Expenses
 Year Ended June 30, 2021

	Program Services			Management and General	Fundraising and Development	Total Expenses
	Annual Fund	Educational Grants	Total			
Grants	\$ 1,463,229	\$ 541,818	\$ 2,005,047	\$ -	\$ -	\$ 2,005,047
Payroll and benefits	-	50,803	50,803	69,187	392,130	512,120
Insurance	-	-	-	16,729	-	16,729
Professional fees	-	-	-	20,689	-	20,689
Bank charges	-	683	683	-	44,460	45,143
Marketing and reception	-	-	-	-	11,272	11,272
Printing	-	-	-	86	13,047	13,133
Postage	-	-	-	251	2,162	2,413
Storage and supplies	-	15	15	2,899	-	2,914
Conference and development	-	-	-	477	782	1,259
Database/website management	-	-	-	-	3,322	3,322
Occupancy	-	9,500	9,500	13,300	72,200	95,000
Depreciation	-	-	-	4,210	-	4,210
Telephone	-	-	-	-	1,023	1,023
Interest	-	-	-	234	-	234
Total functional expenses	\$ 1,463,229	\$ 602,819	\$ 2,066,048	\$ 128,062	\$ 540,398	\$ 2,734,508

Santa Monica Education Foundation

Statements of Functional Expenses

Year Ended June 30, 2020

	Program Services			Management and General	Fundraising and Development	Total Expenses
	Annual Fund	Educational Grants	Total			
Grants	\$ 2,068,155	\$ 424,465	\$ 2,492,620	\$ -	\$ -	\$ 2,492,620
Payroll and benefits	-	56,576	56,576	73,698	415,555	545,829
Insurance	-	-	-	14,362	-	14,362
Professional fees	-	-	-	38,877	-	38,877
Bank charges	-	517	517	-	45,908	46,425
Marketing and reception	-	-	-	-	13,069	13,069
Printing	-	-	-	127	31,655	31,782
Postage	-	-	-	123	7,751	7,874
Storage and supplies	-	15	15	3,115	-	3,130
Conference and development	-	-	-	884	5,390	6,274
Database/website management	-	-	-	-	3,920	3,920
Occupancy	-	9,500	9,500	13,300	72,200	95,000
Depreciation	-	-	-	6,364	-	6,364
Telephone	-	-	-	-	1,026	1,026
Interest	-	-	-	152	-	152
Total functional expenses	\$ 2,068,155	\$ 491,073	\$ 2,559,228	\$ 151,002	\$ 596,474	\$ 3,306,704

Santa Monica Education Foundation
Statements of Cash Flows
Year Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 2,380,963	\$ 91,159
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation expense	4,210	6,364
Realized and unrealized gain on investments	(2,120,322)	(130,005)
PPP loan forgiveness	(98,401)	-
Changes in operating assets and liabilities		
Unconditional promises to give, net	37,102	(74,793)
Prepaid expenses	(2,535)	3,404
Annual Fund payable	(604,926)	(36,409)
Grants payable	25,430	(99,175)
Accounts payable	2,264	(12,041)
Deferred revenue	9,860	6,122
Refundable advance	96,972	-
Refundable advance - PPP	94,021	98,401
	(175,362)	(146,973)
Net Cash from (used for) Operating Activities		
Investing Activities		
Purchases of investments	(10,518,697)	(4,618,114)
Proceeds from the sale of investments	10,404,366	5,248,254
	(114,331)	630,140
Net Cash from (used for) Investing Activities		
Net Change in Cash and Cash Equivalents	(289,693)	483,167
Cash and Cash Equivalents, Beginning of Year	855,665	372,498
Cash and Cash Equivalents, End of Year	\$ 565,972	\$ 855,665

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Established in 1982, the Santa Monica Education Foundation (the Foundation), formerly Santa Monica - Malibu Education Foundation, is a California nonprofit corporation. The Foundation is administered by a dedicated group of parents, business people and community leaders. The goal of the Foundation is to raise funds to support curriculum in the Santa Monica public schools in the area of arts, academics, and athletics.

The Foundation filed a Certificate of Amendment with the California Secretary of State to change its name to the "Santa Monica Education Foundation", and the amendment was accepted on July 5th, 2018. As of that day forward, the Foundation will only raise funds to support curriculum in the Santa Monica public schools in the area of arts, academics, and athletics.

Annual Fund

In November 2011, the Santa Monica Malibu Unified School District (SMMUSD) approved a centralized fundraising policy which designated the Foundation as its centralized fundraising organization. Prior to this, the Foundation typically raised \$500,000 annually to support programs in the SMMUSD. A comprehensive plan entitled Annual Fund was developed to provide robust and collaborative academic and arts programs for every student at each school in the District starting in the 2014-2015 school year. Since the 2014-15 school year, the Foundation is the sole organization to raise funds for personnel and professional development for every Santa Monica public school.

Educational Grants

The Foundation focuses on improving student achievement and teacher leadership by providing educational grants to Santa Monica public schools and its teachers and students to support enrichment programs such as for science and technology, athletics, and arts, such as visual arts, theatre, and music.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, 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.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Realized and unrealized gains/(losses) and interest and dividends are reported in the statements of activities and consists of realized and unrealized capital gains and losses and interest and dividends, less external and direct internal investment expenses.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2021 and 2020, the Foundation evaluated the collectability of promises to give and no allowance for uncollectable promises to give was considered necessary.

Property and Equipment

Property and equipment additions over \$500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

Revenue and Revenue Recognition

The Foundation receives substantially all of its revenue from direct donations, pledges, and grants. Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor, either without or with restrictions. The Foundation reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about how the contributions are to be spent, the Foundation reports these contributions as without donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period the contribution 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 met. The Foundation received conditional contributions of \$96,972 that have not been recognized at June 30, 2021 because the conditions have not yet been met, with an advance payment of \$96,972 recognized in the statement of financial position as a refundable advance.

During the 2019-2020 year, the Foundation was granted a \$98,249 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Foundation initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Foundation has recognized \$98,401 as PPP loan forgiveness revenue, which includes \$98,249 in loan and \$152 in interest, for the year ended June 30, 2021.

During the 2020-2021 year, the Foundation was granted an additional loan of \$93,787 under the PPP administered by an SBA approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Foundation initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Foundation maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2021. The Foundation will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification that the loan will not be forgiven or partially forgiven. The terms of the loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The loan may be accelerated upon the occurrence of an event of default. At June 30, 2021, the refundable advance related to PPP consist of \$93,787 in loan and \$234 in interest.

The Foundation recognizes revenue from student tuition and fees for the summer enrichment program when the related services are provided to the students. The summer enrichment program is a fee-based program in which revenue is recognized at the start of the program when the fee is considered nonrefundable. All amounts received prior to the commencement of the summer enrichment program, including enrollment deposits, are deferred to the applicable period.

Donated Services and In-Kind Contributions

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. Donated professional services are recorded at the respective fair values of the services received (Note 9).

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities such as management and general activities and fundraising and development activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include occupancy, which are allocated on managements estimates, as well as salaries and wages, benefits, payroll taxes, grants, professional services, office expenses, information technology, interest, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation determined that it 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.

Management believes that the Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases. The ASU is effective for the Foundation for the year ended June 30, 2023. Management is evaluating the impact of the adoption of this standard.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities Contributed Nonfinancial Assets*, which requires a nonprofit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The ASU is effective for the Foundation for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

The Foundation has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions made. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2020, the Foundation has implemented the provisions of ASU 2018-08 applicable to contributions made on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Foundation's financial statements.

As of July 1, 2020, the Foundation adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. Management has determined that the adoption of this standard did not have a significant impact on the Organization’s financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization has adopted this ASU as of July 1, 2020. Management has updated the disclosures to adopt this standard.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 565,972	\$ 855,665
Short-term investments	3,793,777	3,379,577
Unconditional promises to give, net	123,753	113,355
Total	\$ 4,483,502	\$ 4,348,597

The Foundation receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 3 - Fair Value Measurements and Disclosures

The Foundation has determined the fair value of certain assets in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets that can be accessed at the reporting date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs. Level 3 inputs are unobservable inputs related to the asset. In these situations, inputs are developed using the best information in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to an entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of investments are classified within Level 1 because they are comprised of mutual funds with readily determinable fair values based on daily redemption values. Certain certificates of deposit are considered invested and traded in the financial markets. Those certificates of deposit, fixed income securities and other securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. Net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used to estimate the fair values of certain hedge funds, private equity funds, fund of funds, and limited partnerships which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy but are included in the table below to permit reconciliation to the accompanying statement of financial position.

The following table presents assets measured at fair value on a recurring basis, as identified in the following, at June 30, 2021:

	Quoted Prices in Active Markets (Level 1)
Investments	
Bond funds	\$ 4,129,710
Mutual funds	1,813,050
Foreign stock funds	1,628,595
Other domestic stock funds	4,961,058
	<u>\$ 12,532,413</u>

The following table presents assets measured at fair value on a recurring basis, as identified in the following, at June 30, 2020:

	Quoted Prices in Active Markets (Level 1)
Investments	
Bond funds	\$ 2,769,179
Mutual funds	729,488
Foreign stock funds	755,945
Other domestic stock funds	6,043,148
	<u>\$ 10,297,760</u>

Note 4 - Revenues from Contracts with Customers

The following table provides information about significant changes in the tuition fees paid in advance for the year ended June 30, 2021 and June 30, 2020:

	2021	2020
Tuition fees paid in advance, beginning of year	\$ 17,294	\$ 11,172
Revenue recognized that was included in tuition fees at the beginning of year	(17,294)	(11,172)
Increase in tuition fees due to cash received during the period	27,154	17,294
	<u>\$ 27,154</u>	<u>\$ 17,294</u>

Note 5 - Unconditional Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2021 and 2020:

	2021	2020
Within one year	\$ 123,753	\$ 113,355
In one to five years	45,000	92,500
	168,753	205,855
Less discount to net present value at rates ranging from 1.50% to 1.76%	(2,943)	(2,943)
	\$ 165,810	\$ 202,912

At June 30, 2021 and 2020, three donors accounted for 52% and 59% of total promises to give, respectively.

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2021 and 2020:

	2021	2020
Computer and equipment	\$ 70,812	\$ 70,812
Less accumulated depreciation	(68,103)	(63,893)
Total	\$ 2,709	\$ 6,919

Note 7 - Endowment

The Foundation's endowment (the Endowment) consists of approximately 4 individual funds established by donors to provide annual funding for specific activities and general operations.

The Board of Directors has interpreted the California 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 June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Foundation 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. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

As of June 30, 2021 and 2020, the endowment net asset composition by type of fund are as follows:

	<u>2021</u>	<u>2020</u>
Net Assets with Donor Restrictions		
Donor-restricted endowment funds		
For the Arts program	\$ 3,658,927	\$ 3,001,839
Peggy Bergmann Music	3,504,886	2,892,185
For Academics program	1,538,919	988,255
For Athletics program	<u>35,904</u>	<u>35,904</u>
Total nets assets with donor restrictions	<u>\$ 8,738,636</u>	<u>\$ 6,918,183</u>

Investment and Spending Policies

The Board of Directors has interpreted the California 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. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a diversified manner that is intended to produce results that exceed inflation and a custom benchmark composed of a benchmark for each asset class, while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of spending 5% of investment assets each year, based on the average of the prior 12 quarter market values of the investment assets, as stated by the Spending Policy in the Investment Policy Statement. At the recommendation of the Finance Committee, the December 31 values are used to accommodate the timing of the budgeting process. In establishing this policy, the Foundation considered the long-term expected return on its endowment, and that over the long-term investment return will exceed 5% allowing for a steady funding stream and growth of the funds.

Santa Monica Education Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$ 6,918,183
Investment return, net	1,614,916
Contributions	500,000
Appropriation of endowment assets pursuant to spending-rate policy	<u>(294,463)</u>
Endowment net assets, end of year	<u><u>\$ 8,738,636</u></u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$ 6,948,295
Investment return, net	241,838
Appropriation of endowment assets pursuant to spending-rate policy	<u>(271,950)</u>
Endowment net assets, end of year	<u><u>\$ 6,918,183</u></u>

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose		
Samohi scholarships	\$ 1,334,232	\$ 1,111,073
Annual fund	151	-
Other	4,606	5,412
Promises to give, the proceeds from which have been restricted by donors for educational programs	<u>147,557</u>	<u>142,057</u>
	<u>1,486,546</u>	<u>1,258,542</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
For the Arts program	3,658,926	3,001,839
Peggy Bergmann Music	3,504,886	2,892,185
For Academics program	1,538,919	988,255
For Athletics program	<u>35,904</u>	<u>35,904</u>
Total endowments	<u>8,738,635</u>	<u>6,918,183</u>
Total net assets with donor restrictions	<u><u>\$ 10,225,181</u></u>	<u><u>\$ 8,176,725</u></u>

Santa Monica Education Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors for the years ended June 30, 2021 and 2020.

	2021	2020
Satisfaction of Purpose Restrictions		
Annual Fund program	\$ 1,820,090	\$ 2,449,256
Samohi scholarships	202,385	167,845
Other	95,806	44,404
	2,118,281	2,661,505
Restricted-Purpose Spending-Rate Distributions and Appropriations		
For the Arts program	139,548	116,327
Peggy Bergmann Music	143,422	143,222
For Academics program	11,493	12,401
	294,463	271,950
Total nets assets released from donor restrictions	\$ 2,412,744	\$ 2,933,455

Note 9 - Donated Professional Services and Materials

Donated materials are as follows during the year ended June 30, 2021:

	Program Services	Management and General	Fundraising and Development	Total
Office rent	\$ 9,500	\$ 13,500	\$ 72,000	\$ 95,000
	\$ 9,500	\$ 13,500	\$ 72,000	\$ 95,000

Donated professional services and materials are as follows during the year ended June 30, 2020:

	Program Services	Management and General	Fundraising and Development	Total
Accounting services	\$ -	\$ 17,150	\$ -	\$ 17,150
Office rent	9,500	13,300	72,200	95,000
	\$ 9,500	\$ 30,450	\$ 72,200	\$ 112,150

Note 10 - Annual Fund

The Foundation began its Annual Fund fundraising drive in the year ended June 30, 2013.

During the year ended June 30, 2021, the Foundation authorized a total of \$1,463,229 as Annual Fund payable. The \$1,463,229 consists of \$1,753,266 of purpose-restricted funds received in the year ended June 30, 2021 as well as \$66,975 in restricted and unrestricted funds allocated by the Board less overhead expenses applied of \$356,861. A portion of the balance of the Annual Fund Payable of \$1,219,792 was disbursed to the SMMUSD on September 22, 2021. The remaining balance of the Annual Fund Payable of \$200,000 for additional one-time stretch grants and \$43,437 for the Academic Endowment grants will be disbursed when cost-reimbursements are received.

During the year ended June 30, 2020, the Foundation authorized a total of \$2,068,155 as Annual Fund payable. The \$2,068,155 consists of \$2,435,795 of purpose-restricted funds received in the year ended June 30, 2020 as well as \$69,950 in restricted and unrestricted funds allocated by the Board less overhead expenses applied of \$437,590. The entire balance of the Annual Fund Payable of \$2,068,155 was disbursed to the SMMUSD on August 16, 2020.

Note 11 - Contingencies, Risks, and Uncertainties

The Foundation has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the Foundation's financial position is not known.

Note 12 - Related Party Transactions

On January 5, 2015, the Samohi Alumni Association, a California Nonprofit Public Benefit Corporation (the Association) entered into an agreement with the Foundation to transfer Samohi Scholarship Funds with the total balance of \$670,043 to the Foundation for an initial period of 30 months. The Foundation agreed to administer and distribute the Samohi Scholarship Funds to eligible students based on the recommendation of the Scholarship Committee. The Foundation invests the Samohi Scholarship Funds in a manner consistent with the Foundation's investment policies and procedures. For the year ended June 30, 2017, the Foundation allocated 2% of 3 year rolling average market value balance for its provision of management services, and the Scholarship Committee received the other 2% to be used for scholarships. Effective July 1, 2017, the Foundation allocates 2% of 12 quarter rolling average market value balance for its provision of management services. For the years ended June 30, 2021 and 2020, \$18,158 and \$15,243 was allocated as administrative fees, respectively. For the years ended June 30, 2021 and 2020, \$184,227 and \$152,602 was distributed from the Samohi Scholarship Funds, respectively.

Note 13 - Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through November 15, 2021, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.