Financial Statements
June 30, 2020 and 2019

Santa Monica Education Foundation

EideBailly®

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, 2020, 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, 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.

Report on Comparative Information
The financial statements of the Foundation as of June 30, 2019 were audited by other auditors whose report dated May 5, 2020, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Rancho Cucamonga, California
February 15, 2021

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 855,665	$ 372,498
Short-term investments	3,379,577	3,849,600
Unconditional promises to give, net	113,355	63,562
Prepaid expenses	19,707	23,111
Total current assets	4,368,304	4,308,771
Non-current assets		
Unconditional promises to give, net	89,557	64,557
Investments	6,918,183	6,948,295
Property and equipment, net	6,919	13,283
Total non-current assets	7,014,659	7,026,135
Total assets	$ 11,382,963	$ 11,334,906
Liabilities		
Current liabilities		
Annual Fund payable	$ 2,068,155	$ 2,104,564
Grants payable	32,033	131,208
Accounts payable	1,128	13,169
Deferred revenue	17,294	11,172
Refundable advance - Paycheck Protection Program (PPP)	98,401	-
Total current liabilities	2,217,011	2,260,113
Net Assets		
Without donor restrictions	989,227	1,007,941
With donor restrictions	8,176,725	8,066,852
Total net assets	9,165,952	9,074,793
Total liabilities and net assets	$ 11,382,963	$ 11,334,906

	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	3,287,990	109,873	3,397,863
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	3,306,704	-	3,306,704
Change in Net Assets	(18,714)	109,873	91,159
Net Assets, Beginning of Year	1,007,941	8,066,852	9,074,793
Net Assets, End of Year	$ 989,227	$ 8,176,725	$ 9,165,952

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	$ -	$ 2,978,751	$ 2,978,751
Donated professional services	17,470	-	17,470
In-kinds contributions	65,148	-	65,148
Special events net of direct benefit expense of $35,155	135,803	-	135,803
Interest and dividends net of fees of $45,622	64,186	132,420	196,606
Realized gains on investments	16,219	96,069	112,288
Unrealized gains on investments	61,571	227,874	289,445
Summer school	67,305	-	67,305
Net assets released from restrictions	2,996,539	(2,996,539)	-
Total support and revenues	3,424,241	438,575	3,862,816
Expenses			
Program services	2,717,726	-	2,717,726
Management and general	138,547	-	138,547
Fundraising and development	547,009	-	547,009
Total expenses	3,403,282	-	3,403,282
Change in Net Assets	20,959	438,575	459,534
Net Assets, Beginning of Year	986,982	7,628,277	8,615,259
Net Assets, End of Year	$ 1,007,941	$ 8,066,852	$ 9,074,793

	Program Services					
	Annual Fund	Educational Grants	Total	Management and General	Fundraising and Development	Total Expenses
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

	Program Services					
	Annual Fund	Educational Grants	Total	Management and General	Fundraising and Development	Total Expenses
Grants	$ 2,104,564	$ 509,929	$ 2,614,493	$ -	$ -	$ 2,614,493
Payroll and benefits	-	92,612	92,612	75,760	383,113	551,485
Insurance	-	-	-	14,107	-	14,107
Professional fees	-	-	-	27,698	-	27,698
Bank charges	-	197	197	-	47,067	47,264
Marketing and reception	-	-	-	-	28,309	28,309
Printing	-	-	-	148	29,577	29,725
Postage	-	-	-	354	7,879	8,233
Storage and supplies	-	-	-	2,799	-	2,799
Conference and development	-	-	-	1,822	733	2,555
Database/website management	-	-	-	-	3,435	3,435
Occupancy	-	10,424	10,424	9,121	45,604	65,149
Depreciation	-	-	-	6,738	-	6,738
Telephone	-	-	-	-	1,292	1,292
Total functional expenses	$ 2,104,564	$ 613,162	$ 2,717,726	$ 138,547	$ 547,009	$ 3,403,282

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ 91,159	$ 459,534
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	6,364	6,738
Realized and unrealized gain on investments	(130,005)	(401,733)
Changes in operating assets and liabilities		
Unconditional promises to give, net	(74,793)	8,079
Prepaid expenses	3,404	(3,827)
Annual Fund payable	(36,409)	58,549
Grants payable	(99,175)	92,890
Accounts payable	(12,041)	11,534
Deferred revenue	6,122	4,588
Refundable advance - PPP	98,401	-
Net Cash from Operating Activities	(146,973)	236,352
Cash Flows from Investing Activities		
Purchases of property and equipment	-	(1,298)
Purchases of investments	(4,618,114)	(7,930,564)
Proceeds from the sale of investments	5,248,254	7,752,316
Net Cash from Investing Activities	630,140	(179,546)
Net Change in Cash and Cash Equivalents	483,167	56,806
Cash and Cash Equivalents, Beginning of Year	372,498	315,692
Cash and Cash Equivalents, End of Year	$ 855,665	$ 372,498

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 SMMUSD school.

Educational Grants

The Foundation focuses on improving student achievement and teacher leadership by providing educational grants to SMMUSD 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 statement of financial position. Realized and unrealized gains/(losses) and interest and dividends are reported in the statement 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, 2020 and 2019, the Foundation evaluated the collectability of promises to give and no allowance for uncollectible 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, 2020.

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 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 is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation has recorded the loan and any accrued interest 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, 2020. 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 partial forgiveness. At June 30, 2020, the refundable advance related to PPP consists of $98,249 in loan and $152 in interest.

Revenue is recognized for the summer enrichment program when the 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.

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 8).

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services 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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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, 2022. Management is evaluating the impact of the adoption of this standard.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Topic 606 is effective for the Foundation for the year ended June 30, 2021. 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 received. 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, 2019, the Foundation has implemented the provisions of ASU 2018-08 applicable to contributions received 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.

On June 3, 2020, the FASB issued Accounting Standards Update (ASU) 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) Effective Dates for Certain Entities, as part of its efforts to support and assist stakeholders as they cope with the many challenges and hardships related to the COVID-19 pandemic.

ASU 2020-05 defers the effective date of FASB ASC 606, *Revenue from Contract with Customers*, for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 606. Those entities may elect to adopt FASB ASC 606 for annual reporting periods beginning after December 15, 2019, and for interim reporting periods within annual reporting periods beginning after December 15, 2020. Those entities may elect to follow the original effective date of annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

The effective date for a public business entity, a nonprofit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and an employee benefit plan that files or furnishes financial statements with or to the Securities and Exchange Commission (SEC) is not affected by the amendments in this ASU.

The effective date of FASB ASC 842, *Leases*, is deferred by one year, as follows:

For private companies and private nonprofits, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

The Foundation has adopted this standard as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2020-05.

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, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 855,665	$ 372,498
Short-term investments	3,379,577	3,849,600
Promises to give	113,355	63,562
Total	$ 4,348,597	$ 4,285,660

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

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset.

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 entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset.

All of the Foundation's investment assets are classified within Level 1 because they comprise open-end mutual funds and stock funds with readily determinable fair values based on daily redemption values.

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

	Fair Value Measurements at Report Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	
Bond funds	$ 2,769,179
Mutual funds	729,488
Foreign stock funds	755,945
Other domestic stock funds	6,043,148
	$ 10,297,760

The following table presents assets measured at fair value on a recurring basis at June 30, 2019:

	Fair Value Measurements at Report Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	
Bond funds	$ 2,877,017
Mutual funds	1,432,396
Foreign stock funds	1,282,001
Other domestic stock funds	5,206,481
	$ 10,797,895

Note 4 - Unconditional Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2020 and 2019:

	2020	2019
Within one year	$ 113,355	$ 63,562
In one to five years	92,500	67,500
	205,855	131,062
Less discount to net present value at rates ranging from 1.50% to 1.76%	(2,943)	(2,943)
	$ 202,912	$ 128,119

At June 30, 2020 and 2019, three donors accounted for 59% and 50% of total promises to give, respectively.

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2020 and 2019:

	2020	2019
Computer and equipment	$ 52,635	$ 52,635
Less accumulated depreciation	(45,716)	(39,352)
Total	$ 6,919	$ 13,283

Note 6 - 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, 2020 and 2019, 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, 2020 and 2019, the endowment net asset composition by type of fund are as follows:

	2020	2019
Net Assets with Donor Restrictions		
Donor-restricted endowment funds		
For the Arts program	$ 3,001,839	$ 2,995,763
Peggy Bergmann Music	2,892,185	2,927,259
For Academics program	988,255	989,369
For Athletics program	35,904	35,904
Total nets assets with donor restrictions	$ 6,918,183	$ 6,948,295

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.

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

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

Changes in Endowment net assets for the year ended June 30, 2019 are as follows:

	With Donor Restrictions
Endowment Net Assets, Beginning of Year	$ 6,847,463
Investment return, net	389,805
Appropriation of endowment assets pursuant to spending-rate policy	(288,973)
Endowment net assets, end of year	$ 6,948,295

Note 7 - Net Assets with Donor Restrictions

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

	2020	2019
Subject to Expenditure for Specified Purpose		
Samohi scholarships	$ 1,111,073	$ 954,865
Other	5,412	64,136
Promises to give, the proceeds from which have been restricted by donors for educational programs	142,057	99,556
	1,258,542	1,118,557
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
For the Arts program	3,001,839	2,995,763
Peggy Bergmann Music	2,892,185	2,927,259
For Academics program	988,255	989,369
For Athletics program	35,904	35,904
Total endowments	6,918,183	6,948,295
Total net assets with donor restrictions	$ 8,176,725	$ 8,066,852

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, 2020 and 2019.

	2020	2019
Satisfaction of Purpose Restrictions		
Annual Fund program	$ 2,449,256	$ 2,428,111
Samohi scholarships	167,845	213,952
Other	44,404	65,503
	2,661,505	2,707,566
Restricted-Purpose Spending-Rate Distributions and Appropriations		
For the Arts program	116,327	133,212
Peggy Bergmann Music	143,222	143,839
For Academics program	12,401	11,922
	271,950	288,973
Total nets assets released from donor restrictions	$ 2,933,455	$ 2,996,539

Note 8 - Donated Professional Services and Materials

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

Donated professional services and materials are as follows during the year ended June 30, 2019:

	Program Services	Management and General	Fundraising and Development	Total
Accounting services	$ -	$ 17,470	$ -	$ 17,470
Office rent	10,424	9,121	45,603	65,148
	$ 10,424	$ 26,591	$ 45,603	$ 82,618

Note 9 - Annual Fund

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

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.

During the year ended June 30, 2019, the Foundation authorized a total of $2,104,564 as Annual Fund payable. The $2,104,564 consists of $2,562,953 of purpose-restricted funds received in the year ended June 30, 2019 as well as $189,149 in restricted and unrestricted funds allocated by the Board less overhead expenses applied of $647,538. The entire balance of the Annual Fund Payable of $2,104,564 was disbursed to the SMMUSD on August 29, 2019.

Note 10 - 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, 2020 and 2019, $15,243 and $12,635 was allocated as administrative fees, respectively. For the years ended June 30, 2020 and 2019, $152,602 and $201,317 was distributed from the Samohi Scholarship Funds, respectively.

Note 11 - Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through February 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.

On January 25, 2021, the Foundation was approved for forgiveness of the Paycheck Protection Program (PPP) loan in the amount of $98,249 loan and $720 in interest which was recognized as grant revenue.

Subsequent to year-end, 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.