



**SOLANA BEACH SCHOOLS FOUNDATION**  
Financial Statements and Supplemental Information  
Year Ended June 30, 2019

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## **Independent Auditor's Report**

Governance Board  
Solana Beach Schools Foundation  
Solana Beach, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Solana Beach Schools Foundation (SBSF), which comprise the statement of financial position as of June 30, 2019, 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 Solana Beach Schools Foundation as of June 30, 2019, 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.

**Emphasis of Matter**

As discussed in Note A to the financial statements, the Solana Beach Schools Foundation has adopted the provisions of FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

El Cajon, California  
August 29, 2019

## Financial Statements

# SOLANA BEACH SCHOOLS FOUNDATION

## Statement of Financial Position

June 30, 2019

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### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 306,282
Total current assets	<u>306,282</u>

#### Noncurrent Assets

Investments available for sale	90,114
Endowment - Investments	<u>110,661</u>
Total noncurrent assets	<u>200,775</u>

**Total Assets** \$ 507,057

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts Payable	\$ 80,021
Total current liabilities	<u>80,021</u>

**Total Liabilities** 80,021

#### Net Assets

Without Donor Restrictions	
Undesignated	<u>167,542</u>
Total without donor restrictions	<u>167,542</u>

With Donor Restrictions	
Parent Teacher Organizations	148,833
Endowments	<u>110,661</u>
Total with donor restrictions	<u>259,494</u>

**Total Net Assets** 427,036

**Total Liabilities and Net Assets** \$ 507,057

The accompanying notes are an integral part of this statement.

**SOLANA BEACH SCHOOLS FOUNDATION**

Statement of Activities  
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Gross special events revenue	\$ 225,883	\$ 205,767	\$ 431,650
Less cost of direct benefits to donors	(132,348)	(202,570)	(334,918)
Net special events revenue	93,535	3,197	96,732
Other Fundraising	21,445	-	21,445
Less cost of goods sold	(2,349)	-	(2,349)
Net spirit shop sales	19,096	-	19,096
Contributions	2,129	621,765	623,894
Dividends and interest	3,523	2,785	6,308
Net investment return	-	1,345	1,345
Net assets released from restriction	606,729	(606,729)	-
<b>Total Revenue, Support, and Gains</b>	<b>725,012</b>	<b>22,363</b>	<b>747,375</b>
<b>Expenses and Losses</b>			
Program services expenses	736,528	-	736,528
Supporting services expenses	28,842	-	28,842
Loss on stock trade	96	-	96
<b>Total Expenses and Losses</b>	<b>765,466</b>	<b>-</b>	<b>765,466</b>
<b>Change in Net Assets</b>	<b>(40,454)</b>	<b>22,363</b>	<b>(18,091)</b>
<b>Net Assets, Beginning of Year</b>	<b>207,996</b>	<b>237,131</b>	<b>445,127</b>
<b>Net Assets, End of Year</b>	<b>\$ 167,542</b>	<b>\$ 259,494</b>	<b>\$ 427,036</b>

The accompanying notes are an integral part of this statement.

**SOLANA BEACH SCHOOLS FOUNDATION**

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	Support Services		Cost of Goods Sold	Total
	Educational Programs	Management and General	Fundraising		
Grants and other assistance	\$ 736,528	\$ -	\$ -	\$ -	\$ 736,528
Salaries and wages	-	62,175	-	-	62,175
Payroll processing fees	-	1,300	-	-	1,300
Payroll taxes	-	5,073	-	-	5,073
Employee benefits	-	2,548	-	-	2,548
Accounting fees	-	3,620	-	-	3,620
Advertising and promotion	-	12,835	-	-	12,835
Office expenses	-	4,564	-	-	4,564
Information technology	-	11,446	-	-	11,446
Bank service charges	-	224	-	-	224
Miscellaneous expenses	-	15,729	-	-	15,729
Investment Management Fees	-	1,102	-	-	1,102
Costs of Good Sold	-	-	-	849	849
Administrative allocation for fundraising	-	(90,672)	89,172	1,500	-
Special events expenses	-	-	245,746	-	245,746
	736,528	29,944	334,918	2,349	1,103,739
Total expenses by function					
Less expenses included with revenues on the statement of activities					
Cost of Goods Sold	-	-	-	(2,349)	(2,349)
Investment management fees	-	(1,102)	-	-	(1,102)
Cost of direct benefits to donors	-	-	(334,918)	-	(334,918)
	-	-	(334,918)	-	(334,918)
Total expenses included in the expense section on the statement of activities	\$ 736,528	\$ 28,842	\$ -	\$ -	\$ 765,370

The accompanying notes are an integral part of this statement.



# SOLANA BEACH SCHOOLS FOUNDATION

## Statement of Cash Flows

Year Ended June 30, 2019

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<b>Cash Flows from Operating Activities</b>	
Special events receipts	\$ 431,650
Other Fundraising	21,445
Contributions received	623,894
Grants paid	(736,528)
Payments for salaries, taxes, and benefits	(69,796)
Payments to vendors	(427,143)
<b>Net Cash Used For Operating Activities</b>	<u>(156,478)</u>
<b>Cash Flows from Investing Activities</b>	
Net Investment Earnings	7,653
Transfers to investment accounts	(94,243)
Withdrawals from investment accounts	5,557
Loss on stock trade	(96)
<b>Net Cash From Investing Activities</b>	<u>(81,129)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(237,607)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>543,889</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 306,282</u>
<b>Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities</b>	
Change in net assets	\$ (18,091)
Adjustments to reconcile change in net assets to net cash:	
Amounts associated with investment activities	(7,557)
Increase (Decrease) in liabilities	
Accounts payable	(130,830)
<b>Net Cash Used For Operating Activities</b>	<u>\$ (156,478)</u>

The accompanying notes are an integral part of this statement.

# SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements

Year Ended June 30, 2019

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## A. Principal Activity and Summary of Significant Accounting Policies

### **Organization**

The Solana Beach Schools Foundation (the Foundation), a California nonprofit public benefit corporation, was formed in 1986 to bridge the gap between vital school needs and state funding by supporting and enriching the educational programs provided to students in the Solana Beach School District (the District).

The Foundation's primary sources of income are public donations through the annual fund drive as well as net income and contributions from various annual fundraising events.

### *Educational Programs*

The Foundation's primary purpose is to support and enrich the educational programs provided to students in the District. Each year the Foundation provides the District a grant in order to meet the following objectives:

- Reduce class sizes so children receive individualized instruction on a regular basis,
- Provide enrichment offerings at all grade levels such as art programs, athletics, language programs, STEAM and more,  
and
- Provide specialized teachers for art, language, literacy, math, music, physical education, science and technology.

### **Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents**

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

### **Prepaid Expenses**

Prepaid expenses are recorded for items purchased for a future reporting period, such as marketing or deposits for future events.

## SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

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### **Investments**

The Foundation 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 return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

### **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 are available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

#### *Donated Services and In-Kind Contributions*

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and developing 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. During the year ended June 30, 2019 the Foundation did not receive donated professional services or material which met the requirements for reporting.

### **Advertising**

Advertising costs are expensed as incurred and approximated \$12,835 during the year ended June 30, 2019.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional bases in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

## **SOLANA BEACH SCHOOLS FOUNDATION**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

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### **Income Taxes**

The Solana Beach Schools Foundation is organized as a California nonprofit corporation and is recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3). Contributions to the Foundation qualify for the charitable contribution under IRC Sections 170(b)(1)(A)(vi) and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3). The Foundation is required to file an annual 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 their exempt purposes. We have determined that the Foundation is not subject to unrelated business income tax and therefore have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed.

The Foundation is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The Foundation is required to file a California Exempt Organization Annual Information Return (Form 199) each fiscal year with the California Franchise Tax Board. In addition, the Foundation is required to file an Annual Registration Renewal Fee Report to Attorney General of California (Form RRF-1) to the California Registry of Charitable Trusts. The state income tax and informational returns are subject to examination by the California Franchise Tax Board for four years after the returns are filed.

The Foundation follows provisions of uncertain tax positions as addressed in ASC 958. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2019.

### **Financial Instruments and Credit Risk**

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members and individuals supportive of the Foundations mission. Investments are made by diversified investment managers whose performance is monitored by the board of directors for the Foundation. Although fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

## SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

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### **New Accounting Guidance**

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that are effective during the 2018-19 fiscal year:

1. FASB ASU 2018-03 *Technical Corrections and Improvements to Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*
2. FASB ASU 2017-09 *Compensation – Stock Compensation (Topic 718)*
3. FASB ASU 2017-07 *Compensation – Retirement Benefits (Topic 715)*
4. FASB ASU 2017-01 *Business Combinations (Topic 805)*
5. FASB ASU 2016-16 *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*
6. FASB ASU 2016-09 *Compensation – Stock Compensation (Topic 718)*
7. FASB ASU 2016-06 *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*
8. FASB ASU 2016-05 *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*
9. FASB ASU 2016-04 *Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored Value Products*
10. FASB ASU 2015-17 *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the 2018-19 fiscal year did not impact the financial accounting or presentation for the Foundation. No adjustments have been made as a result of the new accounting guidance.

### **Change in Accounting Principle**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly.

### **Subsequent Events**

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 30, 2019, the date the financial statements were available to be issued.

**SOLANA BEACH SCHOOLS FOUNDATION**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

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**B. 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:

Cash and cash equivalents	\$	306,282
Investments Available for Sale		90,114
Endowment spending-rate distributions and appropriations		<u>5,533</u>
	\$	<u>401,929</u>

Endowment funds consist of donor-restricted endowments. Income earned on donor-restricted endowments remains restricted for the same purpose, except for annual distributions from the Endowment based on the distribution policy set forth by the Endowment Advisory Board, a subcommittee of the Foundation's board of trustees. Annual distributions from the Endowment is up to 5% of the Endowment per the distribution policy. Donor-restricted endowment funds are not available for general expenditures.

As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, certificates of deposit, and money market funds.

**C. Fair Value Measurements and Disclosures**

The Foundation reports certain assets 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 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 on 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 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 – Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available in the circumstances.

**SOLANA BEACH SCHOOLS FOUNDATION**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

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. 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.

The fair value of the Foundation's beneficial interest in assets held by the Rancho Santa Fe Foundation, a professionally managed community foundation, is based on the fair value of fund investments reported by the Rancho Santa Fe Foundation. These are considered to be level 3 measurements.

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

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment investments:				
Beneficial interests in assets held by community foundation	\$ 110,661	\$ -	\$ -	\$ 110,661

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

Year ended June 30, 2018	With Donor Restrictions
Endowment net assets, beginning of year	\$ 112,089
Contributions	-
Investment return, net	4,129
Distributions pursuant to distribution policy	<u>(5,557)</u>
Endowment net assets, end of year	<u>\$ 110,661</u>

**SOLANA BEACH SCHOOLS FOUNDATION**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

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**D. Accounts Payable**

Accounts payable at June 30, 2019 consisted of:

Accounting services	\$	3,700
Donations to the District		73,895
Vendor payables		<u>2,426</u>
	<u>\$</u>	<u>80,021</u>

**E. Endowment**

In 2001 the Foundation entered into an irrevocable split interest agreement to create the Solana Beach Foundation for Learning Endowment Fund (the Fund) at Rancho Santa Fe Foundation. Transfers to the fund are treated as irrevocable gifts to Rancho Santa Fe Foundation for the benefit of Solana Beach Schools Foundation.

The Fund is invested, in conjunction with a pool of other funds, in a well-diversified asset mix. The Board of Directors of Rancho Santa Fe Foundation has the power to adopt investment policies and strategies for the Fund. The Board of Directors of Solana Beach Schools Foundation only has the authority to authorize distribution of up to 5% of the Fund's Value at January 1<sup>st</sup> of each year. A distribution was taken in the amount of \$5,557 during the year ended June 30, 2019.

The Board of Directors of Solana Beach Schools Foundation interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of California in 2009, as requiring the preservation of fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In relation to the Fund, the interpretation extends to the Board designated transfers because of the irrevocable nature of the transfers. As a result of this interpretation, The Foundation classifies as permanently restricted net assets (a) the value of gifts donated to the permanent endowment as of the date of the donation, (b) the value of Board designated transfers to the Fund as of the date of designation, and (c) accumulations of earnings and net investment appreciation in the Fund less allowable distributions taken. The distributions are classified as unrestricted or temporarily restricted investment income in conformance with generally accepted accounting principles.



**SOLANA BEACH SCHOOLS FOUNDATION**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

As of June 30, 2019, the Foundation had the following endowment net asset composition:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	
Original donor restricted gift amount	\$ 25,000
Donor restricted contributions to fund	83,658
Accumulated investment gains	2,003
	<u>\$ 110,661</u>

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). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2019 there were no funds in the endowment considered to be underwater endowments.

*Investment and Spending Policies*

The Foundation has adopted investment and spending policies for the Endowment that seek to provide adequate funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over the long-term, rates of return should be sufficient to maintain the purchasing power of the Endowment assets, provide necessary capital to fund its spending policies, and cover the costs of managing the Endowment investments. The investment objective of the Endowment is to provide for a disciplined longer-term and risk and return investment program that is consistent with the needs of a permanent endowment. Actual returns in any given year may vary from targeted amounts. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Generally, a significant portion of the funds are invested to seek growth of principal over time.

The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. In determining amounts to spend, the Endowment Advisory Board evaluates the average fair value of the Endowment investments for the prior twelve months at June 30 of each year to determine the spending amount for the upcoming year. In establishing this policy, the Foundation considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time. During the fiscal year ended June 30, 2019 the Endowment spending rate was 4.96%.

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

<u>Year ended June 30, 2018</u>	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 112,089
Contributions	-
Investment return, net	4,129
Distributions pursuant to distribution policy	(5,557)
	<u>\$ 110,661</u>

**SOLANA BEACH SCHOOLS FOUNDATION**

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

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**F. Net Assets With Donor Restrictions**

Net assets with donor restrictions at year end are restricted for the following purposes or periods:

Subject to purpose restrictions:	
Parent Teacher Organizations	\$ 148,833
Endowments:	
Subject to endowment spending and distribution policy	<u>110,661</u>
Total net assets with donor restrictions	<u><u>\$ 259,494</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2019:

Purpose restrictions satisfied	\$ 601,172
Restricted-purpose spending-rate distributions	
Educational programs	<u>5,557</u>
Net assets released from restriction	<u><u>\$ 606,729</u></u>

**G. Related Party Transactions**

The Foundation's stated mission is to support Solana Beach School District; therefore, transactions between the Foundation and the District and the involvement of District personnel and parents of students attending schools in the District are expected. During the year ended June 30, 2019 the Foundation contributed \$736,528 to the District in support of its educational programs.

## SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

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### **H. Upcoming Changes in Accounting Pronouncements**

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective during the 2019-20 fiscal year:

1. FASB ASU 2017-08 *Receivable-Nonrefundable Fees and Other Costs Subtopic 310-20, Premium Authorization on Purchased Callable Debt Securities*
2. FASB ASU 2017-10 *Service Concession Arrangements Topic 853, Determining the Customer of the Operation Services (a consensus of the FASB Emerging Issues Task Force)*
3. FASB ASU 2017-11 *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*
4. FASB ASU 2017-15 *Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995*
5. FASB ASU 2018-01 *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*
6. FASB ASU 2018-02 *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*
7. FASB ASU 2018-06 *Codification Improvements to Topic 942, Financial Services—Depository and Lending*
8. FASB ASU 2018-07 *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*
9. FASB ASU 2018-09 *Codification Improvements*
10. FASB ASU 2018-10 *Codification Improvement to Topic 842, Leases*
11. FASB ASU 2018-11 *Leases Topic 842, Targeted Improvements*

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the 2019-20 fiscal year will not impact the financial accounting or presentation for the Foundation.