



FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021


WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS


SOLANA BEACH SCHOOLS FOUNDATION
Financial Statements and Supplemental Information
Year Ended June 30, 2021

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Independent Auditor's Report

To the Board of Trustees of
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, 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 Solana Beach Schools 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.

Emphasis of Matter – COVID-19

As more fully described in Note J to the financial statements, the Solana Beach Schools Foundation may be materially impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020.

Wilkinson Hadley King & Co LLP

El Cajon, California
April 12, 2022

Financial Statements

SOLANA BEACH SCHOOLS FOUNDATION

Statement of Financial Position

June 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 487,045
Total current assets	<u>487,045</u>

Noncurrent Assets

Endowment - Investments	<u>128,871</u>
Total noncurrent assets	<u>128,871</u>

Total Assets \$ 615,916

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 52,708
Deferred scholarship revenue	<u>5,000</u>
Total current liabilities	<u>57,708</u>

Total Liabilities 57,708

Net Assets

Without Donor Restrictions	
Undesignated	193,710
Designated by board for program services	<u>10,159</u>
Total without donor restrictions	<u>203,869</u>

With Donor Restrictions	
Parent Teacher Organizations	225,468
Endowments	<u>128,871</u>
Total with donor restrictions	<u>354,339</u>

Total Net Assets 558,208

Total Liabilities and Net Assets \$ 615,916

The accompanying notes are an integral part of this statement.

SOLANA BEACH SCHOOLS FOUNDATION

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Gross special events revenue	\$ 493,209	\$ 128,922	\$ 622,131
Less cost of direct benefits to donors	(9,839)	(84,697)	(94,536)
Net special events revenue	<u>483,370</u>	<u>44,225</u>	<u>527,595</u>
Other Contributions	2,552	52,375	54,927
Net investment income	-	26,017	26,017
Interest income	17	-	17
Net assets released from restriction	<u>58,891</u>	<u>(58,891)</u>	<u>-</u>
Total Revenue, Support, and Gains	<u>544,830</u>	<u>63,726</u>	<u>608,556</u>
Expenses and Losses			
Program services expenses	436,300	-	436,300
Supporting services expenses	<u>99,059</u>	<u>-</u>	<u>99,059</u>
Total Expenses and Losses	<u>535,359</u>	<u>-</u>	<u>535,359</u>
Change in Net Assets	9,471	63,726	73,197
Net Assets, Beginning of Year	<u>194,398</u>	<u>290,613</u>	<u>485,011</u>
Net Assets, End of Year	<u>\$ 203,869</u>	<u>\$ 354,339</u>	<u>\$ 558,208</u>

The accompanying notes are an integral part of this statement.

SOLANA BEACH SCHOOLS FOUNDATION

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Support Services		Total
	Educational Programs	Management and General	Fundraising	
Grants and other assistance	\$ 436,300	\$ -	\$ -	\$ 436,300
Salaries and wages	-	63,537	-	63,537
Payroll taxes	-	5,571	-	5,571
Payroll processing fees	-	2,210	-	2,210
Employee benefits	-	1,946	-	1,946
Professional fees	-	5,535	-	5,535
Advertising and promotion	-	8,533	-	8,533
Information technology	-	6,647	-	6,647
Bank service charges	-	146	-	146
Office expenses	-	2,525	-	2,525
Insurance	-	930	-	930
Investment management fees	-	1,190	-	1,190
Other expenses	-	1,479	-	1,479
PTO events	84,697	-	-	84,697
Other special events	-	-	9,839	9,839
Total expenses by function	520,997	100,249	9,839	631,085
Less expenses included with revenues on the statement of activities				
Investment management fees	-	(1,190)	-	(1,190)
Cost of direct benefits to donors	(84,697)	-	(9,839)	(94,536)
Total expenses included in the expense section on the statement of activities	\$ 436,300	\$ 99,059	\$ -	\$ 535,359

The accompanying notes are an integral part of this statement.

SOLANA BEACH SCHOOLS FOUNDATION

Statement of Cash Flows
Year Ended June 30, 2021

Cash Flows From Operating Activities	
Special events receipts	\$ 622,131
Other contributions received	54,927
Other cash receipts	729
Grants paid	(435,589)
Payments to employees for services provided	(63,537)
Payments to government for payroll taxes	(5,571)
Payments to vendors	(139,696)
Net Cash Provided By Operating Activities	<u>33,394</u>
Cash Flows From Investing Activities	
Endowment distributions	11,214
Investment sales	49,999
Net Cash Provided By Investing Activities	<u>61,213</u>
Net Change in Cash and Cash Equivalents	94,607
Cash and Cash Equivalents, Beginning of Year	<u>392,438</u>
Cash and Cash Equivalents, End of Year	<u>\$ 487,045</u>
Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities	
Change in net assets	\$ 73,197
Net investment income	(26,017)
Adjustments to reconcile change in net assets to net cash:	
Increase (Decrease) in liabilities	
Accounts payable	(13,786)
Net Cash Provided By Operating Activities	<u>\$ 33,394</u>

The accompanying notes are an integral part of this statement.

SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements

Year Ended June 30, 2021

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 fund hands-on, inquiry-based learning opportunities that engage and enrich the children in the District. This includes, but is not limited to, the following:

- Teacher and Instructor Salaries for STREAM, technology, art, and physical education,
- Discovery lab supplies and equipment for robotics, STREAM, tinkering carts, art, and physical education,
And
- Investing in 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.

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.

SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements

Year Ended June 30, 2021

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition or when resources are received by the Foundation prior to the Foundation meeting the requirements for legal claim to the resources.

In subsequent periods, when both revenue recognition criteria are met or when the Foundation has legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

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.

Advertising

Advertising costs are expensed as incurred and approximated \$8,533 during the year ended June 30, 2021.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis 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

Year Ended June 30, 2021

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, 2021.

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. 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.

New Accounting Guidance

The Financial Accounting Standards Board (FASB) regularly issues Accounting Standards Updates (ASU). These updates are 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 2020-21 fiscal year did not impact the financial accounting or presentation for the Foundation.

. SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements

Year Ended June 30, 2021

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 12, 2022, the date the financial statements were available to be issued.

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	\$ 487,045
Endowment spending-rate distributions and appropriations	<u>6,444</u>
	<u>\$ 493,489</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 may be invested in short-term investments, certificates of deposit, and money market funds.

C. Fundraising Expense

For the year ended June 30, 2021 the Foundation incurred fundraising expenses of \$186,374 which is 29.96% of fundraising revenue.

D. Restricted Donations

The Foundation transferred monies totaling \$446,459 to the District to fund its enrichment programs.

E. 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:

SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements

Year Ended June 30, 2021

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 marketcorroborated inputs.

Level 3 - Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available 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 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, 2021:

<u>Assets</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Endowment investments:				
Beneficial interests in assets held by community foundation	\$ 128,871	\$ -	\$ -	\$ 128,871

SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements

Year Ended June 30, 2021

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, 2021:

	Beneficial Interests in Assets Held by Community Foundation
Balance at June 30, 2020	\$ 114,068
Investment return, net	26,017
Spending distribution	(11,214)
Balance at June 30, 2021	<u>\$ 128,871</u>

F. 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 1st of each year. During the year ended June 30, 2021, the Foundation issued two spending distributions equal to 9.8% of the endowments balance at June 30, 2020. The first distribution was approved by the Board of Directors on March 9, 2020 for the 2019-20 fiscal year; however, as a result of the COVID19 pandemic the transfer did not take place until July 2020.

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

Year Ended June 30, 2021

As of June 30, 2021, the Foundation had the following endowment net asset composition:

	With Donor Restrictions
Donor-restricted endowment funds	
Original donor restricted gift amount	\$ 25,000
Donor restricted contributions to fund	83,658
Accumulated investment gains	20,213
	\$ 128,871

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, 2021 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 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, 2021 the Endowment spending rate was 9.8%.

Changes in Endowment net assets for the year ended June 30, 2021 is as follows:

Year ended June 30, 2020	With Donor Restrictions
Endowment net assets, beginning of year	\$ 114,068
Investment return, net	26,017
Spending distribution	(11,214)
Endowment net assets, end of year	\$ 128,871

SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements

Year Ended June 30, 2021

G. Net Assets With Donor Restrictions

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

Subject to purpose restrictions:	
Parent Teacher Organizations	\$ 225,468
Endowments:	
Subject to endowment spending and distribution policy	<u>128,871</u>
Total net assets with donor restrictions	<u>\$ 354,339</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2021:

Time restrictions satisfied	\$ 2,541
Purpose restrictions satisfied	45,136
Restricted-purpose spending-rate distributions	
Educational programs	<u>11,214</u>
Net assets released from restriction	<u>\$ 58,891</u>

H. Related Party Transactions

The Foundation provided support to the District of \$446,459 by means of donation.

I. Upcoming Changes in Accounting Pronouncements

The Financial Accounting Standards Board (FASB) regularly issues Accounting Standards Updates (ASU). These updates are 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 2021-22 fiscal year are not expected to impact the financial accounting or presentation for the Foundation.

J. COVID-19 Impact and Considerations

In March 2020 the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting the Solana Beach School District from March 2020 and continuing into the Fall of 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. At this point in time, the Solana Beach School District campuses remain closed until San Diego County meets the benchmark requirements. The circumstances surrounding COVID-19 create uncertainty in expectations for future donations and contributions to the Foundation. The Foundation expects a reduction in donations for the 2021-22 fiscal year, and consequently expects to reduce amounts donated to the Solana Beach School District accordingly. The Foundation believes sufficient donations along with established reserves will allow for a continuation of operations.

SOLANA BEACH SCHOOLS FOUNDATION

Notes to the Financial Statements

Year Ended June 30, 2021

K. Subsequent Events

On September 27, 2021, the Foundation entered into a legal settlement of \$5,000 with respect to claims raised by an applicant for employment (the Matter). No additional expenses or losses are expected as a result of the Matter.