

MANHATTAN BEACH EDUCATION FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Manhattan Beach Education Foundation

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Manhattan Beach Education Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Manhattan Beach Education Foundation as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as whole. The supplementary schedules, which include the consolidating statement of financial position and the consolidating statement of activities, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Long Beach, California
December 14, 2021

MANHATTAN BEACH EDUCATION FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

| | June 30, | |
|---------------------------|----------------------|----------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Cash and cash equivalents | \$ 2,703,753 | \$ 1,544,322 |
| Other receivables | 108,420 | 139,837 |
| Prepaid expenses | 36,769 | 30,713 |
| Investments | 29,096,567 | 25,917,355 |
| Equipment, net | 4,014 | 8,147 |
| TOTAL ASSETS | \$ 31,949,523 | \$ 27,640,374 |

LIABILITIES AND NET ASSETS

| | | |
|--|------------------|----------------|
| LIABILITIES | | |
| Accounts payable and other liabilities | \$ 20,130 | \$ 26,004 |
| Grants payable | 1,784,016 | 588,201 |
| | 1,804,146 | 614,205 |

COMMITMENTS AND CONTINGENCIES (Note 8)

| | | |
|---|----------------------|----------------------|
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 5,661,134 | 7,229,852 |
| Board designated endowment fund | 13,814,686 | 11,116,554 |
| | 19,475,820 | 18,346,406 |
| With donor restrictions | | |
| Restricted for purpose or time | 4,089,159 | 2,323,382 |
| Perpetually restricted for endowment | 6,580,398 | 6,356,381 |
| | 10,669,557 | 8,679,763 |
| Total net assets | 30,145,377 | 27,026,169 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 31,949,523 | \$ 27,640,374 |

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

MANHATTAN BEACH EDUCATION FOUNDATION

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 3,816,698 | \$ 566,016 | \$ 4,382,714 |
| Special events revenue, net of expenses | 374,164 | 405,563 | 779,727 |
| Net investment return | 3,704,134 | 2,169,291 | 5,873,425 |
| Net assets released from restrictions | <u>1,151,076</u> | <u>(1,151,076)</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | <u>9,046,072</u> | <u>1,989,794</u> | <u>11,035,866</u> |
| EXPENSES | | | |
| Program Services | <u>7,351,971</u> | <u>-</u> | <u>7,351,971</u> |
| Supporting Services | | | |
| Management and general | 174,734 | - | 174,734 |
| Fundraising | <u>389,953</u> | <u>-</u> | <u>389,953</u> |
| | <u>564,687</u> | <u>-</u> | <u>564,687</u> |
| TOTAL EXPENSES | <u>7,916,658</u> | <u>-</u> | <u>7,916,658</u> |
| CHANGE IN NET ASSETS | 1,129,414 | 1,989,794 | 3,119,208 |
| NET ASSETS AT BEGINNING OF YEAR | <u>18,346,406</u> | <u>8,679,763</u> | <u>27,026,169</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 19,475,820</u> | <u>\$ 10,669,557</u> | <u>\$ 30,145,377</u> |

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

MANHATTAN BEACH EDUCATION FOUNDATION

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 5,136,996 | \$ 268,855 | \$ 5,405,851 |
| Special events revenue, net of expenses | 425,260 | 701,821 | 1,127,081 |
| Net investment return | 357,206 | 139,553 | 496,759 |
| Net assets released from restrictions | <u>777,967</u> | <u>(777,967)</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | <u>6,697,429</u> | <u>332,262</u> | <u>7,029,691</u> |
| EXPENSES | | | |
| Program Services | <u>6,275,527</u> | <u>-</u> | <u>6,275,527</u> |
| Supporting Services | | | |
| Management and general | 183,879 | - | 183,879 |
| Fundraising | <u>433,441</u> | <u>-</u> | <u>433,441</u> |
| | <u>617,320</u> | <u>-</u> | <u>617,320</u> |
| TOTAL EXPENSES | <u>6,892,847</u> | <u>-</u> | <u>6,892,847</u> |
| CHANGE IN NET ASSETS | (195,418) | 332,262 | 136,844 |
| NET ASSETS AT BEGINNING OF YEAR | <u>18,541,825</u> | <u>8,347,500</u> | <u>26,889,325</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 18,346,407</u> | <u>\$ 8,679,762</u> | <u>\$ 27,026,169</u> |

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

MANHATTAN BEACH EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

| | For the Year Ended June 30, 2021 | | | | |
|---------------------------|---|-----------------------------------|--------------------|-------------------|---------------------------|
| | Supporting Services | | | | |
| | Program Services | Management and General | Fundraising | Total | Total Expenses |
| Grants | \$ 7,259,771 | \$ - | \$ - | \$ - | \$ 7,259,771 |
| Insurance | - | 15,182 | - | 15,182 | 15,182 |
| Office expense | - | 9,003 | - | 9,003 | 9,003 |
| Office personnel | 92,200 | 85,285 | 255,645 | 340,930 | 433,130 |
| Outside services | - | 27,600 | 32,690 | 60,290 | 60,290 |
| Printing and publications | - | 7,165 | 14,910 | 22,075 | 22,075 |
| Bank and credit card fees | - | 520 | 66,225 | 66,745 | 66,745 |
| Information technology | - | 24,007 | - | 24,007 | 24,007 |
| Community relations | - | 5,972 | 20,483 | 26,455 | 26,455 |
| | <u>\$ 7,351,971</u> | <u>\$ 174,734</u> | <u>\$ 389,953</u> | <u>\$ 564,687</u> | <u>\$ 7,916,658</u> |
| | 92.87% | 2.21% | 4.93% | | 100.00% |

| | For the Year Ended June 30, 2020 | | | | |
|---------------------------|---|-----------------------------------|--------------------|-------------------|---------------------------|
| | Supporting Services | | | | |
| | Program Services | Management and General | Fundraising | Total | Total Expenses |
| Grants | \$ 6,181,640 | \$ - | \$ - | \$ - | \$ 6,181,640 |
| Insurance | - | 13,478 | - | 13,478 | 13,478 |
| Office expense | - | 7,627 | - | 7,627 | 7,627 |
| Office personnel | 93,887 | 88,927 | 260,324 | 349,251 | 443,138 |
| Outside services | - | 27,500 | 32,460 | 59,960 | 59,960 |
| Printing and publications | - | 10,864 | 26,913 | 37,777 | 37,777 |
| Bank and credit card fees | - | 1,512 | 92,368 | 93,880 | 93,880 |
| Information technology | - | 23,493 | - | 23,493 | 23,493 |
| Community relations | - | 10,478 | 21,376 | 31,854 | 31,854 |
| | <u>\$ 6,275,527</u> | <u>\$ 183,879</u> | <u>\$ 433,441</u> | <u>\$ 617,320</u> | <u>\$ 6,892,847</u> |
| | 91.04% | 2.67% | 6.29% | | 100.00% |

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

MANHATTAN BEACH EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Year Ended June 30, | |
|---|--|-----------------------------------|
| | <u>2021</u> | <u>2020</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 3,119,208 | \$ 136,844 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Stock donations received | (173,092) | (157,434) |
| Amortization of bond premiums | 5,866 | 93,944 |
| Net realized and unrealized (gain) loss on investments | (5,442,328) | 69,878 |
| Depreciation | 4,133 | 6,105 |
| (Increase) decrease in: | | |
| Pledges receivable | - | 86,088 |
| Other receivables | 31,417 | 131,365 |
| Prepaid expenses | (6,056) | (9,289) |
| Increase (decrease) in: | | |
| Accounts payable and other liabilities | (5,874) | (100,120) |
| Grants payable | <u>1,195,815</u> | <u>(35,720)</u> |
| Net Cash (Used In) Provided By Operating Activities | <u>(1,270,911)</u> | <u>221,661</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (11,906,658) | (25,131,058) |
| Proceeds from sale or maturity of investments | <u>14,337,000</u> | <u>25,457,206</u> |
| Net Cash Provided By Investing Activities | <u>2,430,342</u> | <u>326,148</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 1,159,431 | 547,809 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>1,544,322</u> | <u>996,513</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 2,703,753</u></u> | <u><u>\$ 1,544,322</u></u> |

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

MANHATTAN BEACH EDUCATION FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

NOTE 1 – Summary of Significant Accounting Policies

Organization

Manhattan Beach Education Foundation (the Foundation) was incorporated on July 7, 1983 as a California nonprofit corporation. The Foundation was organized to assist the Manhattan Beach Unified School District (MBUSD) by providing resources for academic and enrichment programs beyond what is provided for by public funding.

Manhattan Beach Education Foundation Endowment Fund (MBEFEF) was incorporated on October 7, 2011 as a California nonprofit corporation. MBEFEF was organized to provide financial support to MBEF and, in turn, to the academic and enrichment programs of MBUSD.

Consolidation

The consolidated financial statements include the accounts of the Foundation and MBEFEF (collectively referred to as MBEF). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation of Financial Statements

MBEF is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of MBEF are classified as described below:

Without Donor Restrictions – Net assets not subject to donor-imposed restrictions. As reflected in the accompanying statements of financial position, MBEF’s Board of Directors (the Board) has designated a portion of net assets without donor restrictions for long-term investment purposes, referred to as the Board designated endowment fund.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that are temporary in nature and will be met by actions of MBEF or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to assets without donor restrictions. Other donor stipulations are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions and increases that net asset class. When a donor's 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 statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Contributions, including endowment gifts and pledges, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The cash flows are discounted at a discount rate commensurate with the risks involved, at the date the promise was made. When considered necessary, an allowance is recorded based on management's estimate of uncollectability, including such factors as prior collection history, type of contributions, and nature of fundraising activities. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Donated Stock

MBEF received stocks as contributions from donors with the objective to use proceeds from sales of these investments for its program and supporting services. MBEF records investment contributions received at fair value at grant date. Investments with donor-imposed restrictions related to purpose or time are classified as with donor restrictions in the statements of financial position. Fair value for publicly traded securities is based upon the closing market trading price for such security.

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Special Events

MBEF held one special event during the year ended June 30, 2021, which consisted of the following:

| | <u>Wine Auction</u> |
|---|-------------------------|
| Event revenue | \$ 537,416 |
| Paddle raise-with donor restrictions | 405,563 |
| Less expenses | <u>(163,252)</u> |
| Special events revenue, net of expenses | <u>\$ 779,727</u> |

The 2021 Wine Auction was held virtually and marketed as benefiting the Foundation and the related net proceeds are reflected as without donor restriction. The paddle raise held at the event was marketed to support the 2022 MBUSD grant; therefore, the related \$405,563 is reflected as with donor restriction, for time, on the statement of activities. The bylaws for the Foundation require at least 1/3 of net proceeds without donor restriction from the Wine Auction are allocated to the MBEF board designated endowment fund. For the year ended June 30, 2021 the board of directors allocated \$327,164 in net proceeds to the MBEF board designated endowment fund.

For the year ending June 30, 2021, merchandise, experiences, and services with an estimated value of \$432,562 were contributed for special events. Proceeds from the sale of such items is included in event revenue. MBEF received \$3,213 of donated goods and services related to the production of special events for the year ended June 30, 2021, which are recorded in special events revenue and expense.

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Special Events (Continued)

MBEF held two special events during the year ended June 30, 2020, which consisted of the following:

| | Wine Auction | Golf Event | Total |
|---|-------------------------|-----------------------|---------------------|
| Event revenue | \$ 483,879 | \$ 100,000 | \$ 583,879 |
| Event revenue, time restricted | 48,000 | - | 48,000 |
| Paddle raise-with donor restriction | 653,821 | - | 653,821 |
| Less expenses | (110,923) | (47,696) | (158,619) |
| Special events revenue, net of expenses | <u>\$ 1,074,777</u> | <u>\$ 52,304</u> | <u>\$ 1,127,081</u> |

The 2020 Wine Auction was held virtually and marketed as benefitting the Foundation and the related net proceeds are reflected as without donor restriction. The paddle raise held at the event was marketed to support the 2021 MBUSD grant; therefore, the related \$653,821 is reflected as with donor restriction, for time, on the statement of activities. The bylaws for the Foundation require at least 1/3 of net proceeds without donor restriction from the Wine Auction are allocated to the MBEF board designated endowment fund. For the year ended June 30, 2020, the board allocated \$124,194 in net proceeds to the MBEF board designated endowment fund.

For the year ending June 30, 2020, merchandise, experiences, and services with an estimated value of \$331,866 were contributed for special events. Proceeds from the sale of such items is included in event revenue. MBEF received \$3,295 of donated goods and services related to the production of special events for the year ended June 30, 2020, which are recorded in special events revenue and expense.

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the statements of cash flows, MBEF considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

At June 30, 2021 and 2020 and at various times during the years then ended, MBEF has maintained cash balances in its banks in excess of federally insured limits.

Fair Value of Financial Instruments

Accounting standards define fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards have also established a framework for measuring fair value and expand disclosures about fair value measurements. (See Note 4.)

Investments and Market Risk

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Realized gains and losses are computed as the difference between sales proceeds and cost. Unrealized gains and losses are determined based upon the appreciation or depreciation of investments held as of the balance sheet date. Unrealized gains and losses are included in the change in net assets in the consolidated statements of activities.

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Investments and Market Risk (Continued)

Investments in marketable securities are subject to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Allocation of Functional Expenses

The costs of supporting the various programs have been allocated a functional basis among the programs and supporting services deriving benefit. MBEF uses allocation methodologies, including time studies and percentage of use estimates, to allocate indirect costs.

Donated Goods and Services

Donated goods and services are recorded at fair value when an unconditional promise to give has been made or when goods or services have been received or performed. Included in revenue are \$19,377 and \$22,283 of donated goods and services for the years ended June 30, 2021 and 2020, respectively.

Income Taxes

MBEF has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code, respectively. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

MBEF recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. MBEF is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California purposes is four years.

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. MBEF is currently evaluating the impact of the adoption of the new standard on the financial statements.

Reclassification Footnote

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

Subsequent Events

MBEF's management has evaluated subsequent events from the statement of position date through December 14, 2021, the date the consolidated financial statements were available to be issued for the year ended June 30, 2021, and determined that there were no other items to disclose.

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – Financial Assets and Liquidity Resources

The total financial assets held by MBEF at June 30, 2021 and the amounts of those financial assets that could be made available within one year for general expenditure, such as operating expenses, are as follows:

| | June 30, | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Financial assets | | |
| Cash and cash equivalents | \$ 2,703,753 | \$ 1,544,322 |
| Other receivables | 108,420 | 139,837 |
| Investments | <u>29,096,567</u> | <u>25,917,355</u> |
| | <u>31,908,740</u> | <u>27,601,514</u> |
| Less amounts not available to be used within one year due to: | | |
| Donor imposed purpose or time restrictions | (4,089,161) | (2,323,382) |
| Donor designated endowment | (6,580,398) | (6,356,381) |
| Board designated endowment | <u>(13,814,686)</u> | <u>(11,116,554)</u> |
| | <u>(24,484,245)</u> | <u>(19,796,317)</u> |
| Financial assets available to meet general expenditures within one year: | <u>\$ 7,424,495</u> | <u>\$ 7,805,197</u> |

MBEF maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – Investments

Investments are summarized as follows:

| | June 30, | |
|-----------------------|----------------------|----------------------|
| | 2021 | 2020 |
| US Treasury notes | \$ 5,199,752 | \$ 7,137,371 |
| Mutual funds | | |
| Stock funds | 15,812,476 | 12,668,602 |
| Bond funds | 4,316,947 | 3,725,745 |
| REIT index fund | 1,825,720 | 1,129,975 |
| Exchange traded funds | <u>1,941,672</u> | <u>1,255,662</u> |
| | <u>\$ 29,096,567</u> | <u>\$ 25,917,355</u> |

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – Investments (Continued)

Net investment return is as follows:

| | <u>June 30,</u> | |
|---|---------------------|-------------------|
| | <u>2021</u> | <u>2020</u> |
| Net realized and unrealized gain (loss) | \$ 5,442,328 | \$ (69,878) |
| Dividends | 425,170 | 424,277 |
| Interest | <u>5,927</u> | <u>142,360</u> |
| | <u>\$ 5,873,425</u> | <u>\$ 496,759</u> |

NOTE 4 – Fair Value Hierarchy

Investments are carried at fair value, which is determined, presented, and disclosed in accordance with FASB ASC 820, Fair Value Measurements and Disclosures. Under FASB ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. FASB ASC 820 established a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of MBEF. Unobservable inputs reflect MBEF’s assumptions about inputs that market participants would use in pricing the investments developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels, based on the inputs, as follows:

- *Level 1* - Unadjusted quoted prices in active markets for identical assets and liabilities that MBEF has the ability to access at the measurement date.
- *Level 2* - Valuations based on quoted prices in markets that are not active, quoted prices for similar investments in active markets or model-based valuations for which all significant assumptions are observable and can be corroborated by observable market data.

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 – Fair Value Hierarchy (Continued)

- *Level 3* - Valuations based on unobservable inputs that are supported by little or no market activity that are significant to the overall fair value measurement. Values are determined using proprietary pricing models, discounted cash flow models that include the investment entities' own judgments and estimations, or some other pricing method using unobservable inputs.

MBEF's investments are measured at fair value on a recurring basis and classified as level 1 in the fair value hierarchy at June 30, 2021 and 2020.

NOTE 5 – Grants Payable

MBEF has committed to funding certain education and enrichment activities for MBUSD on an annual basis. Grants authorized but not yet disbursed as of June 30, 2021 and 2020 were \$1,784,016 and \$588,201, respectively.

NOTE 6 – Restrictions on Net Assets

The following is a summary of MBEF's net assets:

Net Assets Without Donor Restrictions

| | June 30, | |
|---------------------------------|----------------------|----------------------|
| | 2021 | 2020 |
| Undesignated | \$ 5,661,134 | \$ 7,229,852 |
| Board designated endowment fund | <u>13,814,686</u> | <u>11,116,554</u> |
| | <u>\$ 19,475,820</u> | <u>\$ 18,346,406</u> |

MANHATTAN BEACH EDUCATION FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

NOTE 7 – Endowment Funds

Endowment funds include perpetually restricted endowment funds and Board-designated funds, collectively referred to as Endowment Funds. The Endowment Funds are intended to generate returns sufficient to contribute to the current and expected future financial requirements of MBEF. MBEF's management and investment of Endowment Funds is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). MBEF has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, MBEF classifies as net assets with donor restrictions in perpetuity: (a) the original value of the gifts donated to the perpetually restricted endowment, (b) the original value of subsequent gifts to the perpetually restricted endowment, and (c) accumulations to the perpetually restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor restricted in perpetuity net assets is classified as net assets with donor restriction for time/purpose/spending policy until those amounts are appropriated for expenditure by MBEF in a manner consistent with the standard prudence prescribed by UPMIFA. Board-designated endowment funds are reported as net assets without donor restrictions.

Spending Policy for Endowment Funds

The Board has established a minimum balance for the Endowment Funds. Funds were not available for use until such time as the Endowment Funds' balance exceeds \$10 million. Thereafter, from time to time, as approved by the Board, funds may be transferred to the Foundation's general fund in order to fund programs for MBUSD. Unless authorized by the Board, transfers in any particular year may not exceed 5% of the trailing three-year average of the calendar year-end values of Endowment Funds. The only exception shall be for transfers mandated by gift instruments applicable to specific gifts to the Endowment Funds. In no event shall funds be transferred to the Foundation's general fund if the Endowment Funds balance is less than \$10 million, or if the transfer would cause the balance to fall below that level. In accordance with the Board-approved spending policy, MBEF made a grant of \$999,417 and \$923,832 to the Foundation's general fund from its Board-designated endowment for the years ended June 30, 2021 and 2020, respectively.

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 – Endowment Funds (Continued)

Investment Policy for Endowment Funds

The primary long-term objective of the Endowment Funds is to increase its real (i.e., inflation-adjusted) purchasing power, net of distributions for grants and expenses. This objective should be achieved over rolling five- to ten-year periods on a total return basis, after accounting for management fees. An additional objective is to provide a relatively predictable and stable source of income to fund programs for MBUSD. Until such time as the Endowment Funds reach a target size as determined by the Board, all interest, dividends, capital gains, and other proceeds shall be reinvested.

Gift Acceptance Policy for Endowment Funds

MBEFEF will normally accept gifts from any individual or business entity as long as the transaction complies with applicable local, state, and federal laws. Notwithstanding, the Board of MBEFEF reserves the right to reject any gift offer by a majority vote. Types of gifts accepted include, but are not limited to, cash, securities, real estate, remainder interests in property, life insurance beneficiary designations, bequests, various types of trusts administered by others, and interests in oil, gas, and mineral rights.

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 – Endowment Funds (Continued)

Summary of Endowment Funds

Net changes in Endowment Funds for the years ended June 30, 2021 and 2020 were as follows:

| | For the Year Ended June 30, 2021 | | | Total |
|---------------------------------------|----------------------------------|--|--------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions Accumulated Earnings | Perpetual | |
| Endowment funds, beginning of year | \$ 11,116,554 | \$ 1,442,366 | \$ 6,356,381 | \$ 18,915,301 |
| Investment return | | | | |
| Investment income | 267,961 | 154,942 | - | 422,903 |
| Net gain (realized and unrealized) | 3,429,588 | 1,983,073 | - | 5,412,661 |
| Total investment return | 3,697,549 | 2,138,015 | - | 5,835,564 |
| Contributions | - | - | 224,017 | 224,017 |
| Total contributions | - | - | 224,017 | 224,017 |
| Appropriation by the Board | (999,417) | - | - | (999,417) |
| Endowment funds, end of year | \$ 13,814,686 | \$ 3,580,381 | \$ 6,580,398 | \$ 23,975,465 |

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 – Endowment Funds (Continued)

Summary of Endowment Funds (Continued)

| | <u>For the Year Ended June 30, 2020</u> | | | <u>Total</u> |
|---------------------------------------|---|---------------------------------|---------------------|----------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | | |
| | | <u>Accumulated Earnings</u> | <u>Perpetual</u> | |
| Endowment funds, beginning of year | <u>\$ 11,818,412</u> | <u>\$ 1,306,103</u> | <u>\$ 6,205,297</u> | <u>\$ 19,329,812</u> |
| Investment return | | | | |
| Investment income | 264,272 | 162,228 | - | 426,500 |
| Net loss (realized and unrealized) | <u>(42,298)</u> | <u>(25,965)</u> | - | <u>(68,263)</u> |
| Total investment return | <u>221,974</u> | <u>136,263</u> | - | <u>358,237</u> |
| Contributions | - | - | 151,084 | 151,084 |
| Total contributions | - | - | <u>151,084</u> | <u>151,084</u> |
| Appropriation by the Board | <u>(923,832)</u> | - | - | <u>(923,832)</u> |
| Endowment funds, end of year | <u>\$ 11,116,554</u> | <u>\$ 1,442,366</u> | <u>\$ 6,356,381</u> | <u>\$ 18,915,301</u> |

NOTE 8 – Commitments and Contingencies

Legal

MBEF may be involved in various claims and lawsuits arising in the normal course of its operations. MBEF’s management believes it has adequate defenses and insurance coverage for these actions.

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 – Commitments and Contingencies (Continued)

Business Risks Associated with the Impact of COVID-19

MBEF's operations have been affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate long term disruption caused by the outbreak is uncertain. However, possible effects may include, but are not limited to, reduction in the MBEF's revenue streams, including school based fundraising and special events, which could result in a material impact on financial position and operating results. There is significant uncertainty as to the severity and longevity of the outbreak and related restrictions and management is in the process of evaluating the impact on the Foundation and its operations.

SUPPLEMENTARY INFORMATION

MANHATTAN BEACH EDUCATION FOUNDATION

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

| | MBEF | MBEFEF | Eliminations | Consolidated |
|---|---------------------|----------------------|---------------------|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,509,476 | \$ 194,277 | \$ - | \$ 2,703,753 |
| Other receivables | 108,420 | - | - | 108,420 |
| Due from MBEFEF/MBEF | 65,000 | 374,489 | (439,489) | - |
| Prepaid expenses | 29,252 | 7,517 | - | 36,769 |
| Investments | 5,199,752 | 23,896,815 | - | 29,096,567 |
| Equipment, net | 4,014 | - | - | 4,014 |
| TOTAL ASSETS | \$ 7,915,914 | \$ 24,473,098 | \$ (439,489) | \$ 31,949,523 |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 20,130 | \$ - | \$ - | \$ 20,130 |
| Due to MBEFEF/MBEF | 374,489 | 65,000 | (439,489) | - |
| Grants payable | 1,784,016 | - | - | 1,784,016 |
| Total Liabilities | 2,178,635 | 65,000 | (439,489) | 1,804,146 |
| NET ASSETS | | | | |
| Net assets without donor restrictions | | | | |
| Undesignated | 5,273,675 | 387,459 | - | 5,661,134 |
| Board designated endowment fund | - | 13,814,686 | - | 13,814,686 |
| | 5,273,675 | 14,202,145 | - | 19,475,820 |
| Net assets with donor restrictions | | | | |
| Restricted for purpose or time | 463,604 | 3,625,555 | - | 4,089,159 |
| Perpetually restricted for endowment | - | 6,580,398 | - | 6,580,398 |
| | 463,604 | 10,205,953 | - | 10,669,557 |
| Total Net Assets | 5,737,279 | 24,408,098 | - | 30,145,377 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 7,915,914 | \$ 24,473,098 | \$ (439,489) | \$ 31,949,523 |

See Independent Auditors' Report

MANHATTAN BEACH EDUCATION FOUNDATION

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>MBEF</u> | <u>MBEFEF</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|-------------------------|--------------------------|------------------------|--------------------------|
| SUPPORT AND REVENUE: | | | | |
| Contributions | \$ 5,223,115 | \$ 224,016 | \$ (1,064,417) | \$ 4,382,714 |
| Special event revenue, net expenses | 779,727 | 327,164 | (327,164) | 779,727 |
| Net investment return | <u>6,585</u> | <u>5,866,840</u> | <u>-</u> | <u>5,873,425</u> |
| TOTAL SUPPORT AND REVENUE | <u>6,009,427</u> | <u>6,418,020</u> | <u>(1,391,581)</u> | <u>11,035,866</u> |
| EXPENSES | | | | |
| Program services | <u>7,679,135</u> | <u>999,417</u> | <u>(1,326,581)</u> | <u>7,351,971</u> |
| Supporting services | | | | |
| Management and general | 167,311 | 26,923 | (19,500) | 174,734 |
| Fundraising | <u>387,504</u> | <u>47,949</u> | <u>(45,500)</u> | <u>389,953</u> |
| | <u>554,815</u> | <u>74,872</u> | <u>(65,000)</u> | <u>564,687</u> |
| Total Expenses | <u>8,233,950</u> | <u>1,074,289</u> | <u>(1,391,581)</u> | <u>7,916,658</u> |
| CHANGE IN NET ASSETS | (2,224,523) | 5,343,731 | - | 3,119,208 |
| NET ASSETS, BEGINNING OF YEAR | <u>7,961,802</u> | <u>19,064,367</u> | <u>-</u> | <u>27,026,169</u> |
| NET ASSETS, END OF YEAR | <u>\$ 5,737,279</u> | <u>\$ 24,408,098</u> | <u>\$ -</u> | <u>\$ 30,145,377</u> |

See Independent Auditors' Report