

MANHATTAN BEACH EDUCATION FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Manhattan Beach Education Foundation

Opinion

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, 2023 and 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Manhattan Beach Education Foundation (MBEF) as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of MBEF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MBEF's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MBEF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MBEF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
December 13, 2023

MANHATTAN BEACH EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 4,554,771	\$ 2,323,876
Other receivables	87,552	84,722
Prepaid expenses	24,761	33,294
Investments	27,649,763	27,036,898
Equipment, net	<u>4,996</u>	<u>5,395</u>
TOTAL ASSETS	<u><u>\$ 32,321,843</u></u>	<u><u>\$ 29,484,185</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and other liabilities	\$ 183,372	\$ 61,586
Grants payable	<u>1,145,473</u>	<u>1,012,517</u>
	<u>1,328,845</u>	<u>1,074,103</u>

COMMITMENTS AND CONTINGENCIES (Note 8)

NET ASSETS

Without donor restrictions		
Undesignated	6,629,105	6,265,440
Board-designated endowment fund	<u>11,304,936</u>	<u>11,525,289</u>
	<u>17,934,041</u>	<u>17,790,729</u>
With donor restrictions		
Restricted for purpose or time	4,355,412	2,919,721
Perpetually restricted for endowment	<u>8,703,545</u>	<u>7,699,632</u>
	<u>13,058,957</u>	<u>10,619,353</u>
 Total net assets	 <u>30,992,998</u>	 <u>28,410,082</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 32,321,843</u></u>	<u><u>\$ 29,484,185</u></u>
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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, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 4,908,399	\$ 900,825	\$ 5,809,224
Contributions, in-kind	36,405	-	36,405
Special event, in-kind	-	514,063	514,063
Special event revenue, net of expenses	60,118	690,875	750,993
Net investment return	1,362,576	1,000,882	2,363,458
Net assets released from restrictions	<u>667,041</u>	<u>(667,041)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>7,034,539</u>	<u>2,439,604</u>	<u>9,474,143</u>
EXPENSES			
Program Services	<u>6,129,779</u>	<u>-</u>	<u>6,129,779</u>
Supporting Services			
Management and general	262,758	-	262,758
Fundraising	<u>498,690</u>	<u>-</u>	<u>498,690</u>
	<u>761,448</u>	<u>-</u>	<u>761,448</u>
TOTAL EXPENSES	<u>6,891,227</u>	<u>-</u>	<u>6,891,227</u>
CHANGE IN NET ASSETS	143,312	2,439,604	2,582,916
NET ASSETS AT BEGINNING OF YEAR	<u>17,790,729</u>	<u>10,619,353</u>	<u>28,410,082</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 17,934,041</u></u>	<u><u>\$ 13,058,957</u></u>	<u><u>\$ 30,992,998</u></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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 4,934,935	\$ 591,826	\$ 5,526,761
Contributions, in-kind	21,410	-	21,410
Special event, in-kind	-	628,389	628,389
Special event revenue, net of expenses	47,319	624,077	671,396
Net investment loss	(1,388,712)	(1,140,933)	(2,529,645)
Net assets released from restrictions	<u>753,563</u>	<u>(753,563)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>4,368,515</u>	<u>(50,204)</u>	<u>4,318,311</u>
EXPENSES			
Program Services	<u>5,286,753</u>	<u>-</u>	<u>5,286,753</u>
Supporting Services			
Management and general	249,428	-	249,428
Fundraising	<u>517,425</u>	<u>-</u>	<u>517,425</u>
	<u>766,853</u>	<u>-</u>	<u>766,853</u>
TOTAL EXPENSES	<u>6,053,606</u>	<u>-</u>	<u>6,053,606</u>
CHANGE IN NET ASSETS	(1,685,091)	(50,204)	(1,735,295)
NET ASSETS AT BEGINNING OF YEAR	<u>19,475,820</u>	<u>10,669,557</u>	<u>30,145,377</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 17,790,729</u></u>	<u><u>\$ 10,619,353</u></u>	<u><u>\$ 28,410,082</u></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, 2023					
Program Services	Supporting Services			Total Expenses	
	Management and General	Fundraising	Total		
Grants	\$ 6,027,269	\$ -	\$ -	\$ 6,027,269	
Insurance	-	19,340	-	19,340	
Office expense	-	13,609	-	13,609	
Office personnel	102,510	98,127	284,232	484,869	
Outside services	-	33,766	35,653	69,419	
Outside services - in-kind	-	-	6,787	6,787	
Printing and publications	-	10,882	14,455	25,337	
Bank and credit card fees	-	164	86,859	87,023	
Information technology	-	30,566	-	30,566	
Community relations	-	56,304	41,086	97,390	
Community relations - in-kind	-	-	29,618	29,618	
	<u>\$ 6,129,779</u>	<u>\$ 262,758</u>	<u>\$ 498,690</u>	<u>\$ 761,448</u>	<u>\$ 6,891,227</u>
	88.95%	3.81%	7.24%		100.00%

For the Year Ended June 30, 2022					
Program Services	Supporting Services			Total Expenses	
	Management and General	Fundraising	Total		
Grants	\$ 5,188,432	\$ -	\$ -	\$ 5,188,432	
Insurance	-	17,584	-	17,584	
Office expense	-	9,359	-	9,359	
Office personnel	98,321	95,158	272,618	466,097	
Outside services	-	29,760	25,953	55,713	
Outside services - in-kind	-	-	6,787	6,787	
Printing and publications	-	7,445	16,512	23,957	
Bank and credit card fees	-	625	83,384	84,009	
Information technology	-	22,115	-	22,115	
Community relations	-	67,382	97,548	164,930	
Community relations - in-kind	-	-	14,623	14,623	
	<u>\$ 5,286,753</u>	<u>\$ 249,428</u>	<u>\$ 517,425</u>	<u>\$ 766,853</u>	<u>\$ 6,053,606</u>
	87.33%	4.12%	8.55%		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,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,582,916	\$ (1,735,295)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Stock donations received	(219,073)	(165,101)
Amortization of bond premiums	205,902	8,712
Net realized and unrealized (gain) loss on investments	(1,533,537)	3,011,231
Depreciation	2,323	3,000
(Increase) decrease in:		
Other receivables	(2,830)	23,698
Prepaid expenses	8,533	3,475
Increase (decrease) in:		
Accounts payable and other liabilities	121,786	41,456
Grants payable	132,956	(771,499)
Net Cash Provided By Operating Activities	<u>1,298,976</u>	<u>419,677</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,924)	(4,381)
Purchases of investments	(17,241,236)	(12,949,420)
Proceeds from sale or maturity of investments	18,175,079	12,154,247
Net Cash Provided by (Used In) Investing Activities	<u>931,919</u>	<u>(799,554)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,230,895	(379,877)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,323,876</u>	<u>2,703,753</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 4,554,771</u></u>	<u><u>\$ 2,323,876</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, 2023 AND 2022

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 the Foundation 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 consolidated 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, 2023 AND 2022

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 consolidated 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 consolidated 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, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Special Event

MBEF held one special event during the year ended June 30, 2023, which consisted of the following:

	<u>Wine Auction</u>
Event revenue	\$ 1,512,809
Paddle raise-with donor restrictions	352,850
Less expenses	<u>(600,603)</u>
Special event revenue, net of expenses	<u>\$ 1,265,056</u>

The 2023 Wine Auction was held and marketed as benefiting the endowment fund. As a result, net special event proceeds of \$852,088 were explicitly donor restricted to the endowment and are added to the endowment corpus. The paddle raise held at the event was marketed to support the STEAM and the 2024 MBUSD grant; therefore, the related \$352,850 is reflected as with donor restriction, for time, on the consolidated statements of activities.

For the year ending June 30, 2023, merchandise, experiences, and services were contributed for auction at the special event. Proceeds from the sale of such auction items totaling \$509,182 is included above and in special event, in-kind on the consolidated statements of the activities.

MBEF held one special event during the year ended June 30, 2022, which consisted of the following:

	<u>Wine Auction</u>
Event revenue	\$ 1,623,389
Paddle raise-with donor restriction	268,058
Less expenses	<u>(591,662)</u>
Special event revenue, net of expenses	<u>\$ 1,299,785</u>

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Special Event (Continued)

The 2022 Wine Auction was held and marketed as benefiting the endowment fund. As a result, net special event proceeds of \$984,408 were explicitly donor restricted to the endowment and are added to the endowment corpus. The paddle raise held at the event was marketed to support the 2023 MBUSD grant; therefore, the related \$268,058 is reflected as with donor restriction, for time, on the consolidated statements of activities.

For the year ending June 30, 2022, merchandise, experiences, and services were contributed for auction at the special event. Proceeds from the sale of such auction items totaling \$623,414 is included above and in special events, in-kind on the consolidated statements of activities.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing consolidated 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 consolidated 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 consolidated 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, 2023 and 2022 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 have expanded disclosures about fair value measurements. (See Note 4.)

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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 consolidated statements of financial position date. Unrealized gains and losses are included in the change in net assets in the consolidated statements of activities.

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.

Contributed Services and Goods

Contributions of noncash assets are recorded at fair value in the period received. Contributed services are recognized by the Foundation if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and goods are recognized as contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of donation.

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.

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

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.

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued new lease accounting guidance in Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)* (ASU 2016-02), which modifies lease accounting for lessees to increase transparency and comparability by requiring MBEF to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements. The adoption of the standard did not have a significant impact on MBEF.

Subsequent Events

MBEF's management has evaluated subsequent events from the consolidated statements of financial position date through December 13, 2023, the date the consolidated financial statements were available to be issued for the year ended June 30, 2023, and determined that there were no other items to disclose.

MANHATTAN BEACH EDUCATION FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – Financial Assets and Liquidity Resources

The total financial assets held by MBEF at June 30, 2023 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,	
	2023	2022
Financial assets		
Cash and cash equivalents	\$ 4,554,771	\$ 2,323,876
Other receivables	87,552	84,722
Investments	<u>27,649,763</u>	<u>27,036,898</u>
	<u>32,292,086</u>	<u>29,445,496</u>
Less amounts not available to be used within one year due to:		
Donor-imposed purpose or time restrictions	(4,355,412)	(2,919,721)
Donor-designated endowment	(8,703,545)	(7,699,632)
Board-designated endowment	<u>(11,304,936)</u>	<u>(11,525,289)</u>
	<u>(24,363,893)</u>	<u>(22,144,642)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 7,928,193</u>	<u>\$ 7,300,854</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,	
	2023	2022
U.S. Treasury notes	\$ 5,004,402	\$ 6,338,713
Mutual funds		
Stock funds	15,555,936	13,599,593
Bond funds	4,321,169	4,365,517
REIT index fund	1,531,241	1,324,893
Exchange-traded funds	<u>1,237,015</u>	<u>1,408,182</u>
	<u>\$ 27,649,763</u>	<u>\$ 27,036,898</u>

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – Investments (Continued)

Net investment return (loss) is as follows:

	June 30,	
	2023	2022
Net realized and unrealized gain (loss)	\$ 1,533,537	\$ (3,011,231)
Dividends	535,522	472,838
Interest	294,399	8,748
	<u>\$ 2,363,458</u>	<u>\$ (2,529,645)</u>

NOTE 4 – Fair Value Hierarchy

Investments are carried at fair value, which is determined, presented, and disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, 2023 AND 2022

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 all are classified as level 1 in the fair value hierarchy at June 30, 2023 and 2022.

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, 2023 and 2022 were \$1,145,473 and \$1,012,517, respectively.

NOTE 6 – Restrictions on Net Assets

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

Net Assets Without Donor Restrictions

	June 30,	
	2023	2022
Undesignated	\$ 6,629,105	\$ 6,265,440
Board-designated endowment fund	<u>11,304,936</u>	<u>11,525,289</u>
	<u><u>\$ 17,934,041</u></u>	<u><u>\$ 17,790,729</u></u>

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 – Restrictions on Net Assets (Continued)

Net Assets With Donor Restrictions

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Restricted for Purpose:		
STEM, purpose restricted	\$ 324,000	\$ 155,000
Visual art, purpose restricted	-	10,041
Teacher of the year, purpose restricted	33,532	25,326
Restricted for Purpose and Time:		
Annual appeal, time restricted	-	2,000
Future grant campaign, paddle raise, time restricted	545,908	268,058
Earnings on endowment, pending appropriation	<u>3,451,972</u>	<u>2,459,296</u>
	<u>\$ 4,355,412</u>	<u>\$ 2,919,721</u>
	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Perpetually restricted endowment fund	<u>\$ 8,703,545</u>	<u>\$ 7,699,632</u>

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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. The Endowment Fund balance was in excess of that level during the year ended June 30, 2023 and 2022. Accordingly, with the Board-approved spending policy, MBEF made a grant of \$1,158,451 and \$1,137,202 to the Foundation's general fund from its Board-designated endowment for the years ended June 30, 2023 and 2022, respectively.

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 AND 2022

NOTE 7 – Endowment Funds (Continued)

Summary of Endowment Funds

Net changes in Endowment Funds for the years ended June 30, 2023 and 2022 were as follows:

	For the Year Ended June 30, 2023			
	Without Donor Restrictions	With Donor Restrictions Accumulated Earnings	Perpetual	Total
Endowment funds, beginning of year	<u>\$ 11,525,289</u>	<u>\$ 2,459,296</u>	<u>\$ 7,699,632</u>	<u>\$ 21,684,217</u>
Investment return				
Investment income	279,076	253,206	-	532,282
Net gain (realized and unrealized)	<u>815,022</u>	<u>739,470</u>	<u>-</u>	<u>1,554,492</u>
Total investment return	<u>1,094,098</u>	<u>992,676</u>	<u>-</u>	<u>2,086,774</u>
Contributions	-	-	151,825	151,825
Special event proceeds	<u>-</u>	<u>-</u>	<u>852,088</u>	<u>852,088</u>
Total contributions	<u>-</u>	<u>-</u>	<u>1,003,913</u>	<u>1,003,913</u>
Board approved transfer	(156,000)	-	-	(156,000)
Appropriation by the Board	<u>(1,158,451)</u>	<u>-</u>	<u>-</u>	<u>(1,158,451)</u>
Total transfers	<u>(1,314,451)</u>	<u>-</u>	<u>-</u>	<u>(1,314,451)</u>
Endowment funds, end of year	<u>\$ 11,304,936</u>	<u>\$ 3,451,972</u>	<u>\$ 8,703,545</u>	<u>\$ 23,460,453</u>

MANHATTAN BEACH EDUCATION FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 – Endowment Funds (Continued)

Summary of Endowment Funds (Continued)

	For the Year Ended June 30, 2022			
	Without Donor Restrictions	With Donor Restrictions Accumulated Earnings	Perpetual	Total
Endowment funds, beginning of year	<u>\$ 13,814,686</u>	<u>\$ 3,580,379</u>	<u>\$ 6,580,396</u>	<u>\$ 23,975,461</u>
Investment return				
Investment income	260,528	209,442	-	469,970
Net loss (realized and unrealized)	<u>(1,654,723)</u>	<u>(1,330,525)</u>	<u>-</u>	<u>(2,985,248)</u>
Total investment return	<u>(1,394,195)</u>	<u>(1,121,083)</u>	<u>-</u>	<u>(2,515,278)</u>
Contributions	-	-	134,828	134,828
Special event proceeds	-	-	984,408	984,408
Total contributions	<u>-</u>	<u>-</u>	<u>1,119,236</u>	<u>1,119,236</u>
Board approved transfer	242,000	-	-	242,000
Appropriation by the Board	<u>(1,137,202)</u>	<u>-</u>	<u>-</u>	<u>(1,137,202)</u>
Total transfers	<u>(895,202)</u>	<u>-</u>	<u>-</u>	<u>(895,202)</u>
Endowment funds, end of year	<u>\$ 11,525,289</u>	<u>\$ 2,459,296</u>	<u>\$ 7,699,632</u>	<u>\$ 21,684,217</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, 2023 AND 2022**

NOTE 9 – Contributed Nonfinancial Assets

During the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities included:

	For the Year Ended June 30,	
	2023	2022
Professional services	\$ 16,500	\$ 16,500
Food	20,618	2,410
Gift cards	2,500	2,500
Food - special event	1,668	4,975
Auction items – special event	<u>509,182</u>	<u>623,414</u>
Total	<u>\$ 550,468</u>	<u>\$ 649,799</u>

MBEF recognized contributed nonfinancial assets within revenue, including items donated for a charity auction, food for special events, and professional services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Auction items include travel, experiences, and various other goods and services. Contributed auction items are valued at the gross selling price received. Contributed professional services include photography, graphic design, and printing services. Contributed professional services are valued and reported at the estimated fair market value in the consolidated financial statements based on the fair market value as substantiated by a receipt or proof of cost. Contributed food was utilized at fundraising events. MBEF estimated the fair market value as substantiated by a receipt or proof of cost.

SUPPLEMENTARY INFORMATION

MANHATTAN BEACH EDUCATION FOUNDATION

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

	<u>Foundation</u>	<u>MBEFEF</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Cash and cash equivalents	\$ 4,391,948	\$ 162,823	\$ -	\$ 4,554,771
Other receivables	87,052	500	-	87,552
Due from MBEFEF/MBEF	65,000	833,609	(898,609)	-
Prepaid expenses	17,408	7,353	-	24,761
Investments	5,004,402	22,645,361	-	27,649,763
Equipment, net	<u>4,996</u>	<u>-</u>	<u>-</u>	<u>4,996</u>
TOTAL ASSETS	<u>\$ 9,570,806</u>	<u>\$ 23,649,646</u>	<u>\$ (898,609)</u>	<u>\$ 32,321,843</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 183,372	\$ -	\$ -	\$ 183,372
Due to MBEFEF/MBEF	833,609	65,000	(898,609)	-
Grants payable	<u>1,145,473</u>	<u>-</u>	<u>-</u>	<u>1,145,473</u>
Total Liabilities	<u>2,162,454</u>	<u>65,000</u>	<u>(898,609)</u>	<u>1,328,845</u>
NET ASSETS				
Net assets without donor restrictions				
Undesignated	6,538,444	90,661	-	6,629,105
Board-designated endowment fund	<u>-</u>	<u>11,304,936</u>	<u>-</u>	<u>11,304,936</u>
	<u>6,538,444</u>	<u>11,395,597</u>	<u>-</u>	<u>17,934,041</u>
Net assets with donor restrictions				
Restricted for purpose or time	869,908	3,485,504	-	4,355,412
Perpetually restricted for endowment	<u>-</u>	<u>8,703,545</u>	<u>-</u>	<u>8,703,545</u>
	<u>869,908</u>	<u>12,189,049</u>	<u>-</u>	<u>13,058,957</u>
Total Net Assets	<u>7,408,352</u>	<u>23,584,646</u>	<u>-</u>	<u>30,992,998</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,570,806</u>	<u>\$ 23,649,646</u>	<u>\$ (898,609)</u>	<u>\$ 32,321,843</u>

See Independent Auditors' Report

MANHATTAN BEACH EDUCATION FOUNDATION

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Foundation</u>	<u>MBEFEF</u>	<u>Eliminations</u>	<u>Consolidated</u>
SUPPORT AND REVENUE:				
Contributions	\$ 6,885,350	\$ 151,825	\$ (1,227,951)	\$ 5,809,224
Contributions, in-kind	36,405	-	-	36,405
Special event, in-kind	514,063	-	-	514,063
Special event revenue, net expenses	750,993	852,088	(852,088)	750,993
Net investment return	263,978	2,099,480	-	2,363,458
TOTAL SUPPORT AND REVENUE	<u>8,450,789</u>	<u>3,103,393</u>	<u>(2,080,039)</u>	<u>9,474,143</u>
EXPENSES				
Program services	<u>6,981,867</u>	<u>1,162,951</u>	<u>(2,015,039)</u>	<u>6,129,779</u>
Supporting services				
Management and general	254,573	27,685	(19,500)	262,758
Fundraising	468,719	75,471	(45,500)	498,690
	<u>723,292</u>	<u>103,156</u>	<u>(65,000)</u>	<u>761,448</u>
 Total Expenses	 <u>7,705,159</u>	 <u>1,266,107</u>	 <u>(2,080,039)</u>	 <u>6,891,227</u>
CHANGE IN NET ASSETS	745,630	1,837,286	-	2,582,916
NET ASSETS, BEGINNING OF YEAR	<u>6,662,722</u>	<u>21,747,360</u>	<u>-</u>	<u>28,410,082</u>
NET ASSETS, END OF YEAR	<u>\$ 7,408,352</u>	<u>\$ 23,584,646</u>	<u>\$ -</u>	<u>\$ 30,992,998</u>

See Independent Auditors' Report