

**EL SEGUNDO EDUCATION FOUNDATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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beach, freeman, lim & cleland, LLP

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**EL SEGUNDO EDUCATION FOUNDATION**

We have audited the accompanying financial statements of El Segundo Education Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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.

### *Auditors' Responsibility*

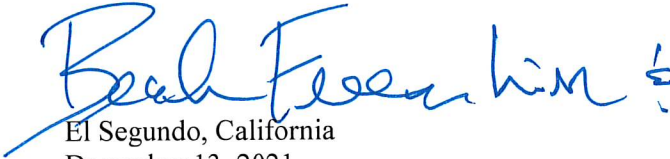

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 El Segundo Education Foundation as of June 30, 2021 and 2020, 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.

  LLP  
El Segundo, California  
December 13, 2021

**EL SEGUNDO EDUCATION FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2021 AND 2020**

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	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 461,468	\$ 374,804
Accounts receivable	531	5,676
Grant receivable	-	12,000
Funds held in trust	<u>18,870</u>	<u>20,728</u>
Total current assets	480,869	413,208
Endowment	<u>3,396,885</u>	<u>3,154,197</u>
Total assets	<u>\$ 3,877,754</u>	<u>\$ 3,567,405</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred revenue	\$ 276,952	\$ 290,576
Note payable	75,772	92,000
Funds held in trust	<u>18,870</u>	<u>20,728</u>
Total current liabilities	<u>371,594</u>	<u>403,304</u>
Net Assets		
Without donor restrictions	3,426,160	3,164,101
With donor restrictions	<u>80,000</u>	<u>-</u>
Total net assets	<u>3,506,160</u>	<u>3,164,101</u>
Total liabilities and net assets	<u>\$ 3,877,754</u>	<u>\$ 3,567,405</u>

See accompanying notes to financial statements.

**EL SEGUNDO EDUCATION FOUNDATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2021**

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	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues			
Contributions and gifts	1,351,945	80,000	1,431,945
Program income	222,303	-	222,303
Fundraising event income	141,516	-	141,516
Donated goods and services	50,105	-	50,105
Investment earnings, net	692,744	-	692,744
Gain on extinguishment of debt	<u>92,000</u>	<u>-</u>	<u>92,000</u>
Total revenues	<u>2,550,613</u>	<u>80,000</u>	<u>2,630,613</u>
Expenses			
Program services	2,144,091	-	2,144,091
Management and general	64,052	-	64,052
Fundraising	<u>80,411</u>	<u>-</u>	<u>80,411</u>
Total expenses	<u>2,288,554</u>	<u>-</u>	<u>2,288,554</u>
Change in net assets	262,059	80,000	342,059
Net assets, beginning of year	<u>3,164,101</u>	<u>-</u>	<u>3,164,101</u>
Net assets, end of year	<u>\$ 3,426,160</u>	<u>\$ 80,000</u>	<u>\$ 3,506,160</u>

See accompanying notes to financial statements.

**EL SEGUNDO EDUCATION FOUNDATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2020**

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	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues			
Contributions and gifts	1,421,823	-	1,421,823
Program income	384,555	-	384,555
Fundraising event income	202,909	-	202,909
Donated goods and services	50,105	-	50,105
Investment earnings, net	<u>143,788</u>	<u>-</u>	<u>143,788</u>
Total revenues	<u>2,203,180</u>	<u>-</u>	<u>2,203,180</u>
Expenses			
Program services	2,264,615	-	2,264,615
General and administrative	70,127	-	70,127
Fundraising	<u>95,296</u>	<u>-</u>	<u>95,296</u>
Total expenses	<u>2,430,038</u>	<u>-</u>	<u>2,430,038</u>
Change in net assets	(226,858)	-	(226,858)
Net assets, beginning of year	<u>3,390,959</u>	<u>-</u>	<u>3,390,959</u>
Net assets, end of year	<u><u>3,164,101</u></u>	<u><u>-</u></u>	<u><u>3,164,101</u></u>

See accompanying notes to financial statements.

**EL SEGUNDO EDUCATION FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>			Management and General	Fundraising	Total	
	<u>ESUSD Support</u>	<u>Summer Academy</u>	<u>After School Academy</u>				<u>Total Program</u>
Grants made to ESUSD and its schools	\$ 1,800,000	\$ -	\$ -	\$ 1,800,000	\$ -	\$ -	\$ 1,800,000
Salaries and related costs	60,891	118,795	81,797	261,483	35,288	52,762	349,533
Donated goods and services	7,986	4,058	4,514	16,558	26,628	6,920	50,106
Direct expenses	10,599	941	9,374	20,914	-	16,858	37,772
Credit card fees	28,632	362	25	29,019	-	932	29,951
Information technology	4,247	3,185	1,062	8,494	1,062	1,062	10,618
Office expenses	2,482	1,241	629	4,352	633	1,217	6,202
Insurance	762	1,486	1,023	3,271	441	660	4,372
	<u>\$ 1,915,599</u>	<u>\$ 130,068</u>	<u>\$ 98,424</u>	<u>\$ 2,144,091</u>	<u>\$ 64,052</u>	<u>\$ 80,411</u>	<u>\$ 2,288,554</u>

See accompanying notes to financial statements.



**EL SEGUNDO EDUCATION FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>			Management and General	Fundraising	Total	
	<u>ESUSD Support</u>	<u>Summer Academy</u>	<u>After School Academy</u>				<u>Total Program</u>
Grants made to ESUSD and its schools	\$ 1,800,000	\$ -	\$ -	\$ 1,800,000	\$ -	\$ -	\$ 1,800,000
Salaries and related costs	73,809	149,537	127,825	351,171	41,153	55,172	447,496
Direct expenses	11,428	7,736	25,426	44,590	-	28,856	73,446
Donated goods and services	8,565	3,376	4,986	16,927	26,776	6,402	50,105
Credit card fees	31,704	312	561	32,577	-	1,269	33,846
Information technology	5,542	4,156	1,385	11,083	1,385	1,385	13,853
Insurance	882	1,788	1,528	4,198	492	660	5,350
Office expenses	1,290	645	323	2,258	321	644	3,223
Advertising and promotion	718	359	180	1,257	-	539	1,796
Travel and meetings	369	185	-	554	-	369	923
	<u>\$ 1,934,307</u>	<u>\$ 168,094</u>	<u>\$ 162,214</u>	<u>\$ 2,264,615</u>	<u>\$ 70,127</u>	<u>\$ 95,296</u>	<u>\$ 2,430,038</u>

See accompanying notes to financial statements.

**EL SEGUNDO EDUCATION FOUNDATION**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 342,059	\$ (226,858)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Gain on extinguishment of debt	(92,000)	-
Realized and unrealized gains on investments in endowment	(653,655)	(88,740)
Contributed stock	(14,794)	(14,905)
(Increase) decrease in operating assets:		
Accounts receivable	5,145	(5,676)
Grant receivable	12,000	(12,000)
Prepaid expenses and other current assets	-	3,056
Funds held in trust	1,858	2,000
Increase (decrease) in operating liabilities:		
Accrued expenses	-	(1,017)
Deferred revenue	(13,624)	50,731
Funds held in trust	(1,858)	(2,000)
Net cash used in operating activities	(414,869)	(295,409)
Cash Flows from Investing Activities		
Purchase of investments in endowment	(322,945)	(1,652,591)
Proceeds from sale of investments in endowment	748,706	1,612,518
Net cash provided by (used in) investing activities	425,761	(40,073)
Cash Flows from Financing Activities		
Proceeds from note payable	75,772	92,000
Net cash provided by financing activities	75,772	92,000
Net increase (decrease) in cash and cash equivalents	86,664	(243,482)
Cash and cash equivalents, beginning of year	374,804	618,286
Cash and cash equivalents, end of year	\$ 461,468	\$ 374,804

See accompanying notes to financial statements.

**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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NOTE 1 - NATURE OF OPERATIONS

El Segundo Education Foundation (the "Foundation") was formed as a nonprofit public benefit corporation in the State of California in February 1983. The Foundation's purpose is to support the educational mission of the El Segundo Unified School District ("ESUSD"). The Foundation is supported primarily through donations from the public.

The Foundation, also known as Ed! or ESEF, was founded by concerned parents and community leaders of the South Bay. The Foundation helps to narrow the widening gap between the state funds required to maintain excellence in El Segundo schools and the state funds received.

The Foundation's goal is to unite businesses, corporations and residents throughout the community to provide sustainable and consistent funding directly to the public schools of the El Segundo Unified School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounts of the Foundation are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less at the date of purchase to be cash equivalents.

**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Reserve Policy

The Foundation's goal is to maintain cash reserves, exclusive of the endowment and other restricted funds, at the end of each fiscal year, equal to at least twelve (12) months of certain operating expenses as defined in the policy. The Foundation increases cash reserves by a minimum of \$30,000 each year until the desired level is reached. According to management, the Foundation is meeting their cash reserve levels.

Funds Held in Trust

The Foundation has received unsolicited funds from donors, who have specifically designated the funds for scholarships to graduating El Segundo High School students. The Foundation is required to maintain a separate bank account, and will act solely as custodian. The funds will be dispersed as determined by the Alumni Association, and as such, the funds are reflected as an asset with a corresponding liability on the financial statements.

During the years ended June 30, 2021 and 2020, the Foundation received unsolicited funds from a donor organization, who has specifically designated the funds for band teacher salaries. There is an agreement in which the Foundation pays monthly payroll for band teachers and subsequently requests reimbursement from the donor organization for related payroll expenses. The funds received by the Foundation are kept in a separate bank account and transferred to the operating account from which payroll is withdrawn.

Grant Receivable

The grant receivable in the accompanying statements of financial position consisted of an unconditional promise to give which was recorded at its net realizable value at the time the promise was received. Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate based on Treasury yield curve rates corresponding to the period of the grant.

Management determined that the grant receivable was fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at June 30, 2020.

**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment

The Endowment reported on the statements of financial position consists of the Foundation's investments in marketable securities which are reported at fair value. Investment transactions are recorded on the trade date and investment income is recognized as revenue in the period earned. Realized and unrealized gains and losses are recognized as changes in net assets without donor restrictions in the period in which they occur.

Investments in marketable securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments in marketable securities, it is reasonably possible that changes in the value of investments could materially change and that such change could materially affect the amounts reported in the statements of financial position.

Revenue Recognition

The Foundation recognizes contribution and grant revenue in accordance with Topic 958 *Not-for-Profit Entities*. As such, the Foundation considers specific criteria when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction, and when determining whether a contribution is conditional or unconditional.

*Contributions*

All contributions and grant support are considered available for the Foundation's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions and increase that respective net asset class. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Restricted support with restrictions that are met in the same reporting period are recorded as unrestricted support.

**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

*Contributions (Continued)*

Contributions are also recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recorded when the condition set by the donor is met. The Foundation had a conditional grant from a donor, that was to be paid in five installments of \$200,000 beginning in the year ended June 30, 2017. The grant required the Foundation to raise a minimum of \$200,000 each year from the El Segundo community in order to receive the installment. The grant condition was met during the years ended June 30, 2021 and 2020, and the Foundation received a \$200,000 contribution from the donor in each year. This grant has been fully received as of June 30, 2021.

The Foundation received an additional conditional grant from the same donor of \$1,000,000 to be paid in five installments of \$200,000 beginning in the year ended June 30, 2022. The grant requires the Foundation to raise a minimum of \$200,000 each year from the El Segundo community in order to receive the installment.

The Foundation also recognizes program and fundraising revenue in accordance with Topic 606 *Revenue from Contracts with Customers*. As such, revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that is based on the consideration the Foundation expects to receive in exchange for transferring those products or services.

*Program Income*

Program income is comprised of fixed-price registration fees for various academic programs held by the Foundation. Program contracts are considered a single performance obligation and revenue is recognized over the program term on a straight-line basis.

*Fundraising Event Income*

Fundraising event income is derived from various events hosted by the Foundation and consists of registration fees and sponsorships. Fundraising event contracts are considered a single performance obligation and revenue is recognized on the date the event has taken place.

**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

*Fundraising Event Income (Continued)*

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the Foundation prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met and when the Foundation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

Contributed Services and Equipment

Contributed services and equipment are reported in the financial statements at fair value on the date of the voluntary donation when those services or equipment (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would typically be purchased if not provided by donation.

During the years ended June 30, 2021 and 2020, many volunteers donated time and services in an effort to advance the programs and objectives of the Foundation. These volunteer services have not been recorded in the financial statements as they do not meet the criteria required by U.S. GAAP.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Operating expenses directly identified with a functional area are charged to that area. Expenses affecting more than one area, such as salaries and other employee expenses have been allocated based on estimates of time and effort. Donated facilities and insurance are allocated in accordance with payroll. Credit card fees are allocated based on percentages of revenue type processed via credit card.

**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a not-for-profit corporation that is exempt from the payment of income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes.

The Foundation evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions were more likely than not to be sustained upon examination. The Foundation has evaluated its tax positions and management believes there are no uncertain positions required to be recorded or disclosed for the years ended June 30, 2021 and 2020.

By statute, the Foundation's federal and state income tax returns generally remain subject to examination by taxing authorities for three and four years, respectively, from the date the return is filed.

Concentrations of Risk

The Foundation's cash and cash equivalents, and investment balances held at financial institutions generally exceed federally insured limits or exceed amounts insured by Securities Investor Protection Corporation ("SIPC"). The Foundation's total investment balances are covered due to additional insurance carried at the financial institutions holding the Foundation's funds. The Foundation has not experienced and does not anticipate any losses as a result of the nonperformance of custodians and investment managers of its cash and cash equivalents or investments.

The COVID-19 pandemic has continued to endure through 2021, and represents a market and economic risk factor. As a result, there has been continued uncertainty and disruption in the global economy and financial markets. The Foundation continues to follow the policies described above, including those related to estimates and assumptions that affect certain assets and liabilities. While the results of current analyses did not result in any material adjustments to amounts as of June 30, 2021, circumstances related to the COVID-19 pandemic may impact the operating results of future periods.



**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Availability of Financial Assets

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 461,468	\$ 374,804
Accounts receivable	531	5,676
Grant receivable	-	12,000
Endowment	<u>3,396,885</u>	<u>3,154,197</u>
	<u>\$ 3,858,884</u>	<u>\$ 3,546,677</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in the endowment fund.

NOTE 3 - ENDOWMENT

Board Designated Endowment

The Foundation maintains a general endowment consisting of board designated investments to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Spending Policy

The Foundation's annual appropriation, on a fiscal year basis, is determined by the growth in principal, amount of donations, earnings performance and the endowment's value as of March 31 of each year (end of the 3rd quarter). Once approved, the annual appropriation is funded into the Foundation's account at the end of the next subsequent fiscal year. The amount of the annual appropriation made from the endowment should not exceed 5% of the net value of the endowment as established at the end of the 3rd quarter of the fiscal year; nor, should the annual appropriation equal or exceed the growth of the endowment from all sources in the same time frame. This is consistent with the Foundation's objective to increase the principal balance of the endowment, after all costs are paid and appropriations are made.

**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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NOTE 3 - ENDOWMENT (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies

To achieve the endowment objectives, the Foundation has adopted an investment policy that attempts to provide for the preservation and safety of the endowment's principal and to provide for a steady stream of interest and/or dividend income to fund the annual appropriation to the Foundation. The Foundation's investment policy objectives also are targeted to create new programs aimed at enhancing alternative methods of giving to the fund by its constituents and to grow the endowment.

According to the investment policy, endowment assets are invested in a balanced, conservative growth and income investment strategy of equity, fixed income, alternative, and cash investments, in a mix which is conducive to the endowment's participation in rising markets while providing adequate protection from falling markets, while growing the endowment's assets if possible. Accordingly, the Foundation expects its endowment assets, over time, to produce a net real rate of return equal or greater than 2% above the consumer price index compounded annually for the aggregate of all investment funds over a full investment cycle (three-year period). Actual returns in any given year may vary from this amount. On a risk-adjusted basis, the endowment's total return is expected to have less risk than the Standard & Poor's 500 benchmark. Risk and volatility will be measured by standard deviation. An investment restriction policy is in place and is designed to minimize interference with the Investment Committee's efforts to attain the overall fund objectives.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification 820 are described as follows:

- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. |
|---------|---|

**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 3 - ENDOWMENT (CONTINUED)

Fair Value Measurements (Continued)

Level 2                      Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3                      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2021 and 2020.

The following tables set forth by level, within the fair value hierarchy, the Foundation's endowment assets at fair value:

**Endowment Assets at Fair Value as of  
June 30, 2021**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 33,816	\$ -	\$ -	\$ 33,816
Equities	2,187,487	-	-	2,187,487
Fixed income	965,432	-	-	965,432
Alternative Investments	137,515	-	-	137,515
Miscellaneous	<u>72,635</u>	<u>-</u>	<u>-</u>	<u>72,635</u>
<b>Total</b>	<b><u>\$ 3,396,885</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,396,885</u></b>

**EL SEGUNDO EDUCATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 3 - ENDOWMENT (CONTINUED)

Fair Value Measurements (Continued)

**Endowment Assets at Fair Value as of  
June 30, 2020**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 354,852	\$ -	\$ -	\$ 354,852
Equities	1,562,572	-	-	1,562,572
Fixed income	1,064,958	-	-	1,064,958
Alternative Investments	121,101	-	-	121,101
Miscellaneous	<u>50,714</u>	<u>-</u>	<u>-</u>	<u>50,714</u>
Total	<u>\$ 3,154,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,154,197</u>

Endowment Activity

The composition of and changes in endowment net assets by net asset classification for the years ended June 30, 2020 and 2021, were as follows:

	<u>Without Donor Restrictions</u>
Board designated endowment net assets at July 1, 2019	\$ 3,010,479
Contributions	14,905
Appropriations	(14,905)
Investment income, net	98,759
Net appreciation of investments	<u>44,959</u>
Board designated endowment net assets at June 30, 2020	3,154,197
Contributions	14,794
Appropriations	(464,794)
Investment income, net	77,725
Net appreciation of investments	<u>614,963</u>
Board designated endowment net assets at June 30, 2021	<u>\$ 3,396,885</u>

**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for program-specific expenditures and future operations. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors or the passage of time.

The Foundation's net assets with donor restrictions totaled \$80,000 as of June 30, 2021, and consist of funds that are designated for future fiscal years, and therefore are time restricted. There were no restricted net assets as of June 30, 2020.

NOTE 5 - CONTRIBUTED SERVICES AND EQUIPMENT

The value of donated services and equipment included as contributions in the financial statements and the corresponding expenses for the years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Facilities	\$ 28,105	\$ 28,105
Professional fees	<u>22,000</u>	<u>22,000</u>
	<u>\$ 50,105</u>	<u>\$ 50,105</u>

Additionally, the Foundation received \$26,542 and \$29,235 of donated goods related to special events for the years ended June 30, 2021 and 2020, which have been excluded from the presentation of fundraising event income and expense in the financial statements.

NOTE 6 - RELATED PARTIES

Related parties exist as a result of Board member connections. Several Board members have made significant contributions to the Foundation, either individually or via their corporate affiliations. Contributions received from Board members or their affiliates totaled \$429,975 and \$433,690 for the years ended June 30, 2021 and 2020, respectively. In addition, one Board member is employed by a banking institution where the Foundation maintains an account.

**EL SEGUNDO EDUCATION FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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**NOTE 7 - NOTE PAYABLE AND GAIN ON EXTINGUISHMENT OF DEBT**

On May 14, 2020, the Foundation received loan proceeds from the Payment Protection Program ("PPP") in the amount of \$92,000. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided for loans to qualifying businesses impacted by COVID-19. Funds from the Loan were required to be used for certain expenses. Under the terms of the PPP, up to 100% of the Loan may be forgiven if the Foundation used the funds for qualifying expenses as described in the CARES Act. The Foundation received forgiveness for the full amount of the Loan on March 22, 2021. Accordingly, the amount of debt considered to be extinguished is recognized as gain on extinguishment of debt in the statement of activities.

On April 9, 2021, the Foundation received a second round of PPP loan proceeds in the amount of \$75,772. The Foundation received forgiveness for the full amount of the Loan on August 30, 2021.

**NOTE 8 - SUBSEQUENT EVENTS**

The Foundation evaluated subsequent events through December 13, 2021, the date at which the financial statements were available to be issued. Other than what has been previously disclosed, the Foundation is not aware of any significant events that occurred subsequent to the statement of financial position date, but prior to December 13, 2021, that would have a material impact on its financial statements.