MONARCH SCHOOL PROJECT
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

MONARCH SCHOOL PROJECT

CONSIDINE & CONSIDINE
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Monarch School Project

Opinion

We have audited the accompanying consolidated financial statements of Monarch School Project, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, 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 Monarch School Project as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Monarch School Project and to meet our 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 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 Monarch School Project's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

8989 RIO SAN DIEGO DRIVE, SUITE 250 • SAN DIEGO, CA 92108
TEL 619-231-1977 • FAX 619-231-8244 • www.cccpa.com

Auditor's Responsibilities for the Audit of the 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 auditor's 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 are considered material if there is a subsantitial 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 Monarch School Project'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 Monarch School Project'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.

Considine & Considine

CONSIDINE & CONSIDINE
An accountancy corporation

January 10, 2023

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,260,444	$ 7,696,188
Certificates of deposit	-	1,000,000
Prepaid expenses and other current assets	107,384	153,532
Accounts receivable	65,633	3,036
Accrued interest receivable	-	5,657
TOTAL CURRENT ASSETS	10,433,461	8,858,413
PROPERTY AND EQUIPMENT (NOTE 3)	19,326,214	19,357,203
OTHER ASSETS		
Beneficial interests in foundations (note 4)	235,503	248,800
TOTAL ASSETS	29,995,178	28,464,416
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	780,017	433,491
Deferred revenue (note 6)	-	35,000
2021 PPP loan payable (note 10)	-	441,795
TOTAL CURRENT LIABILITIES	780,017	910,286
NET ASSETS (NOTE 7)		
Without donor restrictions	27,756,943	27,006,062
With donor restrictions	1,458,218	548,068
TOTAL NET ASSETS	29,215,161	27,554,130
TOTAL LIABILITIES AND NET ASSETS	$ 29,995,178	$ 28,464,416

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Contributions and fundraising	$ 2,460,989	$ 2,525,494	$ 4,986,483
Special events	756,754	157,163	913,917
Rental income	840,294	-	840,294
In-kind donations (note 8)	121,898	-	121,898
TOTAL SUPPORT AND REVENUE	4,179,935	2,682,657	6,862,592
NET ASSETS RELEASED FROM RESTRICTION	1,772,507	(1,772,507)	-
EXPENSES			
Program	4,997,937	-	4,997,937
General and administrative	617,610	-	617,610
Fundraising	635,998	-	635,998
TOTAL EXPENSES	6,251,545	-	6,251,545
CHANGE IN NET ASSETS BEFORE OTHER INCOME/(LOSS)	(299,103)	910,150	611,047
OTHER INCOME/(LOSS)			
PPP loan forgiveness (note 10)	441,795	-	441,795
Employee retention credit (note 11)	418,525	-	418,525
Program service grant	168,099	-	168,099
Other income	22,174	-	22,174
Loss on disposal of fixed assets	(609)	-	(609)
	1,049,984	-	1,049,984
CHANGE IN NET ASSETS	750,881	910,150	1,661,031
NET ASSETS, BEGINNING OF YEAR	27,006,062	548,068	27,554,130
NET ASSETS, END OF YEAR	$ 27,756,943	$ 1,458,218	$ 29,215,161

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Contributions and fundraising	$ 1,972,740	$ 1,293,286	$ 3,266,026
Special events	594,865	-	594,865
Rental income	775,656	-	775,656
In-kind donations (note 8)	98,725	-	98,725
TOTAL SUPPORT AND REVENUE	3,441,986	1,293,286	4,735,272
NET ASSETS RELEASED FROM RESTRICTION	1,091,775	(1,091,775)	-
EXPENSES			
Program	4,222,269	-	4,222,269
General and administrative	467,187	-	467,187
Fundraising	394,143	-	394,143
TOTAL EXPENSES	5,083,599	-	5,083,599
CHANGE IN NET ASSETS BEFORE OTHER INCOME/(LOSS)	(549,838)	201,511	(348,327)
OTHER INCOME/(LOSS)			
PPP loan forgiveness (note 10)	442,610	-	442,610
Other income	142,859	-	142,859
Loss on disoposal of fixed assets	(2,889)	-	(2,889)
	582,580	-	582,580
CHANGE IN NET ASSETS	32,742	201,511	234,253
NET ASSETS, BEGINNING OF YEAR	26,973,320	346,557	27,319,877
NET ASSETS, END OF YEAR	$ 27,006,062	$ 548,068	$ 27,554,130

See accompanying notes

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	PROGRAM	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL
EXPENSES				
Payroll costs	$ 2,883,733	$ 438,685	$ 402,474	$ 3,724,892
Professional fees	472,343	116,676	58,056	647,075
Depreciation	547,069	10,385	3,873	561,327
Facility maintenance	298,598	2,513	937	302,048
Student assistance	159,890	-	-	159,890
Special events	20,671	-	110,646	131,317
Insurance	115,414	2,191	817	118,422
Instructional supplies	114,201	-	-	114,201
Nutrition	104,475	-	-	104,475
Office and administrative	63,928	16,426	3,659	84,013
Outside services	68,533	171	9,788	78,492
Printing, copying and postage	-	18,410	36,915	55,325
Professional development	41,872	5,709	5,131	52,712
Scholarships	48,843	-	-	48,843
Student activities	40,177	-	-	40,177
Healthcare	18,190	-	-	18,190
Dues and subscriptions	-	6,444	3,702	10,146
TOTAL EXPENSES	$ 4,997,937	$ 617,610	$ 635,998	$ 6,251,545

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL
EXPENSES				
Payroll costs	$ 2,054,807	$ 296,960	$ 283,232	$ 2,634,999
Professional fees	75,524	122,796	49,550	247,870
Depreciation	511,854	9,716	3,624	525,194
Facility maintenance	322,886	5,675	2,116	330,677
Student assistance	824,205	-	-	824,205
Special events	-	-	35,634	35,634
Insurance	108,776	2,065	770	111,611
Instructional supplies	97,726	-	-	97,726
Nutrition	27,383	-	-	27,383
Office and administrative	65,414	12,081	554	78,049
Outside services	17,005	111	7,288	24,404
Printing, copying and postage	-	9,556	5,743	15,299
Professional development	32,038	4,643	4,393	41,074
Scholarships	43,836	-	-	43,836
Student activities	20,066	-	-	20,066
Healthcare	20,749	-	-	20,749
Dues and subscriptions	-	3,584	1,239	4,823
TOTAL EXPENSES	$ 4,222,269	$ 467,187	$ 394,143	$ 5,083,599

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 1,661,031	$ 234,253
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS		
TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:		
Depreciation expense	561,327	525,194
PPP loan forgiveness	(441,795)	(442,610)
Loss on disposal of fixed assets	609	2,889
Unrealized gain/loss from beneficial interests in foundations	11,943	(57,241)
Change in operating assets and liabilities:		
Prepaid expenses and other current assets	46,148	(27,424)
Accounts receivable	(62,597)	(381)
Accrued interest receivable	5,657	16,664
Accounts payable and accrued expenses	346,526	102,937
Deferred revenue - special events	(35,000)	(28,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,093,849	326,281
CASH FLOWS PROVIDED/(USED) BY INVESTING ACTIVITIES		
Redemption of certificates of deposits	1,000,000	4,250,000
Distributions from investments in foundations	1,354	1,282
Purchase of property and equipment	(98,923)	(35,183)
Purchase of building improvements	(432,024)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	470,407	4,216,100
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds received from PPP loan payable	-	441,795
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	441,795
NET INCREASE IN CASH	2,564,256	4,984,176
CASH, BEGINNING OF YEAR	7,696,188	2,712,012
CASH, END OF YEAR	$ 10,260,444	$ 7,696,188
Supplemental disclosures		
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

See accompanying notes

NOTE 1 THE ORGANIZATION

Monarch School Project (the Organization), a nonprofit corporation, supports a K-12 school developed specifically to educate students impacted by housing insecurity in San Diego County. Monarch School breaks down the barriers homeless youth face in accessing education and provides them with a safe, stable learning environment where they can heal and develop the necessary skills and experiences for personal success. The Organization was formed in San Diego, California in 1987.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying consolidated financial statements are prepared using the accrual method in conformity with US generally accepted accounting principles (GAAP).

Basis of consolidation – In 2011, the Organization formed Monarch School 1625, LLC, a single-member LLC, to build a new campus for the school. The consolidated financial statements include the accounts of the Organization and Monarch School 1625, LLC, a wholly-owned subsidiary. All significant interorganization balances and transactions have been eliminated.

Estimates – The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Financial statement presentation – The Organization follows the Financial Accounting Standards Board's (FASB) Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which require that net assets, support, revenue and gains, expenses and losses be classified as with donor restrictions and without donor restrictions.

Net assets without donor restrictions – Consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services. Net assets without donor restrictions also include amounts designated for certain purposes by the Board of Directors.

Net assets with donor restrictions – Consists of contributed funds subject to donor imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. Net assets with donor restrictions include amounts that neither expire by the passage of time nor can be fulfilled or removed by actions of the Organization.

Donor-imposed restrictions – All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions, increasing that 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 statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as with donor restrictions and then released from restriction in the same period.

Cash and cash equivalents – The Organization considers financial instruments with a fixed maturity date of less than three months from the statement of financial position date to be cash equivalents.

The Organization maintained its cash accounts at multiple commercial banks as of June 30, 2022 and 2021. The Organization restricts investments of cash to financial institutions of high credit standing. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution at June 30, 2022 and 2021. At June 30, 2022 and 2021, the Organization had balances in its banks of approximately $9,718,000 and $7,185,000 respectively that were in excess of the insured limits.

Certificates of deposit – Certificates of deposit are investments that are not subject to FASB 820, Fair Value Measurement and have been recorded at cost. These investments have an original maturity date that exceeds three months and have therefore not been included as cash.

Beneficial interests in foundations – Beneficial interests in foundations are valued at their fair values on the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Property and equipment – Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives of three to thirty-nine years. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. It is the Organization's policy to capitalize all property and equipment costs in excess of $1,000. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the current period financial statements.

Impairment of long-lived assets – The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amounts of an asset to the future net undiscounted cash flows expected to be generated by the asset. If the asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of such property. There were no impairment losses recognized for the years ended June 30, 2022 and 2021.

Revenue recognition – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met. Rental income is recognized as revenue in the period earned.

Promises to give – Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts are computed using Treasury bill rates applicable to the years in which the promises are received. It is the Organization’s policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected.

In-kind donations – Donated gifts and services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. The Organization recognizes the value of donated gifts and services by recording the donations at their fair value (see note 8).

Contributed property and equipment – Property and equipment that have been contributed are recorded at fair value at the date of the donation. If donors stipulate the purpose of an asset's use, the contributions are recorded as with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions. In the absence of a readily determinable fair value, management may use estimates to determine the fair value of contributed property.

Functional allocation of expenses – The Organization allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization’s management.

Fair value measurement – The Organization follows accounting standards consistent with the FASB Codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Income taxes – As a nonprofit organization, the Organization has obtained exempt status. Under Internal Revenue Section 501(c)(3) and Section 23701(d) of the California Franchise Tax Code, the Organization is not subject to income taxes for operations related to its exempt purpose.

As of June 30, 2022 and 2021, the Organization believes it does not have any taxable unrelated business income, and accordingly, has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

Recent accounting pronouncements

In February 2016, the FASB issued a new leases standard which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The new standard will be effective for the Organization beginning on July 1, 2022, with early adoption permitted, though the Organization currently anticipates adopting the new standard on the effective date. The new standard must be adopted using a modified retrospective method, which requires application of the new guidance at the beginning of the earliest comparative period presented and provides for certain practical expedients. The organization is assessing the effect of the new standard on its financial statements, though it does not anticipate changes to its current revenue recognition practices.

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

NOTE 3 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	Balance at 6/30/2021	Additions	Disposals	Balance at 6/30/2022
Building and improvements	$ 16,941,965	$ 432,024	$ -	$ 17,373,989
Land	5,600,000	-	-	5,600,000
Furniture and fixtures	721,453	66,647	-	788,100
Vehicles	20,852	-	-	20,852
Computers and equipment	74,241	32,276	(4,175)	102,342
	$ 23,358,511	$ 530,947	$ (4,175)	$ 23,885,283
Accumulated depreciation				(4,559,069)
				$ 19,326,214

	Balance at 6/30/2020	Additions	Disposals	Balance at 6/30/2021
Building and improvements	$ 16,941,965	$ -	$ -	$ 16,941,965
Land	5,600,000	-	-	5,600,000
Furniture and fixtures	718,592	2,861	-	721,453
Vehicles	20,852	-	-	20,852
Computers and equipment	61,244	32,322	(19,325)	74,241
	$ 23,342,653	$ 35,183	$ (19,325)	$ 23,358,511
Accumulated depreciation				(4,001,308)
				$ 19,357,203

Depreciation expense was $561,327 and $525,194 for the years ended June 30, 2022 and 2021, respectively.

In May 2012, the Organization, upon receiving funds from the New Markets Tax Credit Program, entered into an agreement with the Redevelopment Agency of San Diego to obtain the property on Newton Avenue. Until May 2043, the Organization is contractually obligated to use the Newton Avenue property for the purpose of continued operation of a school for disadvantaged children and will default on the agreement if not used for this purpose. The Organization intends to operate under the terms of the agreement, and as such no liability has been recorded in the financial statements related to this obligation.

NOTE 4 BENEFICIAL INTERESTS IN FOUNDATIONS

In 2004, the Organization invested $75,000 with the San Diego Foundation Endowment Fund. The investment was made after a donor requested their $50,000 donation be invested in an endowment fund. An additional $5,000 donor contribution was made in February 2005, and two donations totaling $950 were made in March 2009. The investment will be held in perpetuity with the San Diego Foundation and all distributions from the investment may be used at the discretion of the Organization.

In 2012, the Organization invested $25,000 in an endowment fund with the Jewish Community Foundation of San Diego. The investment will be held in perpetuity with the Jewish Community Foundation of San Diego and all distributions from the investment may be used at the discretion of the Organization.

NOTE 5 FAIR VALUE MEASUREMENT

The Organization follows the methods of fair value measurement to value its financial assets. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

There were no changes in the methods used to measure fair values at June 30, 2022 and 2021.

Financial assets and liabilities carried at fair value at June 30, 2022 and 2021 are classified in the following schedule in one of three categories described above.

The table below presents the balances of assets measured at fair value as of June 30, 2022 on a recurring basis:

Assets	Level 1	Level 2	Level 3	Total
Beneficial interest in San Diego Foundation endowment fund	$ -	$ -	$ 209,721	$ 209,721
Beneficial interest in Jewish Community Foundation of San Diego endowment fund	-	-	25,782	25,782
	$ -	$ -	$ 235,503	$ 235,503

The table below presents the balances of assets measured at fair value as of June 30, 2021 on a recurring basis:

Assets	Level 1	Level 2	Level 3	Total
Beneficial interest in San Diego Foundation endowment fund	$ -	$ -	$ 218,655	$ 218,655
Beneficial interest in Jewish Community Foundation of San Diego endowment fund	-	-	30,145	30,145
	$ -	$ -	$ 248,800	$ 248,800

The investments in the San Diego Foundation Endowment Fund and Jewish Community Foundation of San Diego Endowment Fund are measured using values provided by these foundations. The values are based on the fair market value of the underlying cash, securities and other investments. Although the Organization classifies its investments in each foundation as Level 3, the investments held in each foundation are comprised of Level 1, 2 and 3 investments as reported by each foundation.

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended June 30, 2022:

Balance at July 1, 2021	$ 248,800
Change in value	(11,943)
Distribution	(1,354)
Balance at June 30, 2022	$ 235,503

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended June 30, 2021:

Balance at July 1, 2020	$ 192,841
Change in value	57,241
Distribution	(1,282)
Balance at June 30, 2021	$ 248,800

NOTE 6 DEFERRED REVENUE

Deferred revenue consists of sponsorship revenue received for the Organization's Raise Up for Monarch fundraising event which occurred after the financial statement date. The sponsorship revenue which totaled $0 and $35,000 as of June 30, 2022 and 2021, respectively, will be recognized as special events revenue in the year the event takes place.

NOTE 7 NET ASSETS

Net assets consist of the following:

	2022	2021
Without donor restrictions:		
Undesignated	$ 23,230,020	$ 22,719,139
Board-designated:		
Strategic reserve	2,500,000	2,500,000
Maintenance reserve	2,026,923	1,786,923
Total board-designated	4,526,923	4,286,923
Total net assets without donor restrictions	27,756,943	27,006,062
With donor restrictions:		
Arts center	1,275,404	271,514
School programs	182,814	172,554
	1,458,218	444,068
Time restricted for future periods:		
School programs - for long-term use	-	104,000
Total net assets with donor restrictions	1,458,218	548,068
Total net assets	$ 29,215,161	$ 27,554,130

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

	2022	2021
Arts center	$ 703,527	$ -
School programs	1,068,980	1,091,775
	$ 1,772,507	$ 1,091,775

In August 2013, the Board of Directors of the Organization established a maintenance reserve fund designated for future repairs on the school campus. Such funds are included in without donor restrictions net assets in the accompanying consolidated statements of financial position. For the years ended June 30, 2022 and 2021, the board designated net assets of $240,000 each year towards the maintenance reserve fund. No amounts were released for the years ended June 30, 2022 and 2021.

In May 2018, the Board of Directors of the Organization established a strategic reserve fund designated for one-time, nonrecurring expenses that will build long-term capacity, such as research and development. Such funds are included in net assets without donor restrictions in the accompanying consolidated statements of financial position. For the year ended June 30, 2020, the board designated net assets of $31,208 towards the strategic reserve fund. During the year ended June 30, 2021, the board determined the strategic reserve fund should maintain a balance of $2,500,000. As such, $244,084 was released for the year ended June 30, 2021.

NOTE 8 IN-KIND DONATIONS

The Organization received the following donated services and gifts in-kind for the years ended June 30 as follows:

	2022	2021
Services:		
Health services	$ 18,190	$ 20,749
Professional services	21,924	65,262
Total services	40,114	86,011
Student Support:		
Food and clothing	81,784	11,714
Gift cards and other support	-	1,000
Total student support	81,784	12,714
Total in-kind donations	$ 121,898	$ 98,725

NOTE 9 FUNDRAISING EXPENSE

Total fundraising expense for the years ended June 30, 2022 and 2021 was $635,998 and $394,143, respectively. Fundraising expenses related to the annual fundraising activities totaled approximately 11% and 10% of the total annual contribution revenue for the years ended June 30, 2022 and 2021, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

NOTE 10 PPP LOAN PAYABLE

On April 27, 2020, the Organization entered into a note payable agreement with Union Bank for $442,610 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and subsequently amended by the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act). The Organization requested and received full forgiveness of the loan in January 2021.

On March 15, 2021, the Organization entered into a second PPP note payable agreement with Union Bank for $441,795. The note matures five years from the disbursement date and bears interest at a rate of 1.000% per annum. No payments are due on this note during the deferral period applicable under the PPP regulations. Principal and interest may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. The note is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (qualifying expenses), pursuant to the terms and limitations of the PPP. The Organization believes that it used all of the proceeds from the note for expenses that would qualify for loan forgiveness. The Organization recorded the loan forgiveness during the year ended June 30, 2022.

Subsequent to year end in August 2022, the Organization requested and received full forgiveness of the second PPP loan.

NOTE 11 EMPLOYEE RETENTION CREDIT

The Organization has filed for the Employee Retention Credit (ERC) with the credits totaling $896,335. Laws and regulations concerning government programs, including the ERC established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization. As of June 30, 2022, the Organization has received a total refund of $454,000. The remaining amount of $442,335 has been recorded as a receivable on the statement of financial position. Accordingly, the Organization recognizes a valuation allowance in the amount of $442,335 that fully offsets the outstanding ERC receivable. The amount of refunds received has been included as other income on the statement of activities for the year ended in the year received.

NOTE 12 COMMITMENTS

The Organization leases its performing arts facility, lease expires on March 21, 2026, and its parking lot, lease expires on February 28, 2024.

Minimum future rental payments for the years ended June 30 are as follows:

2023	$	162,543
2024		151,506
2025		113,615
2026		87,114
	$	514,778

Total rental expense for the years ended June 30, 2022 and 2021 was $143,044 and $10,320, respectively.

NOTE 13 LIQUIDITY, AVAILABILITY, AND RESERVES MANAGEMENT

The Organization maintains and manages adequate operating fund reserves per policies set by its Board of Directors to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization and for the implementation of future strategic plans as adopted by the board.

The Organization strives to maintain liquid financial assets equal to nine months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Any funds in excess or less than the targeted amount will be transferred to or from the strategic reserve fund (see note 7).

As part of the Organization's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities and other obligations come due. Contributions and expenses are monitored on a monthly basis by management and on a bi-monthly basis by the Organization's leadership and board. The level of assets are monitored on a monthly basis.

The Organization manages its liquidity following three guiding principles: operating within a prudent range of financial stewardship and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient funds to provide reasonable assurance that long-term obligations will be discharged.

The following reflect the Organization's financial assets as of June 30, 2022 and 2021, reduced by the amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 10,260,444	$ 7,696,188
Accounts receivable	65,633	3,036
Certificates of deposit	-	1,000,000
Accrued interest receivable	-	5,657
	10,326,077	8,704,881
Less those unavailable for general expenditures within one year:		
Contractual or donor imposed restrictions:		
Restricted by donor with purpose restrictions	(1,458,218)	(548,068)
Board designations:		
Strategic reserve	(2,500,000)	(2,500,000)
Maintenance reserve	(2,026,923)	(1,786,923)
Financial assets available to meet general expenditures within one year	$ 4,340,936	$ 3,869,890

NOTE 14 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 10, 2023, the date the consolidated financial statements were ready to be issued. There were no material subsequent events that affected the amounts or disclosures in the financial statements, except as noted below:

In August 2022, the Organization received an approval letter from the Small Business Administration which stated that their second PPP loan had been fully forgiven.