MONARCH SCHOOL PROJECT
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

MONARCH SCHOOL PROJECT

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, 2024 and 2023, 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, 2024 and 2023, 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 audits 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 audits. 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 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.

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Auditor's 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 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 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 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.

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CONSIDINE & CONSIDINE
An accountancy corporation

December 12, 2024

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,211,558	$ 4,812,667
Investments (note 6)	4,850,561	3,980,977
Accounts receivable	48,791	15,776
Pledges receivable (note 3)	185,000	81,500
Prepaid expenses and other current assets	134,966	120,928
TOTAL CURRENT ASSETS	6,430,876	9,011,848
PROPERTY AND EQUIPMENT (NOTE 4)	18,342,767	18,947,865
OTHER ASSETS		
Pledges receivable - long term (note 3)	314,897	-
Beneficial interests in foundations (note 5)	271,139	250,730
Operating lease right-of-use asset (note 13)	297,289	344,230
TOTAL OTHER ASSETS	883,325	594,960
TOTAL ASSETS	25,656,968	28,554,673
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	592,207	591,648
Operating lease liability (note 13)	174,770	132,231
TOTAL CURRENT LIABILITIES	766,977	723,879
LONG-TERM LIABILITIES		
Operating lease liability - long-term (note 13)	131,394	202,377
TOTAL LIABILITIES	898,371	926,256
NET ASSETS (NOTE 7)		
Without donor restrictions	24,096,877	25,968,747
With donor restrictions	661,720	1,659,670
TOTAL NET ASSETS	24,758,597	27,628,417
TOTAL LIABILITIES AND NET ASSETS	$ 25,656,968	$ 28,554,673

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Contributions and fundraising	$ 2,750,506	$ 927,873	$ 3,678,379
Special events	1,083,856	78,687	1,162,543
Program service grant	185,089	-	185,089
Rental income (note 13)	1,026,000	-	1,026,000
In-kind donations (note 9)	139,862	-	139,862
Investment income	343,221	-	343,221
TOTAL SUPPORT AND REVENUE	5,528,534	1,006,560	6,535,094
NET ASSETS RELEASED FROM RESTRICTION	2,004,510	(2,004,510)	-
EXPENSES			
Program	7,055,856	-	7,055,856
General and administrative	1,428,883	-	1,428,883
Fundraising	997,968	-	997,968
TOTAL EXPENSES	9,482,707	-	9,482,707
CHANGE IN NET ASSETS BEFORE OTHER INCOME	(1,949,663)	(997,950)	(2,947,613)
OTHER INCOME			
Other income	77,793	-	77,793
CHANGE IN NET ASSETS	(1,871,870)	(997,950)	(2,869,820)
NET ASSETS, BEGINNING OF YEAR	25,968,747	1,659,670	27,628,417
NET ASSETS, END OF YEAR	$ 24,096,877	$ 661,720	$ 24,758,597

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Contributions and fundraising	$ 2,350,076	$ 2,464,902	$ 4,814,978
Special events	659,957	207,510	867,467
Program service grant	185,713	-	185,713
Rental income (note 13)	775,656	-	775,656
In-kind donations (note 9)	118,817	-	118,817
Investment income	205,154	-	205,154
TOTAL SUPPORT AND REVENUE	4,295,373	2,672,412	6,967,785
NET ASSETS RELEASED FROM RESTRICTION	2,470,960	(2,470,960)	-
EXPENSES			
Program	7,196,153	-	7,196,153
General and administrative	877,204	-	877,204
Fundraising	960,329	-	960,329
TOTAL EXPENSES	9,033,686	-	9,033,686
CHANGE IN NET ASSETS BEFORE OTHER INCOME	(2,267,353)	201,452	(2,065,901)
OTHER INCOME			
Employee retention credit (note 11)	441,072	-	441,072
Other income	37,313	-	37,313
Gain on disposal of fixed assets	772	-	772
TOTAL OTHER INCOME	479,157	-	479,157
CHANGE IN NET ASSETS	(1,788,196)	201,452	(1,586,744)
NET ASSETS, BEGINNING OF YEAR	27,756,943	1,458,218	29,215,161
NET ASSETS, END OF YEAR	$ 25,968,747	$ 1,659,670	$ 27,628,417

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	PROGRAM	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL
EXPENSES				
Payroll costs	$ 5,051,595	$ 561,662	$ 753,469	$ 6,366,726
Depreciation	607,709	25,461	11,467	644,637
Professional fees	66,740	474,099	65,056	605,895
Office and administrative	66,194	127,127	25,710	219,031
Nutrition and food security	209,867	359	-	210,226
Facility maintenance	53,650	135,388	-	189,038
Professional development	141,246	20,790	11,417	173,453
Leasing costs (note 13)	182,006	-	-	182,006
Scholarships	165,030	-	-	165,030
Student enrichment providers	152,840	-	-	152,840
Special events	1,700	5,000	108,949	115,649
Insurance	91,456	14,561	7,743	113,760
Student and family assistance	102,877	-	453	103,330
Instructional supplies	76,138	32,655	-	108,793
Student activities	69,604	2,149	3,754	75,507
Travel	8,113	15,038	1,776	24,927
Printing, copying and postage	3,141	7,273	6,227	16,641
Dues and subscriptions	5,950	7,321	1,947	15,218
TOTAL EXPENSES	$ 7,055,856	$ 1,428,883	$ 997,968	$ 9,482,707

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	PROGRAM	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL
EXPENSES				
Payroll costs	$ 4,586,509	$ 570,115	$ 770,149	$ 5,926,773
Depreciation	609,120	11,563	4,313	624,996
Professional fees	309,790	169,281	88,006	567,077
Office and administrative	103,345	89,705	4,441	197,491
Nutrition and food security	120,819	-	-	120,819
Facility maintenance	377,618	5,626	2,098	385,342
Professional development	59,988	11,756	8,888	80,632
Leasing costs (note 13)	163,855	-	-	163,855
Scholarships	130,134	-	-	130,134
Student enrichment providers	120,555	153	5,086	125,794
Special events	100,406	-	55,051	155,457
Insurance	77,351	1,469	548	79,368
Student and family assistance	152,869	-	-	152,869
Instructional supplies	191,254	-	-	191,254
Student activities	92,080	-	-	92,080
Travel	-	-	5,949	5,949
Printing, copying and postage	460	774	12,511	13,745
Dues and subscriptions	-	16,762	3,289	20,051
TOTAL EXPENSES	$ 7,196,153	$ 877,204	$ 960,329	$ 9,033,686

MONARCH SCHOOL PROJECT
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS USED BY OPERATING ACTIVITIES		
Change in net assets	$ (2,869,820)	$ (1,586,744)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:		
Depreciation expense	644,637	624,996
Bad debt expense	10,500	-
Gain on disposal of fixed assets	-	(772)
Unrealized gains from beneficial interests in foundations	(21,786)	(16,586)
Unrealized (gains)/losses from marketable securities	(118,932)	102,106
Change in operating assets and liabilities:		
Accounts receivable	(33,015)	49,857
Pledges receivable	(428,897)	(81,500)
Prepaid expenses and other current assets	(14,038)	(13,544)
Operating lease right-of-use asset	18,497	(9,622)
Accounts payable and accrued expenses	559	(188,369)
NET CASH USED BY OPERATING ACTIVITIES	(2,812,295)	(1,120,178)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of marketable securities	(9,155,652)	(10,583,184)
Proceeds from sale of marketable securities	8,405,000	6,500,101
Distributions from investments in foundations	1,377	1,359
Refund from building improvement project	87,500	-
Purchase of property and equipment	(80,389)	(145,875)
Purchase of building improvements	(46,650)	(100,000)
NET CASH USED BY INVESTING ACTIVITIES	(788,814)	(4,327,599)
NET DECREASE IN CASH	(3,601,109)	(5,447,777)
CASH, BEGINNING OF YEAR	4,812,667	10,260,444
CASH, END OF YEAR	$ 1,211,558	$ 4,812,667
Supplemental disclosures		
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

See note 13 for noncash transactions related to operating leases

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 interorganizational 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 consolidated 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 consolidated 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 consolidated statement of financial position date to be cash equivalents.

The Organization maintained its cash accounts at a large national bank as of June 30, 2024 and 2023. 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, 2024 and 2023. At June 30, 2024 and 2023, the Organization had balances in its banks of approximately $0 and $197,000 respectively that were in excess of the insured limits.

The Organization maintains a cash account with its investment broker. The accounts are not insured by the Securities Investor Protection Corporation (SIPC). The Organization has not experienced any loss in such accounts. As of June 30, 2024 and 2023, approximately $2,311,000 and $4,168,000 were uninsured. The Organization believes it is not exposed to any significant credit risks on its cash balance.

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

Investments - The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Investment income is recognized as revenue in the period it is earned, and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

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.

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 expenses 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 consolidated 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, 2024 and 2023.

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.

Pledge receivables – Pledge receivables consist of unconditional promises to give and are recorded in the year the promise is made. Conditional promises are not recognized until the conditions are substantially met. 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 Organization provides for probable losses on pledge receivables using the allowance method. The allowance is determined based on management's experience and collection efforts.

The discounts are computed using Treasury bill rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The interest rate used in computing the discount of estimated future cash flows was 5% for pledges in 2024 and 2023.

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 9).

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.

Leases – The Organization follows ASU 2016-02, Leases (Topic 842) and all related amendments. The new standard established a right-of-use model (ROU) that requires a lessee to recognize ROU asset and lease liability on the statement of financial position for all leases with a term of longer than 12 months and disclose key information about the leasing arrangements. Options to renew a lease are only included in the lease term to the extent those options are reasonably certain to be exercised. Leases will be classified as either finance or operating. Operating lease liabilities and their corresponding ROU assets are initially recorded based on the present value of lease payments over the term of the lease. The rate implicit in the lease contracts is typically not readily determinable and, as a result, the Organization utilizes the treasury yield rate to discount lease payments. The accounting model for lessors did not significantly change as a result of ASU 2016-02. Finance lease payments are generally those leases that allow the Organization to substantially utilize or pay for the entire asset of its estimated life. The Organization has no finance leases at June 30, 2024 and 2023.

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, 2024 and 2023, 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.

Reclassifications – Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Recent accounting pronouncements

In July 2016, FASB issued ASU 2016-13 Financial Instruments – Credit Losses (Topic 326). The new standard is effective for fiscal years beginning after December 15, 2022. The Organization adopted Topic 326 and all related amendments as of July 1, 2023. The standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to trading receivables, financing receivables, held-to-maturity debt securities, and receivables relating to repurchase agreements and securities lending agreements. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. Financial assets held by the Organization that are subject to this guidance were accounts receivable.

The Organization adopted ASC 326 using a modified retrospective transition approach. Under this approach, an entity records an adjustment to net assets for the cumulative effect of adopting a standard. The adjustment is made to beginning net assets as of the start of the reporting period in which the ASU becomes effective. The Organization has performed a review of the new guidance as compared to its current accounting policies to determine the impact of this standard on their financial assets presentation. Upon completion of its review, the Organization has made a determination that there is no material impact to their financial assets' presentation upon adoption of the new standard.

NOTE 3 PLEDGE RECEIVABLES

Pledge receivables consist of the following at June 30:

	2024	2023
Pledge receivables - due in less than one year	$ 185,000	$ 81,500
Pledge receivables - due in excess of one year	350,000	-
	535,000	81,500
Less: discount on pledges	(24,603)	-
Less: allowance for uncollectible pledges	(10,500)	-
	(35,103)	-
	$ 499,897	$ 81,500

The following is a schedule by years of receipts for pledges as of June 30:

2025	$ 185,000
2026	175,000
2027	175,000
	$ 535,000

NOTE 4 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	Balance at	Additions	Disposals	Balance at
Building and improvements	$ 17,473,989	$ 46,650	$ (87,500)	$ 17,433,139
Land	5,600,000	-	-	5,600,000
Furniture and fixtures	878,180	54,533	-	932,713
Vehicles	40,852	-	-	40,852
Computers and equipment	114,474	25,856	-	140,330
	$ 24,107,495	$ 127,039	$ (87,500)	$ 24,147,034
Accumulated depreciation				(5,804,267)
				$ 18,342,767

	Balance at	Additions	Disposals	Balance at
Building and improvements	$ 17,373,989	$ 100,000	$ -	$ 17,473,989
Land	5,600,000	-	-	5,600,000
Furniture and fixtures	788,100	90,080	-	878,180
Vehicles	20,852	20,000	-	40,852
Computers and equipment	102,342	36,624	(24,492)	114,474
	$ 23,885,283	$ 246,704	$ (24,492)	$ 24,107,495
Accumulated depreciation				(5,159,630)
				$ 18,947,865

Depreciation expense was $644,637 and $624,996 for the years ended June 30, 2024 and 2023, 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 consolidated financial statements related to this obligation.

NOTE 5 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 6 INVESTMENTS

Fair value of available-for-sale securities are as follows:

	2024	2023
Fixed income securities	$ 3,580,490	$ 3,980,977
Treasury bills	1,270,071	-
	$ 4,850,561	$ 3,980,977

The following schedule summarizes the investment return of the assets held by the Organization for the years ended June 30:

	2024	2023
Net realized and unrealized gain/(loss) on investments	$ 118,932	$ 102,106
Interest and dividend income	244,210	113,681
Less: investment fees	(19,921)	(10,633)
	$ 343,221	$ 205,154

NOTE 7 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.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methods used to measure fair values at June 30, 2024 and 2023.

The Organization's policy is to recognize transfers of investments into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2024 and 2023, there were no significant transfers of investments into or out of Level 3.

The investments in treasury bills and fixed income securities are not actively traded and use other observable inputs to determine fair value. These assets are classified as Level 2.

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.

Financial assets and liabilities carried at fair value at June 30, 2024 and 2023 are classified in one of three categories described above. The table below presents the balances of assets measured at fair value on a recurring basis.

Assets	2024 Level 1	2024 Level 2	2024 Level 3	2024 Total
Beneficial interest in San Diego Foundation endowment fund	$ -	$ -	$ 243,652	$ 243,652
Beneficial interest in Jewish Community Foundation of San Diego endowment fund	-	-	27,487	27,487
Investments				
Fixed income securities	-	3,580,490	-	3,580,490
Treasury bills	-	1,270,071	-	1,270,071
	$ -	$ 4,850,561	$ 271,139	$ 5,121,700

Assets	2023 Level 1	2023 Level 2	2023 Level 3	2023 Total
Beneficial interest in San Diego Foundation endowment fund	$ -	$ -	$ 224,425	$ 224,425
Beneficial interest in Jewish Community Foundation of San Diego endowment fund	-	-	26,305	26,305
Investments				
Fixed income securities	-	3,980,977	-	3,980,977
	$ -	$ 3,980,977	$ 250,730	$ 4,231,707

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended June 30, 2024:

Balance at July 1, 2023	$ 250,730
Change in value	21,786
Distribution	(1,377)
Balance at June 30, 2024	$ 271,139

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended June 30, 2023:

Balance at July 1, 2022	$ 235,503
Change in value	16,586
Distribution	(1,359)
Balance at June 30, 2023	$ 250,730

NOTE 8 NET ASSETS

Net assets consist of the following:

	2024	2023
Without donor restrictions:		
Undesignated	$ 19,369,183	$ 21,653,621
Board-designated:		
Operating reserve	2,500,000	-
Maintenance reserve	2,227,694	2,046,923
Strategic reserve	-	2,268,203
Total board-designated	4,727,694	4,315,126
Total net assets without donor restrictions	24,096,877	25,968,747
With donor restrictions:		
SDRTFH grant	18,074	1,058,460
Arts center	323,981	402,578
Summer learning program	76,169	81,500
Academic growth	47,000	22,908
Life skills	85,397	12,724
Athletics	70,000	-
Scale	23,750	-
Scholarships	15,349	-
Program supplies	2,000	-
	661,720	1,578,170
Time restricted for future periods:		
Summer learning program - for long-term use	-	81,500
Total net assets with donor restrictions	661,720	1,659,670
Total net assets	$ 24,758,597	$ 27,628,417

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

	2024	2023
SDRTFH grant	$ 1,040,386	$ 251,590
Arts center	486,782	1,099,631
Summer learning program	86,831	-
Academic growth	103,335	115,092
Life skills	208,527	847,476
Athletics	250	-
Scale	30,000	-
Scholarships	43,706	57,124
Program supplies	4,693	100,047
	$ 2,004,510	$ 2,470,960

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, 2024 and 2023, the board designated net assets of $120,000, towards the maintenance reserve fund. $26,729 and $100,000 were released for the years ended June 30, 2024 and 2023, respectively. During the year ended June 30, 2024, the Organization received a refund of $87,500 relating to building improvement project and was returned to the maintenance reserve.

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. The board determined the strategic reserve fund should maintain a balance of $2,500,000. For the years ended June 30, 2024 and 2023, the board designated assets of $231,797 and $0 towards the strategic reserve fund. During the years ended June 30, 2024 and 2023, the board released $2,500,000 and $231,797, respectively, of its strategic reserve to support the Organization’s scale initiative.

In 2024, the Board of Directors of Directors of the Organization established an operating reserve fund designated to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The cash available with respect to the targeting cash balance is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The Operating Reserve Fund serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The Operating Reserve Fund maintained a balance of $2,500,000 and $0 as of June 30, 2024 and 2023, respectively.

NOTE 9 IN-KIND DONATIONS

The Organization received the following donated student support for the years ended June 30 as follows:

	2024	2023
Student Support:		
Food and clothing	$ 139,862	$ 117,917
Gift cards and other support	-	900
Total in-kind donations	$ 139,862	$ 118,817

NOTE 10 FUNDRAISING EXPENSE

Total fundraising expense for the years ended June 30, 2024 and 2023 was $997,968 and $960,329, respectively. Fundraising expenses related to the annual fundraising activities totaled approximately 21% and 17% of the total annual contribution revenue for the years ended June 30, 2024 and 2023, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

NOTE 11 EMPLOYEE RETENTION CREDIT

The Organization filed for $896,335 under the Employee Retention Credit (ERC) related to the 2020 and 2021 tax years. 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. During the year ended June 30, 2023, the Organization received approximately $441,000 of ERC funds. At June 30, 2023, all requested ERC funds had been received.

NOTE 12 RETIREMENT PLAN

The Organization sponsors a 401(k) plan for all of its eligible employees. The Organization makes a matching contribution equal to 100% of the deferral contributions, up to a maximum of 6 percent of the participant’s eligible compensation. The Organization’s contributions to the retirement plan were $248,590 and $223,953 for the years ended June 30, 2024 and 2023, respectively.

While the Organization expects to continue the plan indefinitely, it has reserved the right to modify, amend, or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payment of benefits to the participants or their beneficiaries.

NOTE 13 LEASES

Operating Leases (Lessee)

The Organization leases its performing arts facility and parking lot under an operating lease that expires on March 2026 and February 2026, respectively. These leases include renewal options which can extend lease terms between 2 to 5 years. The performing arts facility lease also has an option for subletting a portion of the facility with the lessor's consent. The Organization has exercised this option and has sublet to third parties on a short-term operating lease. For the years ended June 30, 2024 and 2023, total rental payments received from third parties were approximately $39,000 and $22,000, respectively. The amounts received are netted with other income on the consolidated statement of activities.

The components of total lease cost for the years ended June 30, 2024 and 2023 consisted of the following:

	2024	2023
Operating lease cost	$ 180,081	$ 163,855
Short term lease cost	1,925	-
Variable lease cost	-	-
Total lease cost	$ 182,006	$ 163,855

Supplemental cash flow information related to the operating lease for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Right-of-use assets obtained in exchange for new operating lease liabilities	$ -	$ 507,762
Cash paid amounts included in the measurements of operating lease liabilities:		
Operating cash flows for operating leases	$ 178,239	$ 173,048

Weighted average lease term and discount rate as of June 30 were as follows:

	2024	2023
Weighted average remaining lease term	2.72 years	2.04 years
Weighted average discount rate	2.88%	2.88%

Future minimum undiscounted lease payments related to the operating lease liability for the years ended June 30 are as follows:

2025	$ 183,587
2026	135,179
Total undiscounted lease payments	318,766
Less: present value discount	(12,602)
Total operating lease liability	$ 306,164

Operating Leases (Lessor)

The Organization leases its building to San Diego County Office of Education under an operating lease that expires in June 2025. The lease includes renewal options which can extend up to 5 years. At June 30, 2024 and 2023, the monthly rental revenue earned from this lease were approximately $86,000 and $65,000, respectively.

The components of operating lease income for the years ended June 30, 2024 and 2023 consisted of the following:

	2024	2023
Fixed lease income	$ 1,026,000	$ 775,656
Variable lease income	-	-
Total lease income	$ 1,026,000	$ 775,656

Future minimum undiscounted rents related to the operating lease for the year ended June 30 is as follows:

2025	$ 1,026,000

NOTE 14 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 six 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 8).

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, 2024 and 2023, reduced by the amounts not available for general use because of donor-imposed restrictions within one year of the financial position date:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	$ 1,211,558	$ 4,812,667
Accounts receivable	48,791	15,776
Investments	4,850,561	3,980,977
Pledges receivable	499,897	81,500
	6,610,807	8,890,920
Less those unavailable for general expenditures within one year:		
Contractual or donor imposed restrictions:		
Restricted by donor with purpose restrictions	(661,720)	(1,578,170)
Restricted by time	(314,897)	(81,500)
	(976,617)	(1,659,670)
Board designations:		
Operating reserve	(2,500,000)	-
Maintenance reserve	(2,227,694)	(2,046,923)
Strategic reserve	-	(2,268,203)
	(4,727,694)	(4,315,126)
Total amounts not available to be used within one year	(5,704,311)	(5,974,796)
Financial assets available to meet general expenditures within one year	$ 906,496	$ 2,916,124

NOTE 15 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 12, 2024, 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.