Redwood City Education Foundation
(A California Nonprofit Foundation)

Audited Financial Statements &
Independent Auditor's Report
July 31, 2022

Chavan & Associates, LLP
Certified Public Accountants
15105 Concord Circle, Suite 130
Morgan Hill, CA 95053

Redwood City Education Foundation
(A California Nonprofit Foundation)

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Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Redwood City Education Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Redwood City Education Foundation (the Foundation) (a California Nonprofit Foundation), which comprise the statement of financial position as of July 31, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood City Education Foundation as of July 31, 2022, 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 (GAAS) issued by the Comptroller General of the United States. 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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

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and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

C & A LLP

April 15, 2023
Morgan Hill, California

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Financial Statements

Redwood City Education Foundation
(A California Nonprofit Organization)
Statement of Financial Position
For the Year Ending July 31, 2022

ASSETS	
Cash and cash equivalents	$ 1,912,695
Total Assets	$ 1,912,695
LIABILITIES	
Payroll liabilities	$ 43
Total Liabilities	43
NET ASSETS	
Without donor restrictions:	
Undesignated	1,451,258
With donor restrictions	461,394
Total Net Assets	1,912,652
Total Liabilities and Net Assets	$ 1,912,695

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

Redwood City Education Foundation
(A California Nonprofit Organization)
Statement of Activities
For the Year Ended July 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS			
Contributions and grants:			
Board	$ 40,979	$ 45,122	$ 86,101
Individual	479,537	204,578	684,115
Foundations	121,522	245,200	366,722
Corporate	36,150	27,834	63,984
Net investment return	305	-	305
Other revenue	-	249	249
Net assets released from restrictions:			
Satisfaction of program restrictions	296,459	(296,459)	-
Total Revenue and Support	974,952	226,524	1,201,476
EXPENSES AND LOSSES			
Program expenses:			
Education support	450,193	-	450,193
Management and general expenses	87,519	-	87,519
Fundraising	10,000	-	10,000
Total Expenses and Losses	547,712	-	547,712
Change in Net Assets	427,240	226,524	653,764
Total Net Assets - Beginning	1,024,018	234,870	1,258,888
Total Net Assets - Ending	$ 1,451,258	$ 461,394	$ 1,912,652

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

Redwood City Education Foundation
(A California Nonprofit Organization)
Statement of Functional Expenses
For the Year Ended July 31, 2022

	Program Services Education Support	Management and General	Fundraising	Total Expenses
Community Donations	$ -	$ 90	$ -	$ 90
District Funding	145,770	-	-	145,770
Salaries and Benefits	43,827	68,170	-	111,997
Professional Fees	39,474	-	10,000	49,474
Professional Development	-	167	-	167
Bank Charges	-	408	-	408
Materials and Supplies	12,705	82	-	12,787
Production Expense	509	58	-	567
Marketing	1,325	2,238	-	3,563
Online Processing Fees	741	841	-	1,582
Dues and Subscriptions	-	5,606	-	5,606
Travel	-	367	-	367
Insurance	-	3,869	-	3,869
Community Schools Program	205,842	1,654	-	207,496
Education and Support	-	3,400	-	3,400
Taxes and Fees	-	75	-	75
Office Expenses	-	494	-	494
Total expenses by function	$ 450,193	$ 87,519	$ 10,000	$ 547,712

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

Redwood City Education Foundation
(A California Nonprofit Organization)
Statement of Cash Flows
For the Year Ended July 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 653,764
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:	
Change in beneficial interests in assets held by others	13,363
Changes in operating assets and liabilities:	
Promises to give, net	8,000
Payroll liabilities	43
Net cash provided by (used for) operating activities	675,170
Net change in cash and cash equivalents	675,170
Cash and cash equivalents - beginning of year	1,237,525
Cash and cash equivalents - end of year	$ 1,912,695

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

NOTE 1 - PRINICPAL ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Foundation and nature of activities: The Redwood City Education Foundation (the Foundation) is a 501(c)(3) nonprofit Foundation benefiting students of the Redwood City public schools. Believing that a quality education inspires children to work toward a successful future, the Foundation is providing music education, innovative teaching mini-grants and outdoor education that encourage children to learn. In existence since 1983, it has an eighteen-member volunteer board of directors. The major activity is fund-raising to support the following programs: music education, outdoor education, innovative teaching mini-grants, health and wellness program. The Foundation's support comes primarily from individual donors' contributions, fundraising events and various government and private foundation grants. The foundation is a nonprofit Foundation as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Presentation

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities (FASB Topic 958, ASU 2016-14).

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition, as applicable.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for program support services. When needed, management determines an allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. As of July 31, 2022, there were no accounts receivable nor an allowance for doubtful accounts.

Promises to Give and Grant Receivable

The Foundation records unconditional promises to give and grants receivable that are expected to be collected within one year at net realizable value. Unconditional promises to give and grants expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectable promises to give and grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give and grant receivable are written off when deemed uncollectable. As of July 31, 2022, the allowance for uncollectable accounts was zero.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

The Foundation records property and equipment additions at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets of 3 to 5 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Management did not review the carrying values of property and equipment for impairment because there were none reported in the financial statements as of July 31, 2022.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition - Contracts with Customers Accounted for in Accordance with ASC 606

The Foundation recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Foundation expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Foundation combines it with other performance obligations until a distinct bundle of goods or services exists. Performance obligations are satisfied over time and the related revenue is recognized as services are rendered. The Foundation management expects that the period between when the Foundation transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Foundation elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component. Invoices resulting from the Foundation’s contracts with customers are generally due within 30 days of the invoice date.

Revenue Recognition Accounted for in Accordance with ASC 605: Topic 958 Not for Profit Entities

Grants
Grants awarded by federal, state or local agencies, or passed through to the Foundation from another donor that received similar grants, are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenses are incurred and conditions under the grant agreement are met.

Contribution Revenue
The Foundation receives support from individuals, corporations, and other nonprofit organizations in support of its mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Foundation receives promises to give that have certain conditions such as meeting specific performance-related barriers or limiting the Foundation's discretion on use of the funds. Other contributions may have revocable features to the promises to give. Such conditional promises to give are recognized when the conditions are substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair values of the services received, when applicable

Advertising Costs

Advertising costs are expensed as incurred and totaled $3,563 during the year ended July 31, 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as Foundations described in IRC Section 501(c)(3) and Section 23701(d) of the California Code, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3). The Foundation is annually required to file a Return of Foundation Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Foundation's unrelated business income tax was minimal and immaterial to the financial statements as of July 31, 2022.

Concentrations

For the year ended July 31, 2022, contributions from corporations, individuals, and foundations comprised 5%, 57%, and 31% of total revenue, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Foundations, individuals, and foundations supportive of the Foundation's mission. Investments are simplified for security versus returns within money market accounts and monitored by management and the Board of Directors. Annual fair value fluctuations have been minimized by investing on money market accounts where cost equals fair value. The Foundation believes that its investment strategies are prudent for the long-term welfare of the Foundation.

As of June 30, 2022, the carrying amounts of cash deposits in checking, savings, money market and certificate of deposit accounts totaled $1,912,695. The bank balance in these accounts was $2,075,062, which exceeded FDIC insurance by $1,561,611.

Implemented New Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU No. 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. This ASU did not have a significant impact on the Foundation's financial statements.

Relevant Upcoming New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its balance sheet for all operating leases greater than 12 months. On April 8, 2020, the FASB voted to defer the effective date of ASU 2016-02 by one additional year. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Management does not anticipate this ASU will have a significant impact on its financial statements.

In January 2018, FASB issued Accounting Standards Update (ASU) 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Tope 842. ASU 2018-01 allows for an entity to elect an optional transition practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840. ASU 2018-01 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Management does not anticipate this ASU will have a significant impact on its financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 1,912,695
Less:	
Payroll liabilities	(43)
Net Assets with donor restrictions	(461,394)
Total	$ 1,451,258

As part of its liquidity management plan, the foundation invests cash in money market funds.

NOTE 3 - FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Foundation may report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:
Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability. For the year ended July 31, 2022, the Foundation invested in money market accounts which are reported at cost which is fair value for these accounts. Money market accounts are immediately available for withdrawal and considered to be cash equivalents. The following table presents assets and liabilities measured at fair value on a recurring basis as of July 31, 2022:

		Fair Value Measurements at Report Date Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
Cash and cash equivalents:				
Money market funds (at cost)	$ 23,981	$ -	$ -	$ -
Cash in banks	1,888,714	-	-	-
Total	$ 1,912,695	$ -	$ -	$ -

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended July 31, 2022:

	Beneficial Interests Assets Held by Community Foundation
Beginning Balance	$ 13,363
Distributions	(13,363)
Ending Balance	$ -

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of July 31, 2022:

Subject to Expenditure for Specified Purpose:	
Education Support Programs	
District funding	$ 461,394
Total Net Assets with Donor Restrictions	$ 461,394

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the year ended July 31, 2022:

Subject to Expenditure for Specified Purpose:		
Education Support Programs		
Community schools program	$	205,842
Fiscal projects		65,337
District funding		25,280
Total Net Assets Released from Restrictions	$	296,459

NOTE 5 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, and other personnel costs, which are allocated on the basis of total direct programmatic or functional costs.