

DEL MAR SCHOOLS EDUCATION FOUNDATION

SAN DIEGO COUNTY

DEL MAR, CALIFORNIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

DEL MAR SCHOOLS EDUCATION FOUNDATION

Financial Statements

Year Ended June 30, 2015

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Independent Auditor's Report

To the Board of Directors
Del Mar Schools Education Foundation
Del Mar, California

Report on Financial Statements

We have audited the accompanying financial statements of Del Mar Schools Education Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Del Mar Schools Education Foundation as of June 30, 2015, 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.

Wilkinson Hadley King & Co., LLP

El Cajon, California

November 9, 2015

FINANCIAL STATEMENTS

DEL MAR SCHOOLS EDUCATION FOUNDATION
Statement of Financial Position
June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$	87,126
Accounts receivable		380
Total Current Assets		<u>87,506</u>

TOTAL ASSETS \$ 87,506

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	540
Total Current Liabilities		<u>540</u>

Total Liabilities 540

Net Assets

Unrestricted		<u>86,966</u>
Total Net Assets		<u>86,966</u>

TOTAL LIABILITIES AND NET ASSETS \$ 87,506

The accompanying notes to the financial statements are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Statement of Activities

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Revenue			
Fundraising income:			
Annual appeal	\$ 1,307,448	\$ -	\$ 1,307,448
Other fundraising events	61,247	-	61,247
Fundraising expenses	(48,654)	-	(48,654)
Interest	763	-	763
Gain on donated stock	9	-	9
Other income	99	-	99
TOTAL REVENUE AND SUPPORT	<u>1,320,912</u>	<u>-</u>	<u>1,320,912</u>
EXPENSES			
Program Services:			
Restricted donations to DMUSD (Note G)	1,270,000	-	1,270,000
Support Services:			
Professional fees	12,110	-	12,110
Salaries	31,750	-	31,750
Payroll tax expenses	2,751	-	2,751
Office expenses	4,008	-	4,008
Other operating expenses	2,708	-	2,708
TOTAL EXPENSES	<u>1,323,327</u>	<u>-</u>	<u>1,323,327</u>
CHANGE IN NET ASSETS	(2,415)	-	(2,415)
NET ASSETS, BEGINNING OF YEAR	<u>89,381</u>	<u>-</u>	<u>89,381</u>
NET ASSETS, END OF YEAR	<u>\$ 86,966</u>	<u>\$ -</u>	<u>\$ 86,966</u>

The accompanying notes to the financial statements are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATION
Statement of Cash Flows
Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (2,415)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease resulting from changes in assets:	
Accounts receivable	(380)
Increase (Decrease) resulting from changes in liabilities:	
Accounts payable	<u>(1,133)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(3,928)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,928)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>91,054</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 87,126</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements

Year Ended June 30, 2015

A. Organization and Summary of Significant Accounting Policies

Organization

Del Mar Schools Education Foundation (the Foundation) is a California non-profit organization. The Foundation was organized with the purpose of providing benefits to the education programs and services of the Del Mar Union School District (the District). The Foundation is authorized to operate as an independent organization of the District in accordance with the provisions of Article 6 of Chapter 6 as part 45 of the Education Code.

Basis of Accounting

The Foundation utilizes the accrual basis of accounting whereby income is recorded when earned and expenses are recorded when incurred.

Funds restricted by outside resources are so indicated and are distinguished from unrestricted funds for specific purposes by action of the Board of Directors. Externally restricted funds may only be utilized in accordance with the purposes established by the sources of such funds and are in contracts with unrestricted funds over which the Board retains full control to use in achieving any of its purposes.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor or grant restrictions.
- Temporarily restricted net assets consist of contributed funds or grants subject to donor or grant imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Foundation had no permanently restricted net assets during the year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. For the year ended June 30, 2015, there were no significant estimates used in the preparation of the financial statements.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements, Continued

Year Ended June 30, 2015

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers all highly liquid debt equity instruments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

The Foundation receives all of its support from contributions. All contributions are considered to be available for unrestricted use unless specifically restricted by donor, source, or purpose.

All donor or grant restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Stock

When the Foundation receives donated stocks, revenue is recorded at the average value of the stocks' high and low value on the date of the donation. Any gain or loss resulting from the sale of the donated stocks is recorded on the statement of activities.

Contributed Materials and Services

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fundraising and in carrying out the Foundation's operations. The services do not meet the criteria for recognition under ASC No. 958 and are, therefore, not recognized in the financial statements.

Income Taxes

The Foundation is a 501(c)(3) non-profit organization that is exempt from income taxes under the Internal Revenue Code. The Foundation is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The Foundation may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2014, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Foundation follows provisions of uncertain tax positions as addressed in ASC 958. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2015.

The Foundation files informational and income tax returns in the United States and in the state of California. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed. State and local jurisdictions have statutes of limitation that generally range from three to five years.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements, Continued

Year Ended June 30, 2015

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 9, 2015, the date the financial statements were available to be issued.

B. Analysis of Specific Deposit and Investment Risks

The Foundation made a determination as to whether they were exposed to the following specific investment risk at year end and if so, the reporting of certain related disclosures in accordance with FASB ASC 825.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation did not have any investments at year end and as a result was not exposed to credit risk.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the organization's name. At year end, the Foundation was not exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Foundation was not exposed to interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Foundation was not exposed to foreign currency risk.

C. Cash and Cash Equivalents

Cash in Bank

The Foundation maintains all cash and cash equivalents at two financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or certain non-interest bearing accounts that are fully insured by the FDIC. As of June 30, 2015, the Foundation did not have any cash that was exposed to uninsured deposit risk.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements, Continued

Year Ended June 30, 2015

Cash and cash equivalents at June 30, 2015 consisted of:

Union Bank of California-Checking	\$	76,110
Union Bank of California-Savings		10,016
Union Bank of California-Money Market		<u>1,000</u>
Total Cash and Cash Equivalents	\$	<u>87,126</u>

D. Accounts Receivable

The Foundation received a credit of \$380 on its credit card as of June 30, 2015.

E. Accounts Payable

As of June 30, 2015 accounts payable consisted of:

Vendors payable	\$	<u>540</u>
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F. Credit Card

The Foundation has one credit card with Union Bank with a total credit limit of \$7,000 with an annual percentage rate of 9.99%. The Foundation's policy is to pay off all purchase as the payment becomes due in order to avoid interest charges. At June 30, 2015, the Foundation had a \$0 outstanding balance on its credit card.

G. Fundraising Expenses

For the year ended June 30, 2015, the Foundation incurred fundraising expenses of \$48,655 which is 3.6% of fundraising income.

H. Restricted Donations

The Foundation transferred monies totaling \$1,270,000 to the District to fund its Extended Studies Curriculum program.