



DEL MAR SCHOOLS EDUCATION FOUNDATION

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019


WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

DEL MAR SCHOOLS EDUCATION FOUNDATION
Financial Statements and Supplemental Information
Year Ended June 30, 2019

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Independent Auditor's Report

To the Board of Trustees of
Del Mar Schools Education Foundation
Rancho Santa Fe, California

Report on the Financial Statements

We have audited the accompanying financial statements of Del Mar Schools Education Foundation (DMSEF), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, 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, 2019, 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.

Emphasis of Matter

As discussed in Note A to the financial statements, the Del Mar Schools Education Foundation has adopted the provisions of FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Wilkinson-Hadley King + Co LLP

El Cajon, California

October 22, 2019

Financial Statements

DEL MAR SCHOOLS EDUCATION FOUNDATION

Statement of Financial Position

June 30, 2019

Current Assets

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 71,467 |
| Total current assets | <u>71,467</u> |

Total Assets \$ 71,467

LIABILITIES AND NET ASSETS

Net Assets

| | |
|---|---------------|
| Without Donor Restrictions | |
| Designated by board for operating reserve | 70,000 |
| Undesignated | <u>1,467</u> |
| Total without donor restrictions | <u>71,467</u> |

Total Net Assets 71,467

Total Liabilities and Net Assets \$ 71,467

The accompanying notes are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATIONStatement of Activities
Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|------------------|
| Revenue, Support, and Gains | | | |
| Gross special events revenue | \$ 1,511,261 | \$ - | \$ 1,511,261 |
| Less cost of direct benefits to donors | (51,602) | - | (51,602) |
| Net special events revenue | <u>1,459,659</u> | <u>-</u> | <u>1,459,659</u> |
| Other Contributions | 156 | - | 156 |
| Interest income | 414 | - | 414 |
| Gain on sale of donated stock | <u>554</u> | <u>-</u> | <u>554</u> |
| Total Revenue, Support, and Gains | <u>1,460,783</u> | <u>-</u> | <u>1,460,783</u> |
| Expenses and Losses | | | |
| Program services expenses | 1,377,000 | - | 1,377,000 |
| Supporting services expenses | <u>84,576</u> | <u>-</u> | <u>84,576</u> |
| Total Expenses and Losses | <u>1,461,576</u> | <u>-</u> | <u>1,461,576</u> |
| Change in Net Assets | (793) | - | (793) |
| Net Assets, Beginning of Year | <u>72,260</u> | <u>-</u> | <u>72,260</u> |
| Net Assets, End of Year | <u>\$ 71,467</u> | <u>\$ -</u> | <u>\$ 71,467</u> |

The accompanying notes are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Statement of Functional Expenses
Year Ended June 30, 2019

| | Program Services | | Support Services | | Total |
|---|----------------------|------------------------|------------------|--|---------------------|
| | Educational Programs | Management and General | Fundraising | | |
| | | | | | |
| Grants and other assistance | \$ 1,377,000 | \$ - | \$ - | | \$ 1,377,000 |
| Salaries and wages | - | 50,560 | - | | 50,560 |
| Payroll taxes | - | 4,198 | - | | 4,198 |
| Accounting fees | - | 18,548 | - | | 18,548 |
| Other fees | - | 380 | - | | 380 |
| Information technology | - | 6,171 | - | | 6,171 |
| Insurance | - | 1,678 | - | | 1,678 |
| Office supplies | - | 958 | - | | 958 |
| Outside services | - | 467 | - | | 467 |
| Licenses | - | 170 | - | | 170 |
| Other expenses | - | 1,446 | - | | 1,446 |
| Special events expenses | - | - | 51,602 | | 51,602 |
| | | | | | - |
| Total expenses by function | 1,377,000 | 84,576 | 51,602 | | 1,513,178 |
| Less expenses included with revenues on the statement of activities | | | | | |
| Cost of direct benefits to donors | - | - | (51,602) | | (51,602) |
| Total expenses included in the expense section on the statement of activities | <u>\$ 1,377,000</u> | <u>\$ 84,576</u> | <u>\$ -</u> | | <u>\$ 1,461,576</u> |

The accompanying notes are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Statement of Cash Flows
Year Ended June 30, 2019

| | |
|---|------------------|
| Cash Flows from Operating Activities | |
| Special events receipts | \$ 1,511,261 |
| Other contributions received | 156 |
| Receipts from operating investments and gains | 968 |
| Grants paid | (1,377,000) |
| Payments to employees for services provided | (50,560) |
| Payments to government for payroll taxes | (4,198) |
| Payments to vendors | (81,420) |
| Net Cash Used For Operating Activities | <u>(793)</u> |
| Net Change in Cash and Cash Equivalents | (793) |
| Cash and Cash Equivalents, Beginning of Year | <u>72,260</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 71,467</u> |
| Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities | |
| Change in net assets | <u>\$ (793)</u> |
| Net Cash Used For Operating Activities | <u>\$ (793)</u> |

The accompanying notes are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements

Year Ended June 30, 2019

A. Principal Activity and Summary of Significant Accounting Policies

Organization

The Del Mar Schools Education Foundation (the Foundation), a California nonprofit public benefit corporation, was organized with the purpose of providing benefits to the education programs and services of the Del Mar Union School District (the District).

Educational Programs

The Foundation's primary purpose is to support and enrich the educational programs provided to students in the District. Each year the Foundation provides the District a grant in order to meet the following objectives:

- Reduce class sizes so children receive individualized instruction on a regular basis,
- Provide enrichment offerings at all grade levels such as art programs, athletics, language programs, STEAM and more,
and
- Provide specialized teachers for art, language, literacy, math, music, physical education, science and technology.

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.

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 for endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

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 are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor 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.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and developing 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.

Advertising

Advertising costs are expensed as incurred and approximated \$0 during the year ended June 30, 2019.

Functional Allocation of Expenses

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

Income Taxes

The Del Mar Schools Education Foundation is organized as a California nonprofit corporation and is recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3). Contributions to the Foundation qualify for the charitable contribution under IRC Sections 170(b)(1)(A)(vi) and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3). The Foundation is required to file an annual Return of Organization 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 their exempt purposes. We have determined that the Foundation is not subject to unrelated business income tax and therefore have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed.

The Foundation is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The Foundation is required to file a California Exempt Organization Annual Information Return (Form 199) each fiscal year with the California Franchise Tax Board. In addition, the Foundation is required to file an Annual Registration Renewal Fee Report to Attorney General of California (Form RRF-1) to the California Registry of Charitable Trusts. The state income tax and informational returns are subject to examination by the California Franchise Tax Board for four years after the returns are filed.

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, 2019.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation 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 contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members and individuals supportive of the Foundations mission. Investments are made by diversified investment managers whose performance is monitored by the board of directors for the Foundation. Although fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

New Accounting Guidance

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that became effective during the 2018-19 fiscal year:

1. FASB ASU 2019-06 *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending to the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities.*
2. FASB ASU 2018-03 *Technical Corrections and Improvements to Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*
3. FASB ASU 2017-09 *Compensation – Stock Compensation (Topic 718)*
4. FASB ASU 2017-07 *Compensation – Retirement Benefits (Topic 715)*
5. FASB ASU 2017-01 *Business Combinations (Topic 805)*
6. FASB ASU 2016-17 *Consolidation (Topic 810): Interests Held through Related Parties that are under Common Control*
7. FASB ASU 2016-16 *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*
8. FASB ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*
9. FASB ASU 2016-09 *Compensation – Stock Compensation (Topic 718)*
10. FASB ASU 2016-06 *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*
11. FASB ASU 2016-05 *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*
12. FASB ASU 2016-04 *Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored Value Products*
13. FASB ASU 2016-01 *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*
14. FASB ASU 2015-17 *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*
15. FASB ASU 2015-14 *Contracts with Customers (Topic 606): Deferral of the Effective Date*

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the 2018-19 fiscal year did not impact the financial accounting or presentation for the Foundation.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly.

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through July 31, 2019, the date the financial statements were available to be issued.

B. Liquidity and Availability

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

| | |
|---------------------------|-------------------------|
| Cash and cash equivalents | <u>\$ 71,467</u> |
| | <u><u>\$ 71,467</u></u> |

As part of the Foundation’s liquidity management plan, cash in excess of daily requirements is invested in short-term investments, certificates of deposit, and money market funds. Occasionally, the board designates a portion of any operating surplus to its operating reserve, which was \$70,000 as of June 30, 2019.

C. Credit Card

The Foundation has one credit card account 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 purchases as the payment becomes due in order to avoid interest charges. At June 30, 2019, the Foundation has a \$0 outstanding balance.

D. Fundraising Expense

For the year ended June 30, 2019 the Foundation incurred fundraising expenses of \$51,602 which is 3.41% of fundraising revenue.

E. Restricted Donations

The Foundation transferred monies totaling \$1,377,000 to the District to fund its enrichment programs.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements (Continued)

Year Ended June 30, 2019

F. Upcoming Changes in Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective during the 2019-20 fiscal year:

1. FASB ASU 2019-04 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*
2. FASB ASU 2018-20 *Leases (Topic 842): Narrow-Scope Improvements for Lessors*
3. FASB ASU 2018-16 *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a benchmark Interest Rate for Hedge Accounting Purposes*
4. FASB ASU 2018-11 *Leases (Topic 842): Targeted Improvements*
5. FASB ASU 2018-10 *Improvements to Topic 842, Leases*
6. FASB ASU 2018-09 *Codification Improvements*
7. FASB ASU 2018-08 *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*
8. FASB ASU 2018-02 *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*
9. FASB ASU 2018-01 *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*
10. FASB ASU 2017-15 *Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995*
11. FASB ASU 2017-12 *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*
12. FASB ASU 2017-10 *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services*
13. FASB ASU 2017-07 *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*
14. FASB ASU 2017-06 *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting*
15. FASB ASU 2017-01 *Business Combinations (Topic 805): Clarifying the Definition of a Business*
16. FASB ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*
17. FASB ASU 2016-15 *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*
18. FASB ASU 2016-02 *Leases (Topic 842)*

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the 2019-20 fiscal year will not impact the financial accounting or presentation for the Foundation.