



DEL MAR SCHOOLS EDUCATION FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022



DEL MAR SCHOOLS EDUCATION FOUNDATION
Financial Statements and Supplemental Information
Year Ended June 30, 2022

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Independent Auditor's Report

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

Opinion

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, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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, 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. 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 Del Mar Schools Education 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 Del Mar Schools Education Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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 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 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 Del Mar Schools Education 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 Del Mar Schools Education 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.

Wilkinson Hadley King & Co LLP

El Cajon, California
September 12, 2022

Financial Statements

DEL MAR SCHOOLS EDUCATION FOUNDATION

Statement of Financial Position

June 30, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$ 51,036
Total current assets	<u>51,036</u>

Total Assets	<u><u>\$ 51,036</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 341
Total current liabilities	<u>341</u>

Total Liabilities	<u>341</u>
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Net Assets

Without Donor Restrictions	
Designated by board for operating reserve	50,000
Undesignated	<u>695</u>
Total without donor restrictions	<u>50,695</u>

Total Net Assets	<u>50,695</u>
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Total Liabilities and Net Assets	<u><u>\$ 51,036</u></u>
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The accompanying notes are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATIONStatement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Gross special events revenue	\$ 1,397,915	\$ -	\$ 1,397,915
Less cost of direct benefits to donors	(54,152)	-	(54,152)
Net special events revenue	<u>1,343,763</u>	<u>-</u>	<u>1,343,763</u>
Interest income	<u>269</u>	<u>-</u>	<u>269</u>
Total Revenue, Support, and Gains	<u>1,344,032</u>	<u>-</u>	<u>1,344,032</u>
Expenses and Losses			
Program services expenses	1,300,000	-	1,300,000
Supporting services expenses	<u>71,816</u>	<u>-</u>	<u>71,816</u>
Total Expenses and Losses	<u>1,371,816</u>	<u>-</u>	<u>1,371,816</u>
Change in Net Assets	(27,784)	-	(27,784)
Net Assets, Beginning of Year	<u>78,479</u>	<u>-</u>	<u>78,479</u>
Net Assets, End of Year	<u>\$ 50,695</u>	<u>\$ -</u>	<u>\$ 50,695</u>

The accompanying notes are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Statement of Functional Expenses Year Ended June 30, 2022

	Program Services	Support Services		
	Educational Programs	Management and General	Fundraising	Total
Grants and other assistance	\$ 1,300,000	\$ -	\$ -	\$ 1,300,000
Salaries and wages	-	42,541	-	42,541
Payroll taxes	-	3,387	-	3,387
Accounting fees	-	15,750	-	15,750
Other fees	-	360	-	360
Information technology	-	7,256	-	7,256
Insurance	-	2,078	-	2,078
Office supplies	-	168	-	168
Outside services	-	46	-	46
Licenses	-	175	-	175
Other expenses	-	55	-	55
Special events expenses	-	-	54,152	54,152
				-
Total expenses by function	1,300,000	71,816	54,152	1,425,968
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(54,152)	(54,152)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,300,000</u>	<u>\$ 71,816</u>	<u>\$ -</u>	<u>\$ 1,371,816</u>

The accompanying notes are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows from Operating Activities	
Special events receipts	\$ 1,397,915
Receipts from operating investments and gains/(losses)	269
Grants paid	(1,300,000)
Payments to employees for services provided	(42,541)
Payments to government for payroll taxes	(3,387)
Payments to vendors	<u>(79,699)</u>
Net Cash Used For Operating Activities	<u><u>(27,443)</u></u>
 Net Change in Cash and Cash Equivalents	 (27,443)
 Cash and Cash Equivalents, Beginning of Year	 <u>78,479</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$ 51,036</u></u>
 Reconciliation of Change in Net Assets to Net Cash	
Used For Operating Activities	
Change in net assets	\$ (27,784)
Adjustments to reconcile change in net assets to net cash:	
Increase (Decrease) in liabilities	
Accounts payable	<u>341</u>
Net Cash Used For Operating Activities	<u><u>\$ (27,443)</u></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, 2022

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, 2022

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, 2022.

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, 2022.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements (Continued)

Year Ended June 30, 2022

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) regularly issues Accounting Standards Updates (ASU). These updates are 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 2021-22 fiscal year did not impact the financial accounting or presentation for the Foundation.

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 12, 2022, 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>\$ 51,036</u>
	<u>\$ 51,036</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 \$50,000 as of June 30, 2022.

DEL MAR SCHOOLS EDUCATION FOUNDATION

Notes to the Financial Statements (Continued)

Year Ended June 30, 2022

C. Credit Card

The Foundation has one credit card account with Capital One Visa with a total credit limit of \$15,000 with an annual percentage rate of 23.99%. The Foundation's policy is to pay off all purchases as the payment becomes due in order to avoid interest charges. At June 30, 2022, the Foundation has a \$341 outstanding balance.

D. Fundraising Expense

For the year ended June 30, 2020 the Foundation incurred fundraising expenses of \$54,152 which is 3.87% of fundraising revenue.

E. Restricted Donations

The Foundation transferred monies totaling \$1,300,000 to the District to fund its enrichment programs during the 2021-22 fiscal year.

F. Upcoming Changes in Accounting Pronouncements

The Financial Accounting Standards Board (FASB) regularly issues Accounting Standards Updates (ASU). These updates are 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 2022-23 fiscal year are not expected to impact the financial accounting or presentation for the Foundation.