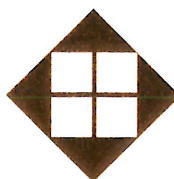




*Eureka Schools Foundation*

*Audited Financial Statements  
Year Ended June 30, 2016  
with prior year summarized information*

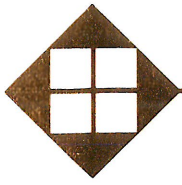


**LAFLER MOORE**

**CONNERTY & WEBB** LLP  
*Accountants & Consultants*

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## **Independent Auditors' Report**

To the Board Members of  
Eureka Schools Foundation

We have audited the accompanying financial statements of Eureka Schools Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, 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 Eureka Schools Foundation as of June 30, 2016, 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.

**Report on Summarized Comparative Information**

We have previously audited the Eureka Schools Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of fundraising expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lafler Moore Connerty & Webb, LLP*

Roseville, California

May 11, 2017



*Eureka Schools Foundation*  
*Statements of Financial Position*  
*As of June 30, 2016 (with Prior Year Summarized Information)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 645,235	\$ 33,965	\$ 679,200	\$ 487,600
Contributions receivable	-	-	-	870
Total current assets	<u>645,235</u>	<u>33,965</u>	<u>679,200</u>	<u>488,470</u>
Investments				
Endowed Agency Fund	<u>770,182</u>	<u>-</u>	<u>770,182</u>	<u>795,782</u>
<b>Total Assets</b>	<u><u>\$ 1,415,417</u></u>	<u><u>\$ 33,965</u></u>	<u><u>\$ 1,449,382</u></u>	<u><u>\$ 1,284,252</u></u>
<b>Liabilities and Net Assets</b>				
Current Liabilities				
Accounts payable	\$ 265,068	\$ -	\$ 265,068	\$ -
Deferred revenue	-	-	-	-
Total current liabilities	<u>265,068</u>	<u>-</u>	<u>265,068</u>	<u>-</u>
Net Assets				
Board designated	281,855	-	281,855	289,964
Board designated - Endowment	770,182	-	770,182	795,782
Unrestricted	<u>98,312</u>	<u>-</u>	<u>98,312</u>	<u>158,920</u>
Unrestricted net assets	1,150,349	-	1,150,349	1,244,666
Temporarily restricted	<u>-</u>	<u>33,965</u>	<u>33,965</u>	<u>39,586</u>
Total net assets	<u>1,150,349</u>	<u>33,965</u>	<u>1,184,314</u>	<u>1,284,252</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,415,417</u></u>	<u><u>\$ 33,965</u></u>	<u><u>\$ 1,449,382</u></u>	<u><u>\$ 1,284,252</u></u>

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

***Eureka Schools Foundation***  
***Statements of Activities and Changes in Net Assets***  
***Year Ended June 30, 2016 (with Prior Year Summarized Information)***

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
<b>Revenues and Support</b>				
Annual Giving campaign	\$ 95,664	\$ -	\$ 95,664	\$ 121,868
Athletics Program	-	4,577	4,577	5,963
Library Program	-	10,382	10,382	10,007
Music Program	-	7,987	7,987	9,160
Technology Fund	-	11,019	11,019	14,456
Fundraising activities				
Fundraising revenue	485,876	-	485,876	480,762
Fundraising expense	(233,847)	-	(233,847)	(187,416)
Enrichment Programs	99,712	-	99,712	153,018
Net assets released from restrictions	39,586	(39,586)	-	-
Endowment Contribution	2,000	-	2,000	-
Total revenues and support	488,991	(5,621)	483,370	607,818
<b>Other Income, Gains and (Losses)</b>				
In-kind contribution - storage rent	1,740	-	1,740	1,740
Interest income	147	-	147	54
Gain (Loss) on investments	(19,946)	-	(19,946)	3,490
Total Other Income, Gains and (Losses)	(18,059)	-	(18,059)	5,284
Total Revenues, Support, Income, Gains and (Losses)	470,932	(5,621)	465,311	613,102
<b>Expenses</b>				
Program Services				
Enrichment Allocations to Eureka School District	341,525	-	341,525	328,000
Enrichment Programs	97,496	-	97,496	146,451
Block Grants to Eureka District Schools	34,000	-	34,000	50,000
Support Services				
Annual Giving campaign	9,512	-	9,512	15,487
Management and general	73,322	-	73,322	108,406
In-kind storage rent expense	1,740	-	1,740	1,740
Investment fees	7,654	-	7,654	7,919
Total expenses	565,249	-	565,249	658,003
<b>Change in Net Assets</b>	(94,317)	(5,621)	(99,938)	(44,901)
<b>Net Assets - Beginning</b>	1,244,666	39,586	1,284,252	1,329,153
<b>Net Assets - Ending</b>	\$ 1,150,349	\$ 33,965	\$ 1,184,314	\$ 1,284,252

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

***Eureka Schools Foundation***  
***Statement of Functional Expenses***  
***Year Ended June 30, 2016***

	<b>Program Services</b>	<b>Support Services</b>	<b>Total</b>	<b>Fundraising Expenses</b>
Enrichment Allocations to Eureka School District	\$ 341,525	\$ -	\$ 341,525	\$ -
Enrichment Programs	97,496	-	97,496	-
Block Grants to Eureka District Schools	34,000	-	34,000	-
Communication and website	-	25,931	25,931	-
Professional fees	-	19,585	19,585	-
Event supplies and materials	-	8,285	8,285	65,238
Investment fees	-	7,654	7,654	-
Office and general administrative expenses	-	6,765	6,765	-
Printing and copying expense	-	5,735	5,735	2,852
Bank service charges	-	4,088	4,088	3,900
Marketing	-	3,750	3,750	-
Insurance expense	-	2,865	2,865	-
In-kind contributed goods and services	-	2,400	2,400	115,562
Advertising	-	2,139	2,139	-
In-kind rent expense	-	1,740	1,740	2,180
Dues and subscriptions	-	769	769	1,545
Office expenses	-	377	377	82
Taxes and licenses	-	145	145	-
Equipment and facilities rental	-	-	-	38,937
Other miscellaneous service costs	-	-	-	1,050
Supplies	-	-	-	2,501
	-	-	-	-
	<u>\$ 473,021</u>	<u>\$ 92,228</u>	<u>\$ 565,249</u>	<u>\$ 233,847</u>

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

***Eureka Schools Foundation***  
***Statements of Cash Flows***  
***Year Ended June 30, 2016 (with Prior Year Summarized Information)***

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total 2016</b>	<b>Total 2015</b>
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ (94,317)	\$ (5,621)	\$ (99,938)	\$ (44,901)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
(Gain) loss on investments	19,946	-	19,946	(3,490)
Investment fees	7,654	-	7,654	7,919
(Increase) decrease in prepaid expenses	-	-	-	233
(Increase) decrease in contributions receivable	870	-	870	4,130
Increase (decrease) in accounts payable	265,068	-	265,068	(11,955)
Increase (decrease) in deferred revenue	-	-	-	(5,000)
Total Adjustments	293,538	-	293,538	(8,163)
Net cash provided (used) by operating activities	199,221	(5,621)	193,600	(53,064)
<b>Cash flow from investing activities:</b>				
Cash contribution to Endowed Agency Fund	(2,000)	-	(2,000)	(150)
Cash distribution from Endowed Agency Fund	-	-	-	-
Net cash provided (used) by investing activities	(2,000)	-	(2,000)	(150)
Net increase (decrease) in cash and equivalents	197,221	(5,621)	191,600	(53,214)
<b>Cash and equivalents:</b>				
Beginning of year	448,014	39,586	487,600	540,814
End of year	<u>\$ 645,235</u>	<u>\$ 33,965</u>	<u>\$ 679,200</u>	<u>\$ 487,600</u>

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

***Eureka Schools Foundation***  
***Notes to Financial Statements***  
***Year Ended June 30, 2016***

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**1. Organization and Significant Accounting Policies**

Nature of Activities

Eureka Schools Foundation (the Foundation) was incorporated on November 10, 1992, in the State of California, pursuant to general nonprofit corporation law.

The specific purpose of the Foundation is to benefit students attending the Eureka Union School District, located in Placer County, California, by raising and contributing funds to be used for educational purposes.

The Foundation was founded and began its effort in July 1992.

Accounting Basis

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Contributions and Fundraising Revenues

Contributions and fundraising revenues received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

*Unrestricted Net Assets* – Unrestricted Net Assets include unrestricted contributions, interest income, income/loss from the Endowed Agency Fund, and amounts for which temporary restrictions have expired.

*Temporarily Restricted Net Assets* – Temporarily Restricted Net Assets include the assets for which donors have placed restrictions on their donations, or have designated for certain programs. The Foundation has temporarily restricted net assets for athletics, libraries, music, and technology.

*Permanently Restricted Net Assets* – Permanently Restricted Net Assets include assets with donor-imposed restrictions that do not expire. Currently, the Foundation does not have any permanently restricted net assets.

Donated Services, Goods, and Facilities

No amounts have been reflected in the financial statements for contributed services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. Estimated volunteer hours are 4,104 for the year ended June 30, 2016.

Contributions of facilities for temporary use by the Foundation are recognized as revenue using the fair rental value when the promise is received and as an expense at fair rental value when the Foundation actually uses the facilities. When fair market value is not determinable, the Foundation uses values indicated by the donor. During the year ended June 30, 2016 the



*Eureka Schools Foundation*  
*Notes to Financial Statements*  
*Year Ended June 30, 2016*

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**1. Organization and Significant Accounting Policies (continued)**

Foundation was promised and used facilities with a fair market value totaling \$1,740 for support services and \$2,180 for fundraising. Other in-kind sponsorships and donated goods total \$117,962 for the year ended June 30, 2016 of this amount in-kind donated goods was \$2,400 for support services and \$115,562 for fundraising.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Real property donations are recorded based on fair value as determined through independent appraisals as of the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

Cash and Cash Equivalents

The Foundation considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

Generally Accepted Accounting Principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Foundation in its federal and state exempt tax returns are more likely than not to be sustained upon examination. Generally, the Foundation's federal returns for the years ended June 30, 2013 and thereafter and the Foundation's California returns for the years ended June 30, 2012 and thereafter remain open to examination by the respective taxing authorities.

Advertising

The Foundation expenses the costs of advertising as incurred. Advertising consists primarily of marketing costs for email blasts to donors, web hosting for the Foundation's website, some print advertising for fundraisers, and the marketing contracts with Consulo Consulting and Tannehill Design which are part of the Communications and Website expense. Advertising expense was \$2,139, for the year ending June 30, 2016, and the Communication and Website expense was \$25,931 for the year ending June 30, 2016.

*Eureka Schools Foundation*  
*Notes to Financial Statements*  
*Year Ended June 30, 2016*

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**1. Organization and Significant Accounting Policies (continued)**

Capitalization Policy

The Foundation capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost.

Subsequent Events

The Foundation has evaluated all subsequent events through May 11, 2017, the date the financial statements were available to be issued.

**2. Board Designated Net Assets**

Board designated net assets consists of net assets that have been voluntarily pledged by board resolutions. Each year, near the end of the Foundation's fiscal year, the Board pledges money to the Eureka District Schools. During the year ended June 30, 2016, the Board voted to pledge \$315,820 consisting of \$281,855 of board designated funds and \$33,965 of temporarily restricted funds to Eureka District Schools for its 2016-2017 year.

**3. Board Designated – Permanent, Unrestricted Net Assets**

In May 1999, the Foundation's Board authorized and established the Eureka Schools Foundation Endowment Fund (the Fund), to be maintained by the Sacramento Region Community Foundation (SRCF). Under the terms of the agreement between the Foundation and SRCF, SRCF will "hold, manage, invest and reinvest the Fund, shall collect the income and disperse the proceeds gained from the investment of principal for charitable purposes." By the terms of the agreement, the SRCF's board will determine, at least annually, an authorized spending amount to be made available for charitable purposes.

Upon learning the original fund was a "quasi-endowment" fund, the Board established the Endowed Agency Fund (Fund) at the Sacramento Region Community Foundation (SRCF) on June 1, 2013. This investment is a Board designated permanently reserved fund organized to support the mission of the Eureka Schools Foundation (the Foundation) in perpetuity. While this fund is referred to as an endowment, the amount in the Fund was not endowed by a donor but set aside by the Foundation's Board of Directors in line with original intent of the Fund founders.

The SRCF determines the dollar amount to be spent each year by calculating the rolling average fair market value of the Fund over the previous 12 quarters. The rolling average is then multiplied by the current spending percentage to arrive at a spendable amount. The SRCF reviews the spending policy annually, and may increase or decrease the percentage available to spend. SRCF spending policy follows the Uniform Prudent Management of Institutional Funds Act.

Under the Endowed Agency Fund, the Foundation does not have access to and may not withdraw amounts above the annually determined available to spend amount, as set by SRCF.

***Eureka Schools Foundation***  
***Notes to Financial Statements***  
***Year Ended June 30, 2016***

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**3. Board Designated – Permanent, Unrestricted Net Assets (continued)**

The terms of the contract dated June 1, 2013, include the adoption of a spendable amount (see above), and fees of the SRCF in the amount of 1.5% of the fair market value of the fund per annum. The annual fee is allocated monthly, and paid directly to SRCF from the Endowed Agency Fund.

During the year ended June 30, 2016 activities within the Fund were as follows:

Beginning balance at fair value	\$ 795,782
Contributions to the Endowment Agency Fund	2,000
Distributions to the Foundation	-
Net return on investments	(19,946)
Administrative fees	<u>(7,654)</u>
Ending balance at fair value	<u>\$ 770,182</u>

**4. Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of money specifically raised for the various enrichment programs including athletics, libraries, music, and technology which are specifically for the purpose of the students attending the Eureka District schools. As of June 30, 2016, the balance of temporarily restricted net assets was \$33,965.

**5. Concentrations of Credit Risk**

The Foundation maintains its cash accounts at three financial institutions. The FDIC insures certain bank deposits up to \$250,000. The Foundation also holds funds in an uninsured money market account. Uninsured balances at June 30, 2016 totaled \$207,446.

The Foundation also maintains a board designated Endowed Agency Fund which is managed by the Sacramento Region Community Foundation (see discussion labeled “Endowed Agency Fund”). The Foundation’s share of the Endowed Agency Fund assets are held in pooled funds of investments that are subject to market fluctuations. The balance at June 30, 2016, was \$770,182.

**6. Fair Value Measurements**

Fair Value Hierarchy

The Foundation groups its assets and liabilities measured at fair value within three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. Valuations within these levels are based upon:

*Eureka Schools Foundation*  
*Notes to Financial Statements*  
*Year Ended June 30, 2016*

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**6. Fair Value Measurements (continued)**

Level 1 – Quoted market prices for identical instruments traded in active exchange markets.

Level 2 – Quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Foundation's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in entirety. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Assets Recorded at Fair Value

There were no changes in the valuation techniques used during the year ended June 30, 2016. The Foundation is required or permitted to record the following assets at fair value on a recurring basis under other accounting pronouncements. The following table presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis:

<u>Description</u>	<u>As of June 30, 2016</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 199,198	\$ 199,198	\$ -	\$ -
Endowed Agency Fund	<u>770,182</u>	<u>-</u>	<u>770,182</u>	<u>-</u>
	<u>\$ 969,380</u>	<u>\$ 199,198</u>	<u>\$ 770,182</u>	<u>\$ -</u>

The Endowed Agency Fund investment is a pooled fund. Values are provided by the fund manager and are based upon the Foundation's proportionate share of the pooled fund's assets.

***Eureka Schools Foundation***  
***Notes to Financial Statements***  
***Year Ended June 30, 2016***

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**7. Financial Accounting Standards Update**

In August 2016, the Financial Accounting Standards Board (FASB), issued Accounting Standards Update 2016-14 (ASU). That update included a discussion on new standards for “Presentation of Financial Statements of Not-for-Profit Entities (NFP)”.

The ASU requires an NFP to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period. That is, a NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*; among many other changes related to having only two classes of net assets and financial reporting.

The effective date for the change is for financial statements issued for fiscal years beginning after December 15, 2017. Early adopting is permissible, however the Foundation has elected not to early adopt.

The new reporting requirements will be required for the Foundation during fiscal year July 1, 2018 through June 30, 2019.



*Supplementary Information*

*Eureka Schools Foundation*  
*Schedule of Fundraising Activities*  
*Year Ended June 30, 2016*

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	<u>Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
Art Auction and Music Exhibition	\$ 23,338	\$ 4,472	\$ 18,866
Fall Annual Auction Gala	277,770	116,241	161,529
Foundation Cup Golf Tournament	177,748	110,632	67,116
Night at the Kings	7,020	2,502	4,518
Totals	<u>\$ 485,876</u>	<u>\$ 233,847</u>	<u>\$ 252,029</u>