



Eureka Schools Foundation

*Audited Financial Statements
Years Ended June 30, 2011 and 2010*

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Independent Auditors' Report

To the Board of Directors
Eureka Schools Foundation
Granite Bay, California

We have audited the accompanying statement of financial position of Eureka Schools Foundation, a nonprofit organization as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Eureka Schools Foundation's June 30, 2010 financial statements and, in our report dated January 28, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets, functional expenses, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Lafler Moore Connerty & Webb, LLP
Roseville, California

January 24, 2012

Eureka Schools Foundation
Statements of Financial Position
As of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash - unrestricted	\$ 634,073	\$ 602,478
Cash - temporarily restricted	<u>108,568</u>	<u>16,000</u>
Total current assets	<u>742,641</u>	<u>618,478</u>
Investments		
Endowment Fund	<u>692,196</u>	<u>579,638</u>
 Total Assets	 <u><u>\$ 1,434,837</u></u>	 <u><u>\$ 1,198,116</u></u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable	<u>\$ 45,365</u>	<u>\$ 1,666</u>
Total current liabilities	<u>45,365</u>	<u>1,666</u>
Net Assets		
Unrestricted	1,280,904	1,180,450
Temporarily restricted	<u>108,568</u>	<u>16,000</u>
Total net assets	<u>1,389,472</u>	<u>1,196,450</u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,434,837</u></u>	 <u><u>\$ 1,198,116</u></u>

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

Eureka Schools Foundation
Statements of Activities
Years Ended June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total 2010</u>
Revenues and Support				
Annual Giving campaign	\$ 168,639	\$ -	\$ 168,639	\$ 184,103
Athletics Program	-	7,143	7,143	
Library Program	-	24,008	24,008	
Music Program	-	25,884	25,884	
Spanish Program	-	6,362	6,362	
Teacher Development	-	4,909	4,909	
Technology Fund	-	40,262	40,262	16,000
Fundraising revenue	628,536	-	628,536	367,068
Direct fundraising event costs	(363,207)	-	(363,207)	(106,781)
Interest income	1,130	-	1,130	848
Gain on investment - Endowment Fund	122,332	-	122,332	68,577
Other income	806	-	806	-
Net assets released from restrictions	16,000	(16,000)	-	-
Total revenues and support	<u>574,236</u>	<u>92,568</u>	<u>666,804</u>	<u>529,815</u>
Expenses				
Annual Giving campaign	1,727	-	1,727	12,110
Enrichment Allocations to Eureka School District	374,000	-	374,000	290,975
Block Grants to Eureka District Schools	32,000	-	32,000	-
Scholarships & Destination Imagination	3,320	-	3,320	-
Management and general	52,961	-	52,961	53,516
Investment fees - Endowment Fund	9,774	-	9,774	8,695
Total expenses	<u>473,782</u>	<u>-</u>	<u>473,782</u>	<u>365,296</u>
Change in Net Assets	100,454	92,568	193,022	164,519
Net Assets - Beginning	<u>1,180,450</u>	<u>16,000</u>	<u>1,196,450</u>	<u>1,031,931</u>
Net Assets - Ending	<u>\$ 1,280,904</u>	<u>\$ 108,568</u>	<u>\$ 1,389,472</u>	<u>\$ 1,196,450</u>

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

Eureka Schools Foundation
Statement of Functional Expenses
Year Ended June 30, 2011

	Program Services	Support Services	Total	Fundraising Expenses
Enrichment Allocations to Eureka School District	\$ 374,000	\$ -	\$ 374,000	\$ -
Block Grants to Eureka District Schools	32,000	-	32,000	-
Scholarships and Destination Imagination	3,320	-	3,320	-
Advertising		6,539	6,539	4,678
Bank Charges		3,308	3,308	6,728
Dues and Subscriptions	-	377	377	-
Equipment and Facilities Rental	-	-	-	48,645
Insurance Expense	-	2,456	2,456	-
Legal and Professional Fees	-	22,895	22,895	-
Meals and Entertainment	-	-	-	1,020
Office Expenses	-	19	19	-
Office and General Administrative Expenses	-	14,096	14,096	-
Other Miscellaneous Service Costs		1,548	1,548	231,040
Promotional Expenses	-	3,205	3,205	45,879
Printing and Copying Expense	-	74	74	-
Supplies	-	-	-	18,162
Taxes and Licenses	-	171	171	-
Donated Goods and Services	-	-	-	7,055
Endowment Fund Fees	-	9,774	9,774	-
	<u>\$ 409,320</u>	<u>\$ 64,462</u>	<u>\$ 473,782</u>	<u>\$ 363,207</u>

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

Eureka Schools Foundation
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 193,022	\$ 164,519
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) loss on investment in Endowment Fund	(122,332)	(68,577)
Investment fees charged to Endowment Fund	9,774	8,695
Increase (decrease) in accounts payable	43,699	(34,898)
Net cash provided (used) by operating activities	<u>124,163</u>	<u>69,739</u>
 Cash flow from investing activities:		
Contributions to Endowment Fund	<u>-</u>	<u>(23,500)</u>
Net cash provided (used) by investing activities	-	(23,500)
Net increase (decrease) in cash and equivalents	<u>124,163</u>	<u>46,239</u>
 Cash and equivalents:		
Beginning of year	<u>618,478</u>	<u>572,239</u>
End of year	<u><u>\$ 742,641</u></u>	<u><u>\$ 618,478</u></u>

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

***Eureka Schools Foundation
Notes to Financial Statements
Years Ended June 30, 2011 and 2010***

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.

Donated Services 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 5,940 for the year beginning July 1, 2010 and ending June 30, 2011.

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 years ended June 30, 2011 and June 30, 2010, the Foundation was promised and used facilities with a fair market value totaling \$7,055 and \$4,745, respectively.

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, if any, 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. During the years ended June 30, 2011 and June 30, 2010, the donated real property amounted to zero.

***Eureka Schools Foundation
Notes to Financial Statements
Years Ended June 30, 2011 and 2010***

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.

GAAP provides 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, 2008 and thereafter and the Foundation's California returns for the years ended June 30, 2007 and thereafter remain open to examination by the respective taxing authorities.

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 January 24, 2012, the date the financial statements were available to be issued.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of money raised for the various enrichment programs including athletics, libraries, music, Spanish Program, teacher development and technology which are specifically for the purpose of the students attending the Eureka District schools. The Eureka Schools Foundation collects donations throughout the fiscal year. The donations collected are voted on for distribution by the board generally in their May board meeting. The disbursements of the funds usually take place in the following fiscal year.

3. 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, 2011 and 2010, totaled \$398,512 and \$375,092, respectively.

Eureka Schools Foundation
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

The Foundation also maintains a board designated endowment fund which is managed by Sacramento Regional Community Foundation (see discussion labeled “Endowment Fund”). The Foundation’s share of the Endowment Fund assets are held in pooled funds of investments that are subject to market fluctuations. The balances at June 30, 2011 and 2010, were \$692,197 and \$579,638, respectively.

4. Endowment Fund

In May 1999, the Eureka Schools Foundation (ESF) authorized and established the Eureka Schools Foundation Endowment Fund (the Fund), to be maintained by the Sacramento Regional Community Foundation (SRCF). Under the terms of the agreement between ESF 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.

Requests for amounts more than the annual authorized spending amount may be made in writing to SRCF with a two-thirds (2/3) vote of the ESF board. Distribution of the funds also requires a vote by SRCF’s board and it may take up to 60 days to process requests for partial or entire returns of principal. Per the agreement, all distributions must be for charitable and/or educational purposes. During the year ended June 30, 2011, activities within the Fund were as follows:

	<u>2011</u>	<u>2010</u>
Beginning balance at fair value	\$ 579,638	\$ 496,256
Contributions made by the Foundation	-	23,500
Distributions to the Foundation	-	-
Net return on investments	122,332	68,577
Reclassifications	-	-
Administrative fees	<u>(9,774)</u>	<u>(8,695)</u>
Ending balance at fair value	<u>\$ 692,196</u>	<u>\$ 579,638</u>

The Foundation does not have a formal investment policy with regard to its Endowment Fund. The Endowment Fund is classified as a board designated net asset.

5. 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:

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

Eureka Schools Foundation
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

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, 2011. The Foundation is required or permitted to record the following assets at fair value on a recurring basis under other accounting pronouncements. The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis:

As of June 30, 2011				
<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 198,797	\$ 198,797	\$ -	\$ -
Endowment Fund	<u>692,196</u>	<u>-</u>	<u>692,196</u>	<u>-</u>
	<u>\$ 890,993</u>	<u>\$ 198,797</u>	<u>\$ 692,196</u>	<u>\$ -</u>

As of June 30, 2010				
<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 198,568	\$ 198,568	\$ -	\$ -
Endowment Fund	<u>579,638</u>	<u>-</u>	<u>579,638</u>	<u>-</u>
	<u>\$ 778,206</u>	<u>\$ 198,568</u>	<u>\$ 579,638</u>	<u>\$ -</u>

The Endowment 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.

Supplementary Information



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Independent Auditors' Report on Supplementary Information

To the Board of Directors
Eureka Schools Foundation
Granite Bay, California

Our report on our audit of the financial statements of Eureka Schools Foundation as of June 30, 2011, appears on page one. This audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of fundraising activities for the year ended June 30, 2011 is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

For the year ended June 30, 2011, the schedule of fundraising activities has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, present fairly in all material respects, the fundraising revenues and expenses and is in conformity with generally accepted accounting principles.

Lafler Moore Connerty & Webb, LLP
Roseville, California

January 24, 2012

Eureka Schools Foundation
Schedule of Fundraising Activities
Year Ended June 30, 2011

	<u>Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
Fundraising Revenues and Expenses			
Annual Auction Gala	\$ 202,473	\$ 45,694	\$ 156,779
Art Auction and Music Exhibition	36,285	17,647	18,638
Foundation Cup Golf Tournament	103,482	55,933	47,549
5K Fund Run	52,107	13,509	38,598
Scrip Program	130,578	133,940	(3,362)
Music Program	2,289	212	2,077
Spanish Program	101,322	96,272	5,050
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 628,536</u>	<u>\$ 363,207</u>	<u>\$ 265,329</u>

See independent auditors' report on supplementary information.