Eureka Schools Foundation

Audited Financial Statements
Year Ended June 30, 2013
with prior year summarized information

Table of Contents

Independent Auditors' Report 1-2

Financial Statements

Statements of Financial Position 3

Statements of Activities 4

Statement of Functional Expenses 5

Statements of Cash Flows 6

Notes to Financial Statements 7-12

Supplementary Information

Schedule of Fundraising Activities 13

LAFLER MOORE
CONNERTY & WEBB LLP
Accountants & Consultants
2237 Douglas Boulevard Suite 140 Roseville California 95661 • tel 916.784.1040 • fax 916.784.2640

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, 2013, 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.

Auditors' 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, 2013, 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 fiscal year 2012 financial statements, and our report dated February 11, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, 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
February 12, 2014

Eureka Schools Foundation
Statements of Financial Position
As of June 30, 2013 (with Prior Year Summarized Information)

	Unrestricted	Temporarily Restricted	2013 Totals	2012 Totals
Assets				
Current Assets				
Cash and cash equivalents	$ 265,261	$ 81,583	$ 346,844	$ 558,568
Contributions receivable	12,750	-	12,750	7,400
Total current assets	278,011	81,583	359,594	565,968
Investments				
Endowed Agency Fund	720,272	-	720,272	681,457
Total Assets	$ 998,283	$ 81,583	$ 1,079,866	$ 1,247,425
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 4,535	$ -	$ 4,535	$ 290
Total current liabilities	4,535	-	4,535	290
Net Assets				
Board designated	219,467	-	219,467	600,000
Board designated - permanent	720,272	-	720,272	-
Unrestricted	54,009	-	54,009	508,489
Unrestricted net assets	993,748	-	993,748	1,108,489
Temporarily restricted	-	81,583	81,583	138,646
Total net assets	993,748	81,583	1,075,331	1,247,135
Total Liabilities and Net Assets	$ 998,283	$ 81,583	$ 1,079,866	$ 1,247,425

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

Eureka Schools Foundation
Statements of Activities
Year Ended June 30, 2013 (with Prior Year Summarized Information)

	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
Revenues and Support				
Annual Giving campaign	$ 153,502	$ -	$ 153,502	$ 184,754
Athletics Program	-	9,373	9,373	13,740
Library Program	-	24,092	24,092	41,824
Music Program	-	19,596	19,596	32,612
Teacher Development	-	5,285	5,285	5,434
Technology Fund	-	19,731	19,731	39,634
World Languages Program	-	3,506	3,506	5,402
Fundraising activities				
Fundraising revenue	388,252	-	388,252	455,869
Fundraising expense	(103,473)	-	(103,473)	(105,617)
Eureka Scrip revenue	176,765	-	176,765	117,532
Eureka Scrip disbursements	(176,881)	-	(176,881)	(118,745)
World Languages Program	126,858	-	126,858	99,915
Net assets released from restrictions	138,646	(138,646)	-	-
Total revenues and support	703,669	(57,063)	646,606	772,354
Other Gains and Losses				
Interest income	169	-	169	334
Gain (loss) on investments	75,692	-	75,692	(724)
Other income	-	-	-	-
Total Other Gains and Losses	75,861	-	75,861	(390)
Total Revenues, Support, Gains and Losses	779,530	(57,063)	722,467	771,964
Expenses				
Program Services				
Enrichment Allocations to Eureka School District	647,574	-	647,574	684,000
World Languages Program	126,623	-	126,623	111,232
Block Grants to Eureka District Schools	34,000	-	34,000	24,000
Scholarships	1,400	-	1,400	1,788
Support Services				
Annual Giving campaign	10,221	-	10,221	10,956
Management and general	63,625	-	63,625	72,310
Investment fees	10,828	-	10,828	10,015
Total expenses	894,271	-	894,271	914,301
Change in Net Assets	(114,741)	(57,063)	(171,804)	(142,337)
Net Assets - Beginning	1,108,489	138,646	1,247,135	1,389,472
Net Assets - Ending	$ 993,748	$ 81,583	$ 1,075,331	$ 1,247,135

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

Eureka Schools Foundation
Statement of Functional Expenses
Year Ended June 30, 2013

	Program Services	Support Services	Total	Fundraising Expenses
Enrichment Allocations to Eureka School District	$ 647,574	$ -	$ 647,574	$ -
World Languages Program	126,623	-	126,623	-
Block Grants to Eureka District Schools	34,000	-	34,000	-
Scholarships	1,400	-	1,400	-
Communication and website	-	28,040	28,040	81
Legal and professional fees	-	17,419	17,419	-
Investment fees	-	10,828	10,828	-
Advertising	-	10,568	10,568	112
Bank service charges	-	9,664	9,664	867
Office and general administrative expenses	-	3,528	3,528	71
Office expenses	-	2,024	2,024	-
Promotional expenses	-	1,260	1,260	1,875
Supplies	-	705	705	1,318
Printing and copying expense	-	400	400	722
Taxes and licenses	-	95	95	-
Insurance expense	-	83	83	-
Event supplies and materials	-	60	-	43,451
Eureka Scrip disbursements	-	-	-	176,857
Equipment and facilities rental	-	-	-	51,771
Donated goods and services	-	-	-	2,180
Meals and entertainment	-	-	-	1,050
	$ 809,597	$ 84,674	$ 894,271	$ 280,354

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

Eureka Schools Foundation
Statements of Cash Flows
Year Ended June 30, 2013 (with Prior Year Summarized Information)

	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
Cash flows from operating activities:				
Net increase/(decrease) in net assets	$ (114,741)	$ (57,063)	$ (171,804)	$ (142,337)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
(Gain) loss on investments	(75,693)	-	(75,693)	724
Investment fees	10,828	-	10,828	10,015
(Increase) decrease in contributions receivable	(5,350)	-	(5,350)	(7,400)
Increase (decrease) in accounts payable	4,245	-	4,245	(45,075)
Total Adjustments	(65,970)	-	(65,970)	(41,736)
Net cash provided (used) by operating activities	(180,711)	(57,063)	(237,774)	(184,073)
Cash flow from investing activities:				
Net cash provided (used) by investing activities	26,050	-	26,050	-
Net increase (decrease) in cash and equivalents	(154,661)	(57,063)	(211,724)	(184,073)
Cash and equivalents:				
Beginning of year	419,922	138,646	558,568	742,641
End of year	$ 265,261	$ 81,583	$ 346,844	$ 558,568

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

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, the World Languages program, teacher development, 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 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 6,145 for the year ended June 30, 2013.

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, 2013 the

1. Organization and Significant Accounting Policies (continued)

Foundation was promised and used facilities with a fair market value totaling $2,180.

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.

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, 2010 and thereafter and the Foundation's California returns for the years ended June 30, 2009 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 contract with Digital Arts Designs which is part of the Communications and Website expense. Advertising expense was $10,679 for the year ending June 30, 2013, and the Communication and Website expense was $28,121 for the year ending June 30, 2013.

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

1. Organization and Significant Accounting Policies (continued)

Subsequent Events
The Foundation has evaluated all subsequent events through February 12, 2014, 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, 2013, the Board voted to pledge $301,050, consisting of $219,467 of board designated funds and $81,583 of temporarily restricted funds to Eureka District Schools for its 2013-2014 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 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.

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.

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

During the year ended June 30, 2013 activities within the Fund were as follows:

	2013
Beginning balance at fair value	$ 681,457
Distributions to the Foundation	(26,050)
Net return on investments	75,693
Administrative fees	(10,828)
Ending balance at fair value	$ 720,272

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of money specifically raised for the various enrichment programs including libraries, technology, music, athletics, World Languages program and teacher development which are specifically for the purpose of the students attending the Eureka District schools. As of June 30, 2013, the balance of temporarily restricted net assets was $81,583.

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, 2013 totaled $199,031.

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, 2013, was $720,272.

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:

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

6. Fair Value Measurements (continued)

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, 2013. 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:

	As of June 30, 2013			
Description	Fair Value	Level 1	Level 2	Level 3
Money Market Fund	$ 199,031	$ 199,031	$ -	$ -
Endowed Agency Fund	720,272	-	720,272	-
	$ 919,303	$ 199,031	$ 720,272	$ -

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.

7. Eureka Scrip Program

The Foundation sponsors the Eureka Scrip Program, a fundraising activity in which the seven schools in the Eureka School District are the direct beneficiaries. The Foundation has a contract with a third party (Scrip Source) to manage the program including collecting all cash receipts and making all disbursements to the schools. The Foundation maintains a bank account in which Scrip Source deposits all earnings and makes all disbursements related to the Scrip program, but does not benefit directly from this activity. "Eureka Scrip disbursements" as shown on the Statements of Activities and Statement of Functional Expenses consists of payments made

7. Eureka Scrip Program (continued)

directly to the Eureka District Schools plus merchant fees and other charges related to running the program. As of September 13, 2013 the Eureka Scrip Program is now being run solely by Scrip Source. Eureka Schools Foundation no longer serves as the intermediary between Scrip Source and the Eureka District Schools.

Supplementary Information

Eureka Schools Foundation
Schedule of Fundraising Activities
Year Ended June 30, 2013

	Revenues	Direct Expenses	Net
Art Auction and Music Exhibition	$ 28,932	$ 4,581	$ 24,351
Fall Annual Auction Gala	203,562	40,647	162,915
Foundation Cup Golf Tournament	101,974	48,232	53,742
5K Fund Run	53,784	10,013	43,771
Totals	$ 388,252	$ 103,473	$ 284,779

	Revenues	Direct Disbursements	Net
Eureka Scrip Program	$ 176,765	$ 176,881	$ (116)