



Eureka Schools Foundation

*Audited Financial Statements
Year Ended June 30, 2014
with prior year summarized information*

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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, 2014, 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, 2014, 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 2013 financial statements, and our report dated February 12, 2014, 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, 2013, 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

November 24, 2014

Eureka Schools Foundation
Statements of Financial Position
As of June 30, 2014 (with Prior Year Summarized Information)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 480,064	\$ 60,750	\$ 540,814	\$ 346,844
Contributions receivable	5,000	-	5,000	12,750
Prepaid expenses	233	-	233	-
Total current assets	<u>485,297</u>	<u>60,750</u>	<u>546,047</u>	<u>359,594</u>
Investments				
Endowed Agency Fund	<u>800,061</u>	<u>-</u>	<u>800,061</u>	<u>720,272</u>
Total Assets	<u>\$ 1,285,358</u>	<u>\$ 60,750</u>	<u>\$ 1,346,108</u>	<u>\$ 1,079,866</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 11,955	\$ -	\$ 11,955	\$ 4,535
Deferred revenue	5,000	-	5,000	-
Total current liabilities	<u>16,955</u>	<u>-</u>	<u>16,955</u>	<u>4,535</u>
Net Assets				
Board designated	267,250	-	267,250	219,467
Board designated - permanently restricted	800,061	-	800,061	720,272
Unrestricted	<u>201,092</u>	<u>-</u>	<u>201,092</u>	<u>54,009</u>
Unrestricted net assets	1,268,403	-	1,268,403	993,748
Temporarily restricted	<u>-</u>	<u>60,750</u>	<u>60,750</u>	<u>81,583</u>
Total net assets	<u>1,268,403</u>	<u>60,750</u>	<u>1,329,153</u>	<u>1,075,331</u>
Total Liabilities and Net Assets	<u>\$ 1,285,358</u>	<u>\$ 60,750</u>	<u>\$ 1,346,108</u>	<u>\$ 1,079,866</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, 2014 (with Prior Year Summarized Information)

	Unrestricted	Temporarily Restricted	Total 2014	Total 2013
Revenues and Support				
Annual Giving campaign	\$ 145,028	\$ -	\$ 145,028	\$ 153,502
Athletics Program	-	9,815	9,815	9,373
Library Program	-	17,206	17,206	24,092
Music Program	-	10,460	10,460	19,596
Teacher Development	-	-	-	5,285
Technology Fund	-	23,269	23,269	19,731
World Languages Program	-	-	-	3,506
Fundraising activities				
Fundraising revenue	496,809	-	496,809	388,252
Fundraising expense	(122,010)	-	(122,010)	(103,473)
Eureka Scrip revenue	-	-	-	176,765
Eureka Scrip disbursements	-	-	-	(176,881)
Enrichment Programs	186,467	-	186,467	126,858
Net assets released from restrictions	81,583	(81,583)	-	-
Total revenues and support	787,877	(20,833)	767,044	646,606
Other Income and Gains				
In-kind contribution	1,620	-	1,620	-
Interest income	66	-	66	169
Gain on investments	115,335	-	115,335	75,692
Total Other Income and Gains	117,021	-	117,021	75,861
Total Revenues, Support, Income, and Gains	904,898	(20,833)	884,065	722,467
Expenses				
Program Services				
Enrichment Allocations to Eureka School District	301,050	-	301,050	647,574
Enrichment Programs	185,713	-	185,713	126,623
Block Grants to Eureka District Schools	36,903	-	36,903	34,000
Scholarships	-	-	-	1,400
Support Services				
Annual Giving campaign	6,339	-	6,339	10,221
Management and general	90,912	-	90,912	63,625
In-kind contribution	1,620	-	1,620	-
Investment fees	7,706	-	7,706	10,828
Total expenses	630,243	-	630,243	894,271
Change in Net Assets	274,655	(20,833)	253,822	(171,804)
Net Assets - Beginning	993,748	81,583	1,075,331	1,247,135
Net Assets - Ending	\$ 1,268,403	\$ 60,750	\$ 1,329,153	\$ 1,075,331

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

Eureka Schools Foundation
Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services	Support Services	Total	Fundraising Expenses
Enrichment Allocations to Eureka School District	\$ 301,050	\$ -	\$ 301,050	\$ -
Enrichment Programs	185,713	-	185,713	-
Block Grants to Eureka District Schools	36,903	-	36,903	-
Communication and website	-	45,118	45,118	174
Professional fees	-	20,472	20,472	-
Bank service charges	-	10,573	10,573	2,373
Investment fees	-	7,706	7,706	-
Printing and copying expense	-	6,092	6,092	3,366
Office and general administrative expenses	-	4,041	4,041	-
Event supplies and materials	-	3,613	3,613	19,182
Advertising	-	2,665	2,665	1,643
Insurance expense	-	2,812	2,812	-
In-kind contributed goods and services	-	1,620	1,620	2,180
Supplies	-	1,361	1,361	467
Dues and subscriptions	-	250	250	-
Office expenses	-	179	179	-
Taxes and licenses	-	75	75	15
Equipment and facilities rental	-	-	-	89,610
Promotional expenses	-	-	-	3,000
	<u>\$ 523,666</u>	<u>\$ 106,577</u>	<u>\$ 630,243</u>	<u>\$ 122,010</u>

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

Eureka Schools Foundation**Statements of Cash Flows****Year Ended June 30, 2014 (with Prior Year Summarized Information)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
Cash flows from operating activities:				
Net increase/(decrease) in net assets	\$ 274,655	\$ (20,833)	\$ 253,822	\$ (171,804)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
(Gain) loss on investments	(115,335)	-	(115,335)	(75,693)
Investment fees	7,706	-	7,706	10,828
(Increase) decrease in prepaid expenses	(233)	-	(233)	-
(Increase) decrease in contributions receivable	7,750	-	7,750	(5,350)
Increase (decrease) in accounts payable	7,420	-	7,420	4,245
Increase (decrease) in deferred revenue	5,000	-	5,000	-
Total Adjustments	(87,692)	-	(87,692)	(65,970)
Net cash provided (used) by operating activities	186,963	(20,833)	166,130	(237,774)
Cash flow from investing activities:				
Cash distribution from Endowed Agency Fund	27,840	-	27,840	26,050
Net increase (decrease) in cash and equivalents	214,803	(20,833)	193,970	(211,724)
Cash and equivalents:				
Beginning of year	265,261	81,583	346,844	558,568
End of year	<u>\$ 480,064</u>	<u>\$ 60,750</u>	<u>\$ 540,814</u>	<u>\$ 346,844</u>

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

***Eureka Schools Foundation
Notes to Financial Statements
Year Ended June 30, 2014***

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 5,870 for the year ended June 30, 2014.

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, 2014 the

Eureka Schools Foundation
Notes to Financial Statements
Year Ended June 30, 2014

1. Organization and Significant Accounting Policies (continued)

Foundation was promised and used facilities with a fair market value totaling \$3,800.

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, 2011 and thereafter and the Foundation's California returns for the years ended June 30, 2010 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. A new contract with 3fold Communications for strategic planning and marketing was put in place in June 2014. Advertising expense was \$4,308, for the year ending June 30, 2014, and the Communication and Website expense was \$45,292 for the year ending June 30, 2014.

Capitalization Policy

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

Eureka Schools Foundation
Notes to Financial Statements
Year Ended June 30, 2014

1. Organization and Significant Accounting Policies (continued)

Subsequent Events

The Foundation has evaluated all subsequent events through November 24, 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, 2014, the Board voted to pledge \$328,000, consisting of \$267,250 of board designated funds and \$60,750 of temporarily restricted funds to Eureka District Schools for its 2014-2015 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.

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

Eureka Schools Foundation
Notes to Financial Statements
Year Ended June 30, 2014

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

annum. The annual fee is allocated monthly, and paid directly to SRCF from the Endowed Agency Fund.

During the year ended June 30, 2014 activities within the Fund were as follows:

Beginning balance at fair value	\$ 720,272
Distributions to the Foundation	(27,840)
Net return on investments	115,335
Administrative fees	<u>(7,706)</u>
Ending balance at fair value	<u>\$ 800,061</u>

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, 2014, the balance of temporarily restricted net assets was \$60,750.

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, 2014 totaled \$199,067.

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, 2014, was \$800,061.

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.

Eureka Schools Foundation
Notes to Financial Statements
Year Ended June 30, 2014

6. Fair Value Measurements (continued)

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, 2014. 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, 2014</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 199,067	\$ 199,067	\$ -	\$ -
Endowed Agency Fund	<u>800,061</u>	<u>-</u>	<u>800,061</u>	<u>-</u>
	<u>\$ 999,128</u>	<u>\$ 199,067</u>	<u>\$ 800,061</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.

7. Eureka Scrip 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, 2014

	<u>Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
Art Auction and Music Exhibition	\$ 20,510	\$ 2,912	\$ 17,598
Fall Annual Auction Gala	268,504	46,369	222,135
Foundation Cup Golf Tournament	148,657	59,946	88,711
5K Fund Run	59,138	12,783	46,355
Totals	<u>\$ 496,809</u>	<u>\$ 122,010</u>	<u>\$ 374,799</u>