

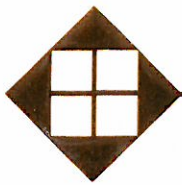


Eureka Schools Foundation

*Audited Financial Statements
Years Ended June 30, 2012 and 2011*

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LAFLER MOORE

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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, 2012, 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, 2011 financial statements and, in our report dated January 24, 2012, 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, 2012, 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

February 11, 2013

Eureka Schools Foundation
Statements of Financial Position
As of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash - unrestricted	\$ 419,922	\$ 634,073
Cash - temporarily restricted	138,646	108,568
Contributions receivable	<u>7,400</u>	<u>-</u>
Total current assets	<u>565,968</u>	<u>742,641</u>
Investments		
Endowment Fund	<u>681,457</u>	<u>692,196</u>
 Total Assets	 <u><u>\$ 1,247,425</u></u>	 <u><u>\$ 1,434,837</u></u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable	<u>\$ 290</u>	<u>\$ 45,365</u>
Total current liabilities	<u>290</u>	<u>45,365</u>
Net Assets		
Board designated allocation to Eureka School District	600,000	-
Unrestricted	<u>508,489</u>	<u>1,280,904</u>
Unrestricted total	1,108,489	1,280,904
Temporarily restricted	<u>138,646</u>	<u>108,568</u>
Total net assets	<u>1,247,135</u>	<u>1,389,472</u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,247,425</u></u>	 <u><u>\$ 1,434,837</u></u>

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

Eureka Schools Foundation
Statements of Activities
Years Ended June 30, 2012 and 2011 Prior Year Summarized Information

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total 2011</u>
Revenues and Support				
Annual Giving campaign	\$ 184,754	\$ -	\$ 184,754	\$ 168,639
Athletics Program	-	13,740	13,740	7,143
Library Program	-	41,824	41,824	24,008
Music Program	-	32,612	32,612	25,884
Spanish Program	-	5,402	5,402	6,362
Teacher Development	-	5,434	5,434	4,909
Technology Fund	-	39,634	39,634	40,262
Fundraising activities				
Fundraising revenue	455,869	-	455,869	396,636
Fundraising expense	(105,617)	-	(105,617)	(132,995)
Eureka Scrip revenue	117,532	-	117,532	130,578
Eureka Scrip disbursements	(118,745)	-	(118,745)	(133,940)
Spanish Program	99,915	-	99,915	101,322
Net assets released from restrictions	108,568	(108,568)	-	-
Total revenues and support	<u>742,276</u>	<u>30,078</u>	<u>772,354</u>	<u>638,808</u>
Other Gains and Losses				
Interest income	334	-	334	1,131
Gain (loss) on investment - Endowment Fund	(724)	-	(724)	122,332
Other income	-	-	-	806
Total Other Gains and Losses	<u>(390)</u>	<u>-</u>	<u>(390)</u>	<u>124,269</u>
Total Revenues, Support, Gains and Losses	<u>741,886</u>	<u>30,078</u>	<u>771,964</u>	<u>763,077</u>
Expenses				
Program Services				
Enrichment Allocations to Eureka School District	684,000	-	684,000	374,000
Spanish Program	111,232	-	111,232	96,272
Block Grants to Eureka District Schools	24,000	-	24,000	32,000
Scholarships	1,788	-	1,788	3,320
Support Services				
Annual Giving campaign	10,956	-	10,956	1,727
Management and general	72,310	-	72,310	52,961
Investment fees - Endowment Fund	10,015	-	10,015	9,774
Total expenses	<u>914,301</u>	<u>-</u>	<u>914,301</u>	<u>570,054</u>
Change in Net Assets	<u>(172,415)</u>	<u>30,078</u>	<u>(142,337)</u>	<u>193,022</u>
Net Assets - Beginning	<u>1,280,904</u>	<u>108,568</u>	<u>1,389,472</u>	<u>1,196,450</u>
Net Assets - Ending	<u>\$ 1,108,489</u>	<u>\$ 138,646</u>	<u>\$ 1,247,135</u>	<u>\$ 1,389,472</u>

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

Eureka Schools Foundation
Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services	Support Services	Total	Fundraising Expenses
Enrichment Allocations to Eureka School District	\$ 684,000	\$ -	\$ 684,000	\$ -
Spanish Program	111,232	-	111,232	-
Block Grants to Eureka District Schools	24,000	-	24,000	-
Scholarships	1,788	-	1,788	-
Advertising	-	42,740	42,740	2,114
Legal and professional fees	-	16,430	16,430	-
Bank Service Charges	-	10,381	10,381	24
Endowment Fund fees	-	10,015	10,015	-
Insurance expense	-	6,357	6,357	-
Office and general administrative expenses	-	5,024	5,024	-
Other miscellaneous service costs	-	1,462	1,462	36,560
Printing and copying expense	-	410	410	748
Supplies	-	361	361	1,975
Office expenses	-	81	81	-
Taxes and licenses	-	20	20	-
Eureka Scrip disbursements	-	-	-	118,745
Equipment and facilities rental	-	-	-	57,091
Promotional expenses	-	-	-	3,876
Donated goods and services	-	-	-	2,180
Meals and entertainment	-	-	-	1,050
Dues and subscriptions	-	-	-	-
	<u>\$ 821,020</u>	<u>\$ 93,281</u>	<u>\$ 914,301</u>	<u>\$ 224,363</u>

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

Eureka Schools Foundation
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (142,337)	\$ 193,022
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) loss on investment in Endowment Fund	724	(122,332)
Investment fees charged to Endowment Fund	10,015	9,774
(Increase) decrease in contributions receivable	(7,400)	-
Increase (decrease) in accounts payable	<u>(45,075)</u>	<u>43,699</u>
Total Adjustments	<u>(41,736)</u>	<u>(68,859)</u>
Net cash provided (used) by operating activities	<u>(184,073)</u>	<u>124,163</u>
 Cash flow from investing activities:		
Contributions to Endowment Fund	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	-	-
Net increase (decrease) in cash and equivalents	<u>(184,073)</u>	<u>124,163</u>
 Cash and equivalents:		
Beginning of year	<u>742,641</u>	<u>618,478</u>
End of year	<u><u>\$ 558,568</u></u>	<u><u>\$ 742,641</u></u>

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

Eureka Schools Foundation
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

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 Endowment 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 Spanish 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 4,640 for the 2011-2012 fiscal year.

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, 2012 and June

Eureka Schools Foundation
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

1. Organization and Significant Accounting Policies (continued)

30, 2011, the Foundation was promised and used facilities with a fair market value totaling \$2,180 and \$7,055, 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 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, 2009 and thereafter and the Foundation's California returns for the years ended June 30, 2008 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 ESF website, some print advertising for fundraisers, and the marketing contract with Digital Arts Designs. Advertising expense was \$45,009 for the year ending June 30, 2012.

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
Years Ended June 30, 2012 and 2011

1. Organization and Significant Accounting Policies (continued)

Subsequent Events

The Foundation has evaluated all subsequent events through February 11, 2013, 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. This pledge is reflected as Board designated unrestricted net assets. During the year ended June 30, 2012, the Board voted to pledge \$600,000 to Eureka District Schools for its 2012-2013 year.

3. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of money raised for the various enrichment programs including libraries, technology, music, athletics, Spanish program and teacher development which are specifically for the purpose of the students attending the Eureka District schools. As of June 30, 2012 and 2011, the balances of temporarily restricted net assets were \$138,646 and \$108,568, respectively.

4. 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, 2012 and 2011, totaled \$232,545 and \$398,512, respectively.

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, 2012 and 2011, were \$681,457 and \$692,196, respectively.

5. Endowment Fund

In May 1999, the Foundation's Board 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 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.

Eureka Schools Foundation
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

5. Endowment Fund (continued)

Requests for amounts more than the annual authorized spending amount may be made in writing to SRCF with a 2/3 vote of the Foundation's 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, 2012 and 2011, activities within the Fund were as follows:

	<u>2012</u>	<u>2011</u>
Beginning balance at fair value	\$ 692,196	\$ 579,638
Contributions made by the Foundation	-	-
Distributions to the Foundation	-	-
Net return on investments	(724)	122,332
Reclassifications	-	-
Administrative fees	<u>(10,015)</u>	<u>(9,774)</u>
Ending balance at fair value	<u>\$ 681,457</u>	<u>\$ 692,196</u>

The Foundation does not have a formal investment policy with regard to its Endowment Fund.

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 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

Eureka Schools Foundation
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

6. Fair Value Measurements (continued)

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 years ended June 30, 2012 and 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:

<u>Description</u>	<u>As of June 30, 2012</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 198,949	\$ 198,949	\$ -	\$ -
Endowment Fund	<u>681,457</u>	<u>-</u>	<u>681,457</u>	<u>-</u>
	<u>\$ 880,406</u>	<u>\$ 198,949</u>	<u>\$ 681,457</u>	<u>\$ -</u>

<u>Description</u>	<u>As of June 30, 2011</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>

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.

7. Reclassifications

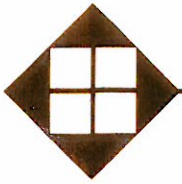
Revenues and expenses from the Spanish Program and Eureka Scrip program were grouped as part of Fundraising Revenue and Expense on the Statement of Activities in the June 30, 2011 audited financial statements. In order to conform with the current year presentation, they have been reclassified to be shown as separate revenues and expenses on the Statement of Activities for both years presented.

Eureka Schools Foundation
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

8. 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 directly to the Eureka District Schools plus merchant fees and other charges related to running the program.

Supplementary Information



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Independent Auditors' Report on Supplementary Information

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

We have audited the financial statements of Eureka Schools Foundation as of and for the year ended June 30, 2012, and have issued our report thereon dated February 11, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of fundraising activities is presented for the purposes of additional analysis and is not a required part of the financial statements.

For the year ended June 30, 2012, the schedule of fundraising activities has been subjected to the auditing procedures applied in the audits 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 11, 2013

Eureka Schools Foundation
Schedule of Fundraising Activities
Year Ended June 30, 2012

	<u>Revenues</u>	<u>Direct Expenses</u>	<u>Net</u>
Annual Auction Gala	\$ 253,601	\$ 46,665	\$ 206,936
Art Auction and Music Exhibition	33,468	4,457	29,011
Foundation Cup Golf Tournament	117,802	38,381	79,421
5K Fund Run	48,649	13,925	34,724
Iron Chef	2,350	1,520	830
Music Program	-	670	(670)
Totals	<u>\$ 455,869</u>	<u>\$ 105,617</u>	<u>\$ 350,252</u>

	<u>Revenues</u>	<u>Direct Disbursements</u>	<u>Net</u>
Eureka Scrip Program	<u>117,532</u>	<u>118,745</u>	<u>(1,213)</u>

See independent auditors' report on supplementary information.