

**DEL MAR SCHOOLS
EDUCATION FOUNDATION**

FINANCIAL STATEMENTS

JUNE 30, 2004

**DEL MAR SCHOOLS EDUCATION FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Del Mar Schools Education Foundation**

We have audited the accompanying statement of financial position-cash basis of Del Mar Schools Education Foundation, a non-profit organization, as of June 30, 2004 and the related combined statement of activities and changes in net assets and cash flows-cash basis for the year then ended. These financial statements are the responsibility of the Del Mar Schools Education Foundation's management. 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 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.

As described in Note A, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Del Mar Schools Education Foundation as of June 30, 2004 and the changes in its net assets and its cash flows for the year then ended on the basis of accounting described in Note A.

Wilkinson Hadley & Co. LLP
El Cajon, California
December 3, 2004

FINANCIAL STATEMENTS

**DEL MAR SCHOOLS EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ <u>321,651</u>
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TOTAL ASSETS	\$ <u>321,651</u>
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LIABILITIES AND NET ASSETS

LIABILITIES	\$ <u>-</u>
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NET ASSETS

Unrestricted	13,020
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Temporarily restricted

Children's Creative Workshop	49,028	
Ashley Falls	38,641	
Carmel Del Mar	41,434	
Del Mar Heights	65,626	
Del Mar Hills	54,098	
Sage Canyon	40,676	
Torrey Hills	<u>16,676</u>	

Total temporarily restricted	306,179
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Permanently restricted	<u>2,452</u>
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TOTAL NET ASSETS	\$ <u>321,651</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>321,651</u>
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The notes to the financial statements are an integral part of this statement.

**DEL MAR SCHOOLS EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Del Mar Hills Endowment Fund	\$ -	\$ -	\$ 1,550	\$ 1,550
Donations	-	90,523	-	90,523
Annual Appeal	-	424,687	-	424,687
Hot lunch profits	-	238,344	-	238,344
Children's Creative Workshop	-	49,028	-	49,028
Annual Appeal administrative fee	36,577	-	-	36,577
Art and Soul	174,554	-	-	174,554
Corporate campaign	6,101	-	-	6,101
Interest income	2,332	-	-	2,332
Unrestricted allocation	(100,000)	100,000	-	-
Net assets released from restriction	<u>897,539</u>	<u>(897,539)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>1,017,103</u>	<u>5,043</u>	<u>1,550</u>	<u>1,023,696</u>
EXPENSES				
Program Services:				
Ashley Falls	181,258	-	-	181,258
Carmel Del Mar	117,083	-	-	117,083
Del Mar Heights	169,155	-	-	169,155
Del Mar Hills	116,321	-	-	116,321
Sage Canyon	160,239	-	-	160,239
Torrey Hills	153,482	-	-	153,482
Annual Appeal	4,368	-	-	4,368
Art and Soul	<u>55,747</u>	<u>-</u>	<u>-</u>	<u>55,747</u>
Total Program Services	<u>957,653</u>	<u>-</u>	<u>-</u>	<u>957,653</u>
Supporting Services:				
Professional fees	3,025	-	-	3,025
Administrative assistant	13,628	-	-	13,628
Development director	66,480	-	-	66,480
Payroll taxes	2,382	-	-	2,382
Bank fees	6,687	-	-	6,687
Printing expense	11,056	-	-	11,056
Miscellaneous other expenses	<u>10,666</u>	<u>-</u>	<u>-</u>	<u>10,666</u>
Total Supporting Services	<u>113,924</u>	<u>-</u>	<u>-</u>	<u>113,924</u>
TOTAL EXPENSES	<u>1,071,577</u>	<u>-</u>	<u>-</u>	<u>1,071,577</u>
CHANGE IN NET ASSETS	(54,474)	5,043	1,550	(47,881)
NET ASSETS, JULY 1, 2003	<u>67,494</u>	<u>301,136</u>	<u>902</u>	<u>369,532</u>
NET ASSETS, JUNE 30, 2004	<u>\$ 13,020</u>	<u>\$ 306,179</u>	<u>\$ 2,452</u>	<u>\$ 321,651</u>

The notes to the financial statements are an integral part of this statement.

**DEL MAR SCHOOLS EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ <u>(47,881)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(47,881)</u>
NET DECREASE IN CASH	(47,881)
CASH AND CASH EQUIVALENTS, JULY 1, 2003	<u>369,532</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2004	<u>\$ 321,651</u>

The notes to the financial statements are an integral part of this statement.

DEL MAR SCHOOLS EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

A. Organization and Summary of Significant Accounting Policies

Organization

The Del Mar Schools Education Foundation (the Foundation) is a California non-profit organization. The Foundation was organized with the purpose of providing benefit to the educational programs and services of the Del Mar Union School District (the District). The Foundation is authorized to operate as an independent organization of the Del Mar Union School District in accordance with the provisions of Article 6 of Chapter 6 of Part 45 of the Education Code.

Basis of Accounting

The Foundation utilizes the cash basis of accounting whereby income is recorded when received and expenses are recorded when paid.

Funds restricted by outside sources are so indicated and are distinguished from unrestricted funds for specific purposes by action of the Board of Directors. Externally restricted funds may only be utilized in accordance with the purposes established by the sources of such funds and are in contrast with unrestricted funds over which the Board retains full control to use in achieving any of its purposes.

Basis of Presentation

The financial statements have been prepared to present the financial position and results of operations of the Foundation in accordance with Financial Accounting Standards Board Statement Nos. 116 and 117, AICPA Audit Guide *Financial Statements for Not-for-Profit Organizations*.

The Foundation has adopted Statement of Financial Accounting Standard (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with this statement, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and nature of any donor restrictions.

Also, the Foundation has adopted Statement of Financial Accounting Standard (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under the provisions of these statements, the Foundation is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period.

DEL MAR SCHOOLS EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

A. Organization and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purposes of the statement of financial position and the statement of cash flows, the Foundation considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Revenues and Support

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor, source or purpose. All donor-restricted contributions are reported as an increase in permanently or temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities in net assets released from restrictions.

Donated Services

The Foundation records the value of donated services or materials when there is an objective basis available to measure their value. No amounts have been reflected in these financial statements as no objective basis was available to measure their value. Nevertheless, a substantial number of volunteers have donated their time and services to the Foundation.

Income Taxes

The Foundation is exempt from Federal and state income taxes as a non-profit organization under Internal Revenue Code Section 501(c)(3) and therefore made no provision for federal or state income taxes. The Foundation has no excise tax or unrelated business income.

B. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2004 consists of:

Union Bank of California - Checking	\$ 76,908
Union Bank of California - Money Market	244,354
Petty Cash	<u>389</u>
Total	<u>\$ 321,651</u>

DEL MAR SCHOOLS EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)

C. Unrestricted Allocation

During the 2003-2004 fiscal year, the Board of Directors voted to allocate \$15,000 in unrestricted funds to five of the schools and \$25,000 to one of the schools in the district. A total of \$100,000 in unrestricted funds were transferred to temporarily restricted funds.

D. Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2004 are available for the following purposes:

Children's Creative Workshop	\$ 49,028
Ashley Falls	38,641
Carmel Del Mar	41,434
Del Mar Heights	65,626
Del Mar Hills	54,098
Sage Canyon	40,676
Torrey Hills	<u>16,676</u>
Total	<u>\$ 306,179</u>

Permanently restricted net assets at June 30, 2004 are available for the following purposes:

Endowment – Del Mar Hills	<u>\$ 2,452</u>
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SUPPLEMENTAL INFORMATION

**DEL MAR SCHOOLS EDUCATION FOUNDATION
BOARD OF DIRECTORS
JUNE 30, 2004**

<u>Member</u>	<u>Office</u>
Marilee Pacelli	President
Chris Breault	Vice President
Myra Fleischer	Treasurer
Molly Tello	Secretary
Maria Olson	Development Director
Tom Bishop	DMUSD Superintendent
Janet Lamborghini	DMUSD Board of Trustees
Keith Brandt	Member
Jayne Chaffin	Member
Jill Colburn	Member
Karen Gilbert	Member
Crane Harris	Member
Gary Jacobs	Member
Bret Johnsen	Member
Michele Killman	Member
Candace Leeds-Sears	Member
Debra McGinty-Poteet	Member
Ellen Mitgang	Member
David Rivkin	Member
David Savage	Member
Gerald Wheeler	Member