

**DEL MAR SCHOOLS
EDUCATION FOUNDATION**

FINANCIAL STATEMENTS

JUNE 30, 2006

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

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

We have audited the accompanying statement of financial position of Del Mar Schools Education Foundation, a non-profit organization, as of June 30, 2006 and the related combined statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of 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 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 Del Mar Schools Education Foundation as of June 30, 2006 and the changes in its net assets and its cash flows for the year then ended.

Wilkinson Hadley & Co., LLP

El Cajon, California
October 6, 2006

FINANCIAL STATEMENTS

**DEL MAR SCHOOLS EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006**

ASSETS

CURRENT ASSETS

Cash and cash equivalents \$ 223,921

TOTAL ASSETS \$ 223,921

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable \$ 129

TOTAL LIABILITES 129

NET ASSETS

Unrestricted 65,502
Temporarily restricted 158,290
Permanently restricted -

TOTAL NET ASSETS 223,792

TOTAL LIABILITIES AND NET ASSETS \$ 223,921

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, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
REVENUES AND SUPPORT				
Donations	\$ -	\$ 96,629	\$ -	\$ 96,609
Annual Appeal	-	728,574	-	728,574
Fundraising income	263,552	-	-	263,552
Interest income	8,610	-	-	8,610
Miscellaneous income	983	-	-	983
Reclassify permanently restricted net assets	3,952	-	(3,952)	-
Net assets released from restriction	856,214	(856,214)	-	-
TOTAL REVENUES AND SUPPORT	<u>1,133,311</u>	<u>(31,011)</u>	<u>(3,952)</u>	<u>1,098,328</u>
EXPENSES				
Program Services:				
Restricted donations to DMUSD (Note C)	675,044	-	-	675,044
Unrestricted donations To DMUSD (Note C)	46,373	-	-	46,373
Ashley Falls	34,769	-	-	34,769
Carmel Del Mar	6,395	-	-	6,395
Children's Creative Workshop	9,142	-	-	9,142
Del Mar Heights	40,890	-	-	40,890
Del Mar Hills	9,914	-	-	9,914
Sage Canyon	10,160	-	-	10,160
Torrey Hills	5,900	-	-	5,900
Annual Appeal	14,789	-	-	14,789
Total Program Services	<u>853,376</u>	<u>-</u>	<u>-</u>	<u>853,376</u>
Supporting Services:				
Salaries	134,786	-	-	134,786
Payroll taxes	9,483	-	-	9,483
Fundraising expense	56,929	-	-	56,929
Insurance	4,362	-	-	4,362
Professional fees	10,616	-	-	10,616
Realized loss on donated stock	221	-	-	221
Office Supplies	3,362	-	-	3,362
Printing expense	1,224	-	-	1,224
Miscellaneous expenses	580	-	-	560
Total Supporting Services	<u>221,563</u>	<u>-</u>	<u>-</u>	<u>221,543</u>
TOTAL EXPENSES	<u>1,074,939</u>	<u>-</u>	<u>-</u>	<u>1,074,919</u>
CHANGE IN NET ASSETS	58,372	(31,011)	(3,952)	23,409
NET ASSETS, JULY 1, 2005	<u>7,130</u>	<u>189,301</u>	<u>3,952</u>	<u>200,383</u>
NET ASSETS, JUNE 30, 2006	<u>\$ 65,502</u>	<u>\$ 158,290</u>	<u>\$ -</u>	<u>\$ 223,792</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, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 23,409
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in accounts payable	(207,982)
Decrease in payroll deposit	<u>(20,000)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(204,573)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(204,573)
CASH AND CASH EQUIVALENTS, JULY 1, 2005	<u>428,494</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2006	<u>\$ 223,921</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, 2006

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 education 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 accrual basis of accounting whereby income is recorded when earned and expenses are recorded when incurred.

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 operation of the Foundation in accordance with Financial Accounting Standards Board Statement Nos. 116 and 117, AICPA Audit Guide *Financial Statements for the 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.

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.

**DEL MAR SCHOOLS EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006**

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

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 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, 2006 consist of:

Union Bank of California – Checking	\$ 61,501
Union Bank of California – Money Market	<u>162,420</u>
Total cash and cash equivalents	<u>\$ 223,921</u>

C. Donations to Del Mar Union School District

The Foundation, having been organized to provide benefit to the educational programs and services of the District, donates monies each year to the District. Restricted donations to the District for the year ending June 30, 2006 consist of monies for enrichment teachers, the libraries, music programs, physical education programs, science programs, playground expenses and other specific district programs and expenses. Unrestricted donations are donations made to the district through the individual schools to be used by the schools for additional needs as discerned by the school principals.

D. Restriction on Net Assets:

Temporarily restricted net assets at June 30, 2006 are available for the following purposes:

Children's Creative Workshop	\$	45,503
Ashley Falls		11,216
Carmel Del Mar		424
Del Mar Heights		37,092
Del Mar Hills		22,933
Sage Canyon		20,268
Sycamore Ridge		4,484
Torrey Hills		<u>16,370</u>
Total	\$	<u>158,290</u>

SUPPLEMENTAL INFORMATION

**DEL MAR SCHOOLS EDUCATION FOUNDATION
BOARD OF DIRECTORS
JUNE 30, 2006**

Member	Office
Chris Breault.....	Co-President
Debra McGinty-Poteet.....	Co-President
Cathy Swindelhurst.....	Vice President
Tim Malott.....	Treasurer
Marilee Pacelli.....	Secretary
Jill Colburn.....	Member
Karen Gilbert.....	Member
Beth Joyce.....	Member
Candace Leeds-Sears.....	Member
Ellen Mitgang.....	Member
Jayne Chaffin.....	Member
Crane Harris.....	Member
Amelia Morris.....	Member
Martha Murphy.....	Member
Lawerence Taylor.....	Member
Melinda Tucker.....	Member
Reba Tuetken.....	Member
Janette White Shelton.....	Member
Sandra Wolfson.....	Member
 Ex Officio Members	
Tom Bishop.....	DMUSD Superintendent
Barbara Myers.....	Board of Trustees
Peggy Yamamoto.....	Board of Trustees
Maria Olson.....	Executive Director



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**AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Del Mar Schools Education Foundation (the Foundation) as of June 30, 2006 and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non compliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures and for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters on the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, others within the Foundation, and governmental awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley & Co., LLP

El Cajon, California
October 6, 2006