

**DEL MAR SCHOOLS
EDUCATION FOUNDATION**

FINANCIAL STATEMENTS

JUNE 30, 2007

**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, 2007 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, 2007 and the changes in its net assets and its cash flows for the year then ended.

Wilkinson Hadley & Co., LLP

El Cajon, California
October 31, 2007

FINANCIAL STATEMENTS

**DEL MAR SCHOOLS EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007**

ASSETS

CURRENT ASSETS

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 182,958 |
| Accounts receivable | <u>3,900</u> |

TOTAL ASSETS \$ 186,858

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|------------------|-----------------|
| Accounts payable | <u>\$ 5,000</u> |
|------------------|-----------------|

TOTAL LIABILITES 5,000

NET ASSETS

| | |
|------------------------|----------|
| Unrestricted | 130,613 |
| Temporarily restricted | 51,245 |
| Permanently restricted | <u>-</u> |

TOTAL NET ASSETS 181,858

TOTAL LIABILITIES AND NET ASSETS \$ 186,858

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, 2007**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Totals</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| REVENUES AND SUPPORT | | | | |
| Annual Appeal | \$ - | \$ 767,217 | \$ - | \$ 767,217 |
| Fundraising income | 222,274 | - | - | 222,274 |
| Interest income | 18,361 | - | - | 18,361 |
| Donated supplies and services | 2,949 | - | - | 2,949 |
| Miscellaneous income | 6,816 | - | - | 6,816 |
| Net assets released from restriction | <u>874,262</u> | <u>(874,262)</u> | <u>-</u> | <u>-</u> |
| TOTAL REVENUES AND SUPPORT | <u>1,124,662</u> | <u>(107,045)</u> | <u>-</u> | <u>1,017,617</u> |
| EXPENSES | | | | |
| Program Services: | | | | |
| Restricted donations to DMUSD (Note C) | 676,639 | - | - | 676,639 |
| Unrestricted donations To DMUSD (Note C) | 38,135 | - | - | 38,135 |
| Ashley Falls | 10,850 | - | - | 10,850 |
| Carmel Del Mar | 424 | - | - | 424 |
| Children's Creative Workshop | 13,483 | - | - | 13,483 |
| Del Mar Heights | 22,026 | - | - | 22,026 |
| Del Mar Hills | 19,140 | - | - | 19,140 |
| Sage Canyon | 20,268 | - | - | 20,268 |
| Sycamore Ridge | 4,484 | - | - | 4,484 |
| Torrey Hills | 16,370 | - | - | 16,370 |
| Annual Appeal | <u>12,692</u> | <u>-</u> | <u>-</u> | <u>12,692</u> |
| Total Program Services | <u>834,511</u> | <u>-</u> | <u>-</u> | <u>834,511</u> |
| Supporting Services: | | | | |
| Salaries | 121,584 | - | - | 121,584 |
| Payroll taxes | 8,139 | - | - | 8,139 |
| Fundraising expense | 68,505 | - | - | 68,505 |
| Insurance | 4,493 | - | - | 4,493 |
| Professional fees | 13,206 | - | - | 13,206 |
| Realized loss on donated stock | 42 | - | - | 42 |
| Office Supplies | 5,922 | - | - | 5,922 |
| Printing expense | 141 | - | - | 141 |
| Postage | 1,251 | - | - | 1,251 |
| Miscellaneous expenses | <u>1,757</u> | <u>-</u> | <u>-</u> | <u>1,757</u> |
| Total Supporting Services | <u>225,040</u> | <u>-</u> | <u>-</u> | <u>225,580</u> |
| TOTAL EXPENSES | <u>1,059,551</u> | <u>-</u> | <u>-</u> | <u>1,059,551</u> |
| CHANGE IN NET ASSETS | 65,111 | (107,045) | - | (41,934) |
| NET ASSETS, JULY 1, 2006 | <u>65,502</u> | <u>158,290</u> | <u>-</u> | <u>223,792</u> |
| NET ASSETS, JUNE 30, 2007 | <u>\$ 130,613</u> | <u>\$ 51,245</u> | <u>\$ -</u> | <u>\$ 181,858</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, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-------------------|
| Decrease in net assets | \$ (41,934) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Increase in accounts receivable | (3,900) |
| Increase in accounts payable | <u>4,871</u> |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(40,963)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (40,963) |
| CASH AND CASH EQUIVALENTS, JULY 1, 2006 | <u>223,921</u> |
| CASH AND CASH EQUIVALENTS, JUNE 30, 2007 | <u>\$ 182,958</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, 2007**

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, 2007
(Continued)

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.

Donated services and supplies

The organization received a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

In addition, the Organization received donated supplies and service agreements from the Del Mar Union School District. Those donations have been recognized in the statement of activities.

B. Cash and Cash Equivalents:

Cash and cash equivalents at June 30, 2007 consist of:

| | |
|---|-------------------|
| Union Bank of California – Checking | \$ 17,751 |
| Union Bank of California – Money Market | <u>165,207</u> |
| Total cash and cash equivalents | <u>\$ 182,958</u> |

DEL MAR SCHOOLS EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

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, 2007 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, 2007 are available for the following purposes:

| | |
|------------------------------|------------------|
| Children's Creative Workshop | \$ 32,020 |
| Ashley Falls | 366 |
| Del Mar Heights | 15,066 |
| Del Mar Hills | <u>3,793</u> |
| Total | <u>\$ 51,245</u> |

SUPPLEMENTAL INFORMATION

**DEL MAR SCHOOLS EDUCATION FOUNDATION
BOARD OF DIRECTORS
JUNE 30, 2007**

| <u>Member</u> | <u>Office</u> |
|--------------------------|--------------------------------------|
| Bob Gans | President |
| Mike O’Rosky..... | Vice President |
| Jennifer McCroskey | Treasurer |
| Robyn London..... | Co-Secretary |
| Debbie Negulescu | Co-Secretary |
| Maria Olson | Ex-Officio - Executive Director |
| Tom Bishop..... | DMUSD Superintendent |
| Steven McDowell..... | Ex-Officio - DMUSD Board of Trustees |
| Kathy Duff..... | Member |
| Denise Galluzi..... | Member |
| Susan Gilleon..... | Member |
| Marie LeRose..... | Member |
| Jay Lichter | Member |
| John Logan..... | Member |
| Vivian Lozano..... | Member |
| Rob Pecsar | Member |
| Jeb Spencer | Member |
| Lawrence Taylor | Member |