

**SAN CARLOS EDUCATIONAL FOUNDATION**

**SAN CARLOS, CALIFORNIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**SAN CARLOS EDUCATIONAL FOUNDATION**  
Financial Statements and Supplemental Information  
Year Ended June 30, 2014

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## **Independent Auditor's Report**

To the Board of Directors  
San Carlos Educational Foundation  
San Carlos, California

### **Report on Financial Statements**

We have audited the accompanying financial statements of San Carlos Educational Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities 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.

### **Auditor's 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 Foundation'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 Foundation'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 consolidated 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 San Carlos Educational 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.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
January 15, 2015

## **FINANCIAL STATEMENTS**

**SAN CARLOS EDUCATIONAL FOUNDATION**  
Statement of Financial Position  
June 30, 2014

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 2,440,418
Accounts receivable	74,931
Deposits	475
Prepaid expenditures	5,000
<b>Total Current Assets</b>	<u>2,520,824</u>

**Noncurrent Assets**

Investments	<u>1,861,804</u>
<b>Total Noncurrent Assets</b>	<u>1,861,804</u>

**TOTAL ASSETS** \$ 4,382,628

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 21,190
Accrued expenses	8,884
<b>Total Liabilities</b>	<u>30,074</u>

**Net Assets**

Unrestricted	4,283,797
Temporarily restricted	68,757
Permanently restricted	-
<b>Total Net Assets</b>	<u>4,352,554</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 4,382,628

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

**SAN CARLOS EDUCATIONAL FOUNDATION**  
Statement of Activities  
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Annual giving	\$ 1,741,158	\$ 155,000	\$ -	\$ 1,896,158
Spring fling	588,681	155,458	-	744,139
In-kind donations	92,367	-	-	92,367
Events	125,274	-	-	125,274
Miscellaneous income	1,027	-	-	1,027
Unrealized investment gains	231,987	-	-	231,987
Investment income	41,559	-	-	41,559
Gain on sale of investments	126	-	-	126
<b>Total Revenues</b>	<u>2,822,179</u>	<u>310,458</u>	<u>-</u>	<u>3,132,637</u>
Net assets released from restrictions:				
Grant restrictions satisfied	331,793	(331,793)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>3,153,972</u>	<u>(21,335)</u>	<u>-</u>	<u>3,132,637</u>
<b>EXPENSES</b>				
Program Services:				
Donations to San Carlos School District	1,912,789	-	-	1,912,789
Donations to San Carlos Charter Learning Center	208,443	-	-	208,443
Total Program Services:	<u>2,121,232</u>	<u>-</u>	<u>-</u>	<u>2,121,232</u>
Supporting Services:				
Spring fling expenses	236,699	-	-	236,699
Fundraising expenses	67,170	-	-	67,170
In-kind donations	92,367	-	-	92,367
Management and administrative	122,453	-	-	122,453
Event expenses	42,684	-	-	42,684
Investment fees	9,565	-	-	9,565
Total Supporting Services:	<u>570,938</u>	<u>-</u>	<u>-</u>	<u>570,938</u>
<b>TOTAL EXPENSES</b>	<u>2,692,170</u>	<u>-</u>	<u>-</u>	<u>2,692,170</u>
<b>CHANGE IN NET ASSETS</b>	461,802	(21,335)	-	440,467
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,821,995</u>	<u>90,092</u>	<u>-</u>	<u>3,912,087</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,283,797</u>	<u>\$ 68,757</u>	<u>\$ -</u>	<u>\$ 4,352,554</u>

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

**SAN CARLOS EDUCATIONAL FOUNDATION**  
Statement of Cash Flows  
Year Ended June 30, 2014

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 440,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease resulting from changes in assets:	
Accounts receivable	12,956
Prepaid expenses	(3,000)
Increase (Decrease) resulting from changes in liabilities:	
Accounts payable	(537)
Accrued expenses	(623)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>449,263</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Increase in investments	<u>(183,003)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(183,003)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	266,260
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,174,158</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,440,418</u>

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



## **SAN CARLOS EDUCATIONAL FOUNDATION**

Notes to the Financial Statements

Year Ended June 30, 2014

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### **A. Organization and Summary of Significant Accounting Policies**

#### *Organization*

The San Carlos Educational 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 San Carlos School District (the District) and the San Carlos Charter Learning Center. The Foundation is authorized to operate as an independent organization of the San Carlos School District in accordance with the provisions of Article 6 of Chapter 6 of Part 45 of the Educational Code.

#### *Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor or grant restrictions.
- Temporarily restricted net assets consist of contributed funds or grants subject to donor or grant imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

It has been the policy of the Foundation that donations are considered to be available for unrestricted use unless specifically restricted by the donor. The only beneficiaries of contributions to the Foundation are San Carlos School District and the San Carlos Charter Learning Center.

#### *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 the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and money market funds. Other highly liquid investments are defined as investments, due to their nature as a long-term investment.

For the purposes of the statement of cash flows, the Foundation considers all highly liquid debt equity instruments purchased with an original maturity of three months or less to be cash equivalents.

## **SAN CARLOS EDUCATIONAL FOUNDATION**

Notes to the Financial Statements, Continued

Year Ended June 30, 2014

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### *Investments*

The Foundation's method of accounting for investments, in accordance with generally accepted accounting principles, is the fair value method. Fair value is determined by published quotes. Changes in fair value of investments results in increases or decreases in unrealized fair values of equity investments. Adjustments to fair values are reflected as unrealized gain/loss on investments in the accompanying statement of activities.

Investments acquired by gift are recorded at their fair market value at the date of the gift. The Foundation's policy is to liquidate all gifts of investment as timely as possible taking into consideration the impact on the market price.

Investments consisted of marketable securities, specifically Vanguard mutual funds which are recorded at fair market value based on quoted market prices. Realized gains or losses on the sale of marketable securities are calculated using the average cost method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year or since the acquisition date if acquired during the year.

### *Contributions*

The Foundation records promises to give and receive cash and other assets at fair value in the period in which the promise is made. Conditional promises to give are recognized when the conditions are substantially met in accordance with ASC No. 958. Unconditional promises to give that are expected to be collected within one year are recorded at their realized value.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a current risk-free interest rate. Accretion of the discount is included in contribution revenue. Conditional promises to give are not included as contributions until such time as the conditions are substantially met.

### *Expiration of Donor Restrictions*

The expiration of a donor restriction on a pledge is recognized in the period which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### *Contributed Goods and Services*

Contributed goods are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. The Foundation receives services donated by volunteers who assist in fundraising and special projects. The services do not meet the criteria as contributions and are, therefore, not recognized in the financial statements.

## SAN CARLOS EDUCATIONAL FOUNDATION

Notes to the Financial Statements, Continued

Year Ended June 30, 2014

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### *Advertising*

Advertising costs are expensed when incurred.

### *Income Taxes*

The Foundation is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The Foundation may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2014, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Foundation follows provisions of uncertain tax positions as addressed in ASC 958. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2014.

The Foundation files informational and income tax returns in the United States and in the state of California. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed. State and local jurisdictions have statutes of limitation that generally range from three to five years.

### *Subsequent Events*

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 15, 2015, the date the financial statements were available to be issued.

## **B. Cash and Cash Equivalents**

### *Cash in Bank*

The Foundation's cash (\$552,589 as of June 30, 2014) is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or certain non-interest bearing accounts that are fully insured by the FDIC.

Cash and cash equivalents at June 30, 2014 consisted of:

<u>Bank</u>	<u>Checking Accounts</u>	<u>Savings Accounts</u>	<u>Totals</u>
Wells Fargo	<u>\$ 427,312</u>	<u>\$ 125,277</u>	<u>\$ 552,589</u>

### *Cash with Fiscal Agent*

The Foundation maintains a portion of its cash with Wells Fargo Advisors, LLC. As of June 30, 2014 \$1,887,829 was held with this financial institution.

## SAN CARLOS EDUCATIONAL FOUNDATION

Notes to the Financial Statements, Continued

Year Ended June 30, 2014

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### C. Investments

All of the Foundation's investments are held in the SCEF Endowment ("the Endowment"). In 2008 the Endowment was established as a result of a \$1.5 million gift from the Palo Alto Medical Foundation to support health and wellness programs in the San Carlos public schools. Vanguard manages the investment portfolio based on the Foundation's investment policy, which attempts to maximize return while maintaining an appropriate level of risk. Exposure is limited by prudent diversification, guided by a strategic asset allocation model. A distribution from the Endowment is provided annually for program support. Through June 30, 2014, the Endowment distributed approximately \$525,000 with an additional \$84,442 approved by the board to be distributed subsequent to year-end. The Endowment Charter stipulates an annual distribution rate of 5%, with a range of 3% to 10%, based on the Investment Committee's recommendation. The actual rate of distribution in 2014, when measured against the ending market value, was 5 percent.

The Foundation's investments at June 30, 2014 are held by Vanguard and consist of:

	Category			Fair Value
	1	2	3	
Explorer Fund Admiral	\$ 61,209	\$ -	\$ -	\$ 61,209
Inter-term Investment-Gr Admiral	168,150	-	-	168,150
Short-term investment-Gr Admiral	99,177	-	-	99,177
Strategic Equity Fund	64,895	-	-	64,895
Total International Bond Ix Admiral	138,541	-	-	138,541
Total International Stock Ix Admiral	349,987	-	-	349,987
Total Bond Market Index Admiral	275,956	-	-	275,956
Total Stock Market Idx Admiral	413,188	-	-	413,188
US Growth Fund Admiral	147,942	-	-	147,942
Windsor II Fund Admiral	142,759	-	-	142,759
	<u>\$ 1,861,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,861,804</u>

Category 1: Insured or registered, or securities held by the Foundation or its agent in the Foundation's name.

Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Foundation's name.

Category 3: Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the Foundation's name.

## **SAN CARLOS EDUCATIONAL FOUNDATION**

Notes to the Financial Statements, Continued

Year Ended June 30, 2014

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### **D. Analysis of Specific Deposit and Investment Risk**

#### *Credit Risk*

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. At June 30, 2014 the Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### *Custodial Credit Risk – Deposits*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Foundation's name. As of June 30, 2014 \$1,440,418 of deposits were exposed to this risk.

#### *Concentrations of Credit Risk*

This risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy of the Foundation contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such the Foundation was not exposed to concentration of credit risk.

The Foundation invests in various types of marketable securities and money market accounts. The Foundation has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

The Foundation maintains cash balances at banks located in San Carlos. Accounts at these institutions are secured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that The Foundation is not exposed to any significant credit risk with respect to its cash and cash equivalents.

The Foundation invests in various investment securities and mutual funds. Investment securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term that such changes could materially affect the amounts reported in the consolidated financial statements.

#### *Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

**SAN CARLOS EDUCATIONAL FOUNDATION**

Notes to the Financial Statements, Continued

Year Ended June 30, 2014

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*Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. As of June 30, 2014 the Foundation has not invested in any foreign investments and as such is not exposed to foreign currency risk.

**E. Accounts Receivable**

Accounts receivable at June 30, 2014 consists of donations. As of the date of this report, all of the accounts receivable has been collected.

**F. Accounts Payable**

Accounts payable consists of amounts due to vendors and payroll liabilities. As of June 30, 2014 account payable consisted of:

Vendors payable	\$	21,190
Accrued payroll liabilities		<u>8,884</u>
Total Accounts Payable	\$	<u>30,074</u>

**G. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of contributions given time restrictions by the donors and donations made specific purposes. Temporarily restricted net assets released from donor restrictions during the 2013-14 fiscal year was \$68,757.

**H. Grants**

During the fiscal year ended June 30, 2014, the Foundation provided grants to the San Carlos School District in the amount of \$1,912,789 and to the San Carlos Charter Learning Center in the amount of \$208,443.

The grants went to provide the following:

To support reasonable class size (grades K-3)	\$	324,304
Technology and Science (including Fund-A-Need)		492,121
Principal/Director Flex Fund and Teacher Development		252,804
PE and Foreign Language Instruction		152,177
Elementary Music and Middle School Electives (Band, Orchestra, Performing and Fine Arts)		469,656
Counselors		195,943
Librarians, Literacy Specialists		<u>234,227</u>
Total	\$	<u>2,121,232</u>

**SUPPLEMENTAL INFORMATION**

**SAN CARLOS EDUCATIONAL FOUNDATION**

Board Members

Year Ended June 30, 2014

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<u>Member</u>	<u>Office</u>
Rebecca Taylor.....	President
Paul Caamano.....	Vice President, Annual Giving
Craig Patterson.....	Vice President, Marketing
Padmini Raman.....	Vice President, Communications
Jamie Baxter.....	Vice President, Finance/Treasurer
Angie Jones.....	Vice President, Events
Rebecca Taylor.....	Vice President, Parent Giving
Cindy Holloway.....	Vice President, Board Development
Marianne Jett.....	Vice President, Leadership Circle Giving
Jennifer Berry.....	Vice President, Stewardship
Jo Wong.....	Secretary
Kari Schnapp.....	Co-School Representative, Arundel Elementary
Linda Wilkinson.....	Co-School Representative, Arundel Elementary
Kelly Baird.....	Co-School Representative, Brittan Acres Elementary
Lucrecia Kim Boswell.....	Co-School Representative, Brittan Acres Elementary
Amy Blodgett.....	Co-School Representative, Central Middle School
Rebecca Taylor.....	Co-School Representative, Central Middle School
Aido Soto.....	School Representative, Charter Learning Center
Hillary Wiessinger.....	School Representative, Heather Elementary
Jackie Whyte.....	School Representative, Tierra Linda Middle School
Marie Rosecrans.....	School Representative, White Oaks Elementary
Krista Morey.....	Preschool Outreach Coordinator