



Educational Foundation  
of ORINDA

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Providing the Margin of Excellence

*Financial Statements for the Year Ended May 31, 2008  
and  
Independent Auditor's Report*

Linda Phillips, Certified Public Accountant  
Orinda, California

# EDUCATIONAL FOUNDATION OF ORINDA

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**Linda Phillips, CPA**  
Orinda, California

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Educational Foundation of Orinda

I have audited the accompanying statement of financial position of the Educational Foundation of Orinda (the "Organization") as of May 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards of the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2008, and the results of its activities and changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles of the United States of America.

July 11, 2008

# EDUCATIONAL FOUNDATION OF ORINDA

## STATEMENT OF FINANCIAL POSITION

MAY 31, 2008

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### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	\$ 651,949
Prepaid expenses	3,500
Investments	1,255,771
Less: donor-restricted endowment funds	<u>(6,000)</u>
Total current assets	1,905,220

EQUIPMENT, net of accumulated depreciation of \$13,577 622

#### LONG TERM ASSETS

Donor-restricted endowment funds	<u>6,000</u>
Total long term assets	<u>6,000</u>

TOTAL ASSETS \$ 1,911,842

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts payable	\$ 1,893
Grant payable to Orinda Union School District	466,340
Grant payable to Miramonte High School	<u>89,230</u>
Total liabilities	<u>557,463</u>

#### NET ASSETS:

Unrestricted	1,348,379
Permanently restricted	<u>6,000</u>
Total net assets	<u>1,354,379</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,911,842

The accompanying notes are an integral part of these financial statements

# EDUCATIONAL FOUNDATION OF ORINDA

## STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2008

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	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Contributions	\$ 1,428,037	\$ -	\$ 1,428,037
Interest and dividend income	91,440	-	91,440
Realized gains (losses), net	(68)	-	(68)
Unrealized gains (losses), net	<u>(75,065)</u>	<u>-</u>	<u>(75,065)</u>
Total public support and revenue	<u>1,444,344</u>	<u>-</u>	<u>1,444,344</u>
<b>EXPENSES:</b>			
Grants and programs	1,402,667	-	1,402,667
Management and general	58,552	-	58,552
Fund-raising	<u>22,197</u>	<u>-</u>	<u>22,197</u>
Total expenses	<u>1,483,416</u>	<u>-</u>	<u>1,483,416</u>
<b>CHANGE IN NET ASSETS</b>	(39,072)	-	(39,072)
NET ASSETS, Beginning of year	<u>1,387,451</u>	<u>6,000</u>	<u>1,393,451</u>
<b>NET ASSETS, End of year</b>	<u>\$ 1,348,379</u>	<u>\$ 6,000</u>	<u>\$ 1,354,379</u>

The accompanying notes are an integral part of these financial statements

# EDUCATIONAL FOUNDATION OF ORINDA

## STATEMENT OF CASH FLOWS YEAR ENDED MAY 31, 2008

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in net assets	\$ (39,072)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net unrealized and realized loss on investments	75,133
Dividends on investments	(58,737)
Depreciation	447
Investment management fees	7,936
Changes in assets and liabilities:	
Prepaid expenses	(2,663)
Accounts payable and accrued liabilities	(9,630)
Grants payable	<u>(180,913)</u>
Net cash provided by operating activities	<u>(207,499)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Net realized gains on investments	(68)
Dividends on investments	58,737
Net reinvested dividends and realized losses on investments	(46,758)
Investment management fees	<u>(7,936)</u>
Net cash provided by investing activities	<u>3,975</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS (203,524)

CASH AND CASH EQUIVALENTS, Beginning of year 855,317

CASH AND CASH EQUIVALENTS, End of year \$ 651,793

The accompanying notes are an integral part of these financial statements

# EDUCATIONAL FOUNDATION OF ORINDA

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2008

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	Grants and Programs	Management and General	Fund-raising	Total
Orinda Unified School District	\$ 888,469	\$ -	\$ -	\$ 888,469
Miramonte High School	510,145	-	-	510,145
Credit card merchant fees	-	22,629	-	22,629
Administrator	-	12,872	-	12,872
Supplies	-	386	60	446
Annual report printing	-	-	7,806	7,806
Annual report mail service	-	-	1,275	1,275
Investment management fees	-	7,936	-	7,936
Audit services	-	3,600	-	3,600
Printing	-	2,766	1,947	4,713
Member and volunteer recognition	-	-	4,126	4,126
<i>Celebration of the Arts</i> - program supplies	936	-	-	936
<i>Celebration of the Arts</i> - teacher stipends	3,117	-	-	3,117
School signage	-	-	1,072	1,072
Postage and mailing	-	-	1,393	1,393
Accounting services	-	4,065	-	4,065
Insurance	-	1,919	-	1,919
Campaign expenses	-	-	3,781	3,781
Design services	-	-	137	137
Other expenses	-	805	-	805
Monthly and annual member meetings	-	50	-	50
Telephone and communication	-	196	-	196
Computer system maintenance	-	695	-	695
Website and photography	-	-	600	600
Bank fees	-	6	-	6
Filing Fees	-	180	-	180
Depreciation	-	447	-	447
Total expenses	<u>\$1,402,667</u>	<u>\$ 58,552</u>	<u>\$ 22,197</u>	<u>\$1,483,416</u>

The accompanying notes are an integral part of these financial statements

# EDUCATIONAL FOUNDATION OF ORINDA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED MAY 31, 2008

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### 1. ORGANIZATION

The Educational Foundation of Orinda (the "Organization") is a non-profit corporation founded in 1979 for the purpose of providing supplemental funding for quality educational and enrichment programs for the more than 3,600 students in Orinda's public schools. The Organization works in partnership with the Orinda Union School District ("OUSD") and Miramonte High School, all located in Orinda, California.

Led by volunteers, financial contributions are solicited from Orinda parents, neighbors and businesses. Fundraising efforts have included an annual "phonathon" whereby contributions are solicited from parents who have not done so during the schools' respective student registration, as well as from community donors.

The all-volunteer Board of Directors meets on a regular basis to govern the Organization and direct its activities.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** – The Organization prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified into the following three categories:

*Unrestricted net assets* represent that portion of expendable funds that are available for support of the operations of the Organization. Certain of these amounts were designated by the Board of Directors as of May 31, 2008 to function as an endowment as described in **Note 4**.

*Temporarily restricted net assets* are of contributions which were restricted by the donor for specific purposes or were not available for use until a specific time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization shows contributions whose restrictions are met in the same reporting period as unrestricted support. The Organization had no temporarily restricted net assets at May 31, 2008.

*Permanently restricted net assets* are contributions which were restricted by the donor by stipulation that the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. The Organization had permanently restricted net assets of \$6,000 at May 31, 2008 in donor-restricted endowment funds.

**Cash and equivalents** – At May 31, 2008 cash and cash equivalents consisted of demand deposits of cash and money market funds.

**Investments** - All debt securities and equity securities with readily determinable fair values are carried at estimated fair value based on quoted market prices. Investments received through gifts are recorded at estimated fair value at the date of donation. Gains and losses resulting from market fluctuations are recognized in the period such fluctuations occur. Unrealized gains and losses are included in the change in net assets. Realized gains or losses resulting from sales or maturities are calculated on an adjusted cost basis. Adjusted cost is the estimated fair value of the security at the beginning of the year, or the cost if purchased during the year.

**Property and Equipment** - Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at estimated fair market value when received. Property and equipment which is donated or acquired with resources restricted for such acquisition, is considered to be unrestricted when placed into service. Depreciation (or amortization as appropriate) is recorded using the straight-line method over the assets' estimated useful lives ranging from three to five years. Depreciation expense was \$447 for the year ended May 31, 2008.

**Revenue Recognition** - Contributions are recognized when received or unconditionally promised. At May 31, 2008 the Organization had no unconditionally promised receivable amounts. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. When the restriction is met in the same period as the contribution is received, the contribution is reported as unrestricted.

**Functional Expense Classifications** - The Organization's operating expenses were classified as either grants and programs, management and general, or fund-raising.

**Tax-Exempt Status** - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise and/or income taxes under section 23701(d) of the Revenue and Taxation Code.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles may require management to make estimates and assumptions. Actual results could differ from any such estimates.

**Contributed Facilities and Services** – The use of donated facilities and services were not reflected in the accompanying financial statements because no objective basis was available to measure the value of such facilities or services. A substantial number of volunteers donated significant amounts of time in the Organization's program services and fund-raising campaigns. OUSD provided the use of its facilities, free-of-charge, for the Organization's administrative office.

### 3. INVESTMENTS

At May 31, 2008, investments consisted of a diversified portfolio of professionally managed funds with a total adjusted cost of \$1,255,771 and stated fair values of:

Short –term money market funds	\$ 141,883
Bond Funds	406,751
Equity Funds	<u>707,137</u>
	<u>\$1,255,771</u>

Total investment return for the year ended May 31, 2008 was comprised of the following:

Dividends on investments	\$ 58,737
Net Realized and Unrealized (Losses)	<u>( 75,133)</u>
Total Unrestricted Investment Return (Losses)	<u>(\$ 16,396)</u>

#### **4. BOARD DESIGNATION OF FUNDS FUNCTIONING AS AN ENDOWMENT**

Included in net assets at May 31, 200 were investments and cash totaling approximately \$1,297,000 referred to by the Board of Directors as “funds to function as an endowment” (“FFE”) comprised of \$6,000 donor-restricted endowment funds and \$1,291,042 voluntarily designated by the Board of Directors. As of May 31, 2008 FFE were allocated approximately 69% to OUSD and 31% to Miramonte.

At May 31, 2008 the FFE were mostly invested together in a professionally managed investment account. Due to its liquidity and lack of donor restrictions, the investment account was presented as a current asset. The account was subject to market fluctuation and changed value on a daily basis.

The Board of Directors appointed an investment committee (“the Committee”) to report to the Board on the FFE. The Committee was chaired by a Board member and consisted of 5-7 individuals, a majority of whom were also Board members, appointed for three-year staggered terms. The Committee's purpose was to review the performance of the professional investment manager, at least annually, and develop recommendations for securing and “growing” the FFE.

The FFE were unrestricted (with the exception of \$6,000) as of May 31, 2008 subject to voluntary Board designations of self-imposed limits, all of which were subject to modification or elimination by Board resolution. Board resolutions in effect during the year provided for the FFE to grow without limit by deposit of funds in excess of the annual pledges to OUSD and Miramonte, by donor-directed contributions, and by investment returns. The FFE was deemed by resolution to be available to OUSD and Miramonte to secure the Organization’s annual pledges and to provide a reliable source of continuing income for funding the respective schools’ programs. The Board of Directors reserved the right to make final decisions concerning the use of FFE monies.

#### **5. GRANTS AND PROGRAMS**

Grant funds were provided to *Orinda Union School District* and *Miramonte High School* as payment for the schools’ expenditures, as supported by annual budgets which had been approved by resolution of the Organizations’ Board of Directors. The annual school budgets outlined financial support for such items as various school personnel, programs, department expenditures, student programs, books, materials and supplies, computers and equipment, and musical instruments. OUSD and Miramonte were responsible for the accounting and reporting of those expenditures and for representations to the Organization’s board that the funds were spent as approved.

#### **6. CONCENTRATION OF RISK**

The Organization had financial instruments which were exposed to concentrations of credit risk: cash and cash equivalents placed with federally insured financial institutions. At May 31, 2008 the Organization had deposits in bank accounts exceeding federally insured limits by approximately \$552,000.