

SAN MARINO SCHOOLS FOUNDATION

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**

SAN MARINO SCHOOLS FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

SAN MARINO SCHOOLS FOUNDATION

JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
San Marino Schools Foundation
San Marino, California

Report on the Financial Statements

We have audited the accompanying financial statements of San Marino Schools Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 entity'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 entity'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 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 Marino Schools Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



CPAs AND ADVISORS

To the Board of Trustees
San Marino Schools Foundation

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lance, Soll & Loughard, LLP

Brea, California
November 13, 2017

FINANCIAL STATEMENTS

SAN MARINO SCHOOLS FOUNDATION

**COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,194,024	\$ 3,789,911
Pledges receivable	12,400	45,588
Prepaid expenses	4,031	-
Total Current Assets	5,210,455	3,835,499
Beneficial interest in assets held by California Community Foundation	3,323,809	1,995,203
Property and equipment - at cost, less accumulated depreciation	9,027 (9,027)	9,027 (9,027)
Total Assets	\$ 8,534,264	\$ 5,830,702
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,252	\$ -
Accrued liabilities	9,700	20,796
Payable to the San Marino Unified School District (SMUSD)	1,000,000	1,000,000
Total Liabilities	1,012,952	1,020,796
Net assets:		
Unrestricted	1,633,738	1,490,937
Temporarily restricted	4,745,324	2,176,719
Permanently restricted	1,142,250	1,142,250
Total Net Assets	7,521,312	4,809,906
Total Liabilities and Net Assets	\$ 8,534,264	\$ 5,830,702

SAN MARINO SCHOOLS FOUNDATION

**STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support:				
Revenues and gains:				
Donations	\$ 2,502,365	\$ 2,324,861	\$ -	\$ 4,827,226
Contributed office space	16,750	-	-	16,750
Interest and dividends	1,597	-	-	1,597
Unrealized gain (loss) on investments	681	328,606	-	329,287
Total revenues and gains	2,521,393	2,653,467	-	5,174,860
Net assets released from restrictions:				
Satisfaction of program restrictions	84,862	(84,862)	-	-
Total Revenue, Gains and Other Support	2,606,255	2,568,605	-	5,174,860
Expenses:				
Authorized distributions to SMUSD (Note 2):				
Annual campaign pledge	1,000,000	-	-	1,000,000
Donations in excess of expenses	1,084,862	-	-	1,084,862
Fundraising and administration	378,592	-	-	378,592
Total Expenses	2,463,454	-	-	2,463,454
Changes in Net Assets	142,801	2,568,605	-	2,711,406
Net Assets, Beginning of Year	1,490,937	2,176,719	1,142,250	4,809,906
Net Assets, End of Year	\$ 1,633,738	\$ 4,745,324	\$ 1,142,250	\$ 7,521,312

SAN MARINO SCHOOLS FOUNDATION

**STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:				
Revenues and gains:				
Donations	\$ 2,323,289	\$ 1,589,150	\$ 25,000	\$ 3,937,439
Contributed office space	16,500	-	-	16,500
Interest and dividends	3,807	-	-	3,807
Unrealized gain (loss) on investments	2,077	(63,513)	-	(61,436)
Total revenues and gains	<u>2,345,673</u>	<u>1,525,637</u>	<u>25,000</u>	<u>3,896,310</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	397,696	(397,696)	-	-
Total Revenue, Gains and Other Support	<u>2,743,369</u>	<u>1,127,941</u>	<u>25,000</u>	<u>3,896,310</u>
Expenses:				
Authorized distributions to SMUSD (Note 2):				
Annual campaign pledge	1,000,000	-	-	1,000,000
Donations in excess of expenses	1,397,696	-	-	1,397,696
Fundraising and administration	354,819	-	-	354,819
Total Expenses	<u>2,752,515</u>	<u>-</u>	<u>-</u>	<u>2,752,515</u>
Changes in Net Assets	(9,146)	1,127,941	25,000	1,143,795
Net Assets, Beginning of Year	1,500,083	1,048,778	1,117,250	3,666,111
Net Assets, End of Year	<u>\$ 1,490,937</u>	<u>\$ 2,176,719</u>	<u>\$ 1,142,250</u>	<u>\$ 4,809,906</u>

SAN MARINO SCHOOLS FOUNDATION

**COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,711,406	\$ 1,143,795
Changes in assets and liabilities:		
(Increase) decrease in pledges receivable	33,188	(28,304)
(Increase) decrease in prepaid expenses	(4,031)	-
(Increase) decrease in beneficial interest in assets held by California Community Foundation	(1,328,606)	(391,687)
Increase (decrease) in accounts payable	3,252	(59,358)
Increase (decrease) in accrued liabilities	(11,096)	20,796
Increase (decrease) in payable to SMUSD	-	(129,111)
Total Adjustments	<u>(1,307,293)</u>	<u>(587,664)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,404,113</u>	<u>556,131</u>
Cash and Cash Equivalents at Beginning of Year	<u>3,789,911</u>	<u>3,233,780</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,194,024</u>	<u>\$ 3,789,911</u>

Schedule of Non-Cash Financing Activities:

Donated use of office space in the amount of \$16,750 and \$16,500 in 2017 and 2016, respectively, was recorded as a revenue and an expense but did not result in any actual cash flows.

SAN MARINO SCHOOLS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The San Marino Schools Foundation (the "Foundation") is a not-for-profit corporation that sponsors benefits and solicits funds from the public for the exclusive use of the San Marino Unified School District ("SMUSD"). The Foundation is governed by a Board of Trustees (the "Board"), which is responsible for all activities of the Foundation, including approval of disbursements to SMUSD. Trustees serve a three-year term and receive no compensation for their services.

b. Cash and Equivalents

Cash investments purchased with maturities of less than three months at the date they are acquired are considered cash equivalents. Cash and cash equivalents at June 30, 2017 consists of cash and sweep funds of \$602,784, money market funds of \$145,474, interest maximizer account balance of \$4,318,080, and checking account balance of \$127,686.

The Foundation has cash in a financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation also has some credit risk through short term cash investments which are placed with a high quality financial institution that is not insured by the FDIC but is a member of Securities Investor Protection Corporation (SIPC). At various times throughout the year, the Foundation may have cash balances in these financial institutions which exceed the FDIC and other insured limits. The Foundation has not experienced any losses on deposits of cash or cash equivalents.

c. Beneficial Interest in Assets held by the California Community Foundation

The Foundation's total endowment is \$3,323,809. This fund is held by the California Community Foundation (CCF) in their Permanent Pool. CCF will only distribute funds to the Foundation upon the request of the Foundation (see Notes 6 and 7).

d. Pledges Receivable

The pledges receivable are due within one year.

e. Property and Equipment and Depreciation

The Foundation's property and equipment, consisting principally of computers and furniture, are recorded at cost and depreciated using the straight-line method over the five-year estimated useful life of the assets.

f. Revenue Recognition

The Foundation includes contributions and pledge support within either temporarily or permanently restricted net assets if such items are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same year as the contribution is made are initially classified as temporarily restricted net assets.

SAN MARINO SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

g. Contributed Services and Facilities

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically be purchased if not provided by donation. With the exception of certain accounting services, no amounts have been reflected in the accompanying financial statements for contributed services, as they do not meet the requirements set forth above, although a substantial number of volunteers have donated time to the Foundation.

The Foundation receives a contribution for the use of its office space from the San Marino Unified School District. This contribution is recognized as revenue and a corresponding expense in the amount of the estimated fair market value of the contribution. The current year amount is \$16,750.

h. Income Taxes

The Foundation is organized pursuant to the General Nonprofit Corporation Law of the State of California. The Foundation is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation is also exempt from California franchise taxes and certain general county real and personal property taxes.

The Foundation has been classified as an organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Foundation qualify for deduction as charitable contributions.

The Corporation's Form 990, *Return of Organization Exempt from Income Tax*, for the tax years beginning 2013, 2014, 2015 and, 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. Similarly, the Corporation's Form 199, *California Exempt Organization Annual Information Return*, for the tax years beginning 2012, 2013, 2014, 2015, and 2016 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

i. Retirement Plan

The Foundation's employees participate in a defined contribution plan. The Foundation uses Charles Schwab SEP IRA for its retirement plan. The Foundation contributes 5% of each employee's salary to his or her respective plan. Pension cost for fiscal year 2016-17 was \$5,807.

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SAN MARINO SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

k. Accounting for Endowment Funds

Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958-205-45 *Donor Restricted Endowment Fund* requires net asset classifications of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and enhanced disclosures for all endowment funds.

The Foundation has interpreted the law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies permanently restricted endowment net assets at the original value of the gift donated to the permanent endowment.

The Foundation has adopted investment and distribution policies for endowment assets that attempt to provide acceptable long-term returns and protect the principal from inflation while assuming a moderate level of investment risk.

Note 2: Donations to SMUSD

Traditionally, the Board commits to an annual pledge to SMUSD. The pledge was \$1,000,000 for the year ended June 30, 2017. The Foundation funds to SMUSD the greater of the annual pledge or the net proceeds from each year's Annual Campaign (defined as total Annual Campaign receipts less total Foundation operating expenses incurred during the same corresponding fiscal year). Authorized distributions to SMUSD, including any net proceeds in excess of the annual pledge, are paid by the Foundation to SMUSD partly during the school year and the remainder following the close of each fiscal year. The Foundation authorized disbursements to SMUSD of \$2,000,000 and \$2,000,000 during the years ended June 30, 2017 and 2016, of which \$1,000,000 and \$1,000,000 remained unpaid at June 30, 2017 and 2016 respectively. During the year ended June 30, 2017 and 2016 the Foundation disbursed an additional \$84,862 and \$397,696 from temporarily restricted net assets which had been donated in a prior year.

Note 3: Concentrations

A major donor's annual contribution comprised 41% of the Foundation's total contribution revenue for the year ended June 30, 2017.

Note 4: Unrestricted Net Assets

Unrestricted net assets are comprised of the following at June 30:

	2017	2016
General	\$ 225,277	\$ 82,476
Designated:		
Memorial	4,187	4,187
Board designated reserve	-	1,000,000
Board designated endowment	1,400,000	400,000
Other events and gifts	4,274	4,274
	<u>\$ 1,633,738</u>	<u>\$ 1,490,937</u>

SAN MARINO SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

Note 5: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	<u>2017</u>	<u>2016</u>
Other Major & Designated Gifts	\$ 3,963,765	\$ 1,723,766
Fair Value Increase of Endowment	<u>781,559</u>	<u>452,953</u>
	<u>\$ 4,745,324</u>	<u>\$ 2,176,719</u>

Note 6: Permanently Restricted Net Assets

Permanently restricted net assets are held by the Foundation for investment in perpetuity. Donors have primarily specified that income from these investments is expendable to support any activities of the Foundation in accordance with policies described by the San Marino Schools Foundation Endowment Distribution Policy. Substantially all of the permanently restricted assets are held on behalf of the San Marino Schools Foundation as part of the pooled investments of the CCF.

Note 7: Endowment

The Foundation's endowment includes donor-restricted endowment funds and board-designated endowment funds. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Foundation classifies its net assets as follows. Permanently restricted net assets consist of (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the San Marino Schools Foundation Endowment Distribution Policy.

The Foundation has adopted investment and distribution policies for endowment assets that attempt to provide acceptable long-term returns and protect the principal from inflation while assuming a moderate level of investment risk. To satisfy its long-term objectives, a substantial portion of the endowment assets are invested with the California Community Foundation's Permanent Pool.

The Foundation has a current policy of accumulating funds in the Endowment Fund until the principal amount of two million dollars (\$2,000,000) is reached, after which investment income may be distributed annually from the Endowment Fund to the SMUSD. No amounts have yet been appropriated for distribution from the endowment fund.

During the year ended June 30, 2017, the board added \$1,000,000 from unrestricted net assets to the endowment.

SAN MARINO SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

Note 7: Endowment (Continued)

The composition of endowment net assets as of June 30, 2017 and 2016 is as follows:

	As of June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ 1,400,000	\$ 781,559	\$ 1,142,250	\$ 3,323,809
Total funds	<u>\$ 1,400,000</u>	<u>\$ 781,559</u>	<u>\$ 1,142,250</u>	<u>\$ 3,323,809</u>

	As of June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ 400,000	\$ 452,953	\$ 1,142,250	\$ 1,995,203
Total funds	<u>\$ 400,000</u>	<u>\$ 452,953</u>	<u>\$ 1,142,250</u>	<u>\$ 1,995,203</u>

The changes in endowment net assets for the year ended June 30, 2017 and 2016 are as follows:

	For the Fiscal Year Ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 400,000	\$ 452,953	\$ 1,142,250	\$ 1,995,203
Investment income	-	30,620	-	30,620
Net appreciation (realized and unrealized)	-	297,986	-	297,986
Contributions	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Endowment net assets, end of year	<u>\$ 1,400,000</u>	<u>\$ 781,559</u>	<u>\$ 1,142,250</u>	<u>\$ 3,323,809</u>

	For the Fiscal Year Ended June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year, as originally reported	\$ -	\$ 516,466	\$ 1,117,250	\$ 1,633,716
Investment income	-	34,796	-	34,796
Net appreciation (realized and unrealized)	-	(98,309)	-	(98,309)
Contributions	<u>400,000</u>	<u>-</u>	<u>25,000</u>	<u>425,000</u>
Endowment net assets, end of year	<u>\$ 400,000</u>	<u>\$ 452,953</u>	<u>\$ 1,142,250</u>	<u>\$ 1,995,203</u>

SAN MARINO SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

Note 8: Fair Value Measurement

The Foundation's beneficial interest in assets held by the California Community Foundation is reported at fair value on a recurring basis. The fair value of the assets is determined by reference to quoted market prices and other relevant information generated by market transactions (Level 1 inputs within the fair value hierarchy) as of June 30, 2017 and 2016.

Note 9: Subsequent Events

The Foundation has evaluated subsequent events through November 13, 2017, the date on which the financial statements were available to be issued.

SAN MARINO SCHOOLS FOUNDATION

**COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016		
	Program Service	Fundraising/ Administration	Total	Program Service	Fundraising/ Administration	Total
Expenses and Losses:						
Accounting and auditing	\$ -	\$ 9,125	\$ 9,125	\$ -	\$ 8,625	\$ 8,625
Advertising and public relations	-	24,123	24,123	-	18,270	18,270
Computer and Furniture	-	7,856	7,856	-	2,745	2,745
Consulting Services	-	18,553	18,553	-	24,440	24,440
Events	-	13,716	13,716	-	17,266	17,266
Insurance	-	9,016	9,016	-	5,749	5,749
Marketing	-	20,587	20,587	-	10,697	10,697
Miscellaneous expenses	-	1,313	1,313	-	1,859	1,859
Office rental	-	16,750	16,750	-	16,500	16,500
Postage	-	5,199	5,199	-	6,049	6,049
Printing	-	29,110	29,110	-	15,569	15,569
Salaries and benefits	-	171,154	171,154	-	177,058	177,058
Service charges	-	49,218	49,218	-	45,554	45,554
Subscriptions and training	-	1,697	1,697	-	300	300
Supplies	-	1,175	1,175	-	4,138	4,138
Donations to SMUSD	2,084,862	-	2,084,862	2,397,696	-	2,397,696
	<u>\$2,084,862</u>	<u>\$ 378,592</u>	<u>\$ 2,463,454</u>	<u>\$2,397,696</u>	<u>\$ 354,819</u>	<u>\$ 2,752,515</u>