

**EDUCATIONAL FOUNDATION OF ORINDA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**MAY 31, 2010**

# EDUCATIONAL FOUNDATION OF ORINDA

## TABLE OF CONTENTS

|                                  | <b>Page</b> |
|----------------------------------|-------------|
| Independent Auditors' Report     | 1           |
| Statement of Financial Position  | 2           |
| Statement of Activities          | 3           |
| Statement of Cash Flows          | 4           |
| Statement of Functional Expenses | 5           |
| Notes to Financial Statements    | 6-9         |

# Porter & Yee CPAs

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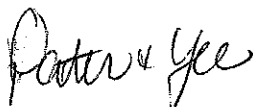
The Board of Directors  
Educational Foundation of Orinda

We have audited the accompanying statement of financial position of Educational Foundation of Orinda (EFO) as of May 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility EFO'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 accounting principles used and significant estimates made by management, as well as evaluating 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 the Educational Foundation of Orinda as of May 31, 2010, and the results of its activities and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Porter & Yee CPAs  
An Accountancy Corporation



August 31, 2010

**EDUCATIONAL FOUNDATION OF ORINDA  
STATEMENT OF FINANCIAL POSITION  
MAY 31, 2010**

ASSETS

CURRENT ASSETS

|  |                  |
|--|------------------|
| Cash and cash equivalents              | \$ 573,245       |
| Prepaid expenses                       | 1,985            |
| Investments                            | 1,100,768        |
| Less: donor-restricted endowment funds | <u>(6,200)</u>   |
| Total Current Assets                   | <u>1,669,798</u> |

EQUIPMENT

|                                |                 |
|--------------------------------|-----------------|
| Office equipment               | 10,921          |
| Less: accumulated depreciation | <u>(10,921)</u> |
| Net Property and Equipment     | <u>0</u>        |

LONG TERM ASSETS

|                                  |              |
|----------------------------------|--------------|
| Donor-restricted endowment funds | <u>6,200</u> |
| Total Long Term Assets           | <u>6,200</u> |

|              |                            |
|--------------|----------------------------|
| TOTAL ASSETS | <u><u>\$ 1,675,998</u></u> |
|--------------|----------------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

|   |                |
|---|----------------|
| Accounts Payable                              | \$ 7,908       |
| Grant payable to Orinda Union School District | 386,531        |
| Grant payable to Miramonte High School        | <u>145,920</u> |
| Total Liabilities                             | <u>540,359</u> |

NET ASSETS:

|                        |                  |
|------------------------|------------------|
| Unrestricted           | 1,129,439        |
| Permanently restricted | <u>6,200</u>     |
| Total net assets       | <u>1,135,639</u> |

|                                  |                            |
|----------------------------------|----------------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 1,675,998</u></u> |
|----------------------------------|----------------------------|

See accompanying notes and accountants' report.

**EDUCATIONAL FOUNDATION OF ORINDA  
STATEMENT OF ACTIVITIES  
MAY 31, 2010**

|  | <u>Unrestricted</u> | Permanently<br><u>Restricted</u> | <u>Total</u>        |
|--|---------------------|----------------------------------|---------------------|
| <b>PUBLIC SUPPORT AND REVENUE:</b>       |                     |                                  |                     |
| Contributions                            | \$ 1,526,669        | \$ 200                           | \$ 1,526,869        |
| Interest and dividend income             | 26,871              | 0                                | 26,871              |
| Unrealized gains                         | 85,661              | 0                                | 85,661              |
| Other income                             | 3,711               | 0                                | 3,711               |
|  | <hr/>               |                                  |                     |
| Total public support and revenue         | 1,642,912           | 200                              | 1,643,112           |
| <br><b>EXPENSES:</b>                     |                     |                                  |                     |
| Grants and programs                      | 1,483,343           | 0                                | 1,483,343           |
| Management and general                   | 58,857              | 0                                | 58,857              |
| Fund-raising                             | 18,398              | 0                                | 18,398              |
|  | <hr/>               |                                  |                     |
| Total expenses                           | 1,560,598           | 0                                | 1,560,598           |
| <br><b>CHANGE IN NET ASSETS</b>          |                     |                                  |                     |
|  | 82,314              | 200                              | 82,514              |
| <br><b>NET ASSETS, BEGINNING OF YEAR</b> |                     |                                  |                     |
|  | 1,047,124           | 6,000                            | 1,053,124           |
| <hr/>                                    |                     |                                  |                     |
| <b>NET ASSETS, END OF YEAR</b>           | <b>\$ 1,129,438</b> | <b>\$ 6,200</b>                  | <b>\$ 1,135,638</b> |
|  | <hr/>               |                                  |                     |

See accompanying notes and accountants' report.

**EDUCATIONAL FOUNDATION OF ORINDA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES:

|   |           |
|---|-----------|
| Increase/(decrease) in net assets   | \$ 82,514 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: |           |
| Net unrealized gain on investments  | (85,661)  |
| Depreciation  | 178       |
| Dividends on investments  | (21,139)  |
| Changes in assets and liabilities:  |           |
| Prepaid expenses  | (1,985)   |
| Accounts payable and accrued liabilities  | 6,397     |
| Grants payable  | (119,140) |
| Contributions restricted for long-term investment   | (200)     |
| Net cash provided by operating activities   | (139,036) |

CASH FLOWS FROM INVESTING ACTIVITIES:

|   |          |
|---|----------|
| Dividends on investments                              | 21,139   |
| Net reinvested dividends and purchases on investments | (37,139) |
| Net cash provided by investing activities             | (16,000) |

CASH FLOWS FROM FINANCING ACTIVITIES:

|  |     |
|--|-----|
| Contributions restricted for long-term investments | 200 |
| Net cash provided by financing activities          | 200 |

NET DECREASE IN CASH AND CASH EQUIVALENTS (154,836)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 728,081

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 573,245

Supplemental Data:

|   |       |
|---|-------|
| Noncash investing and financing activities: |       |
| Retirement of equipment                     | 2,656 |

See accompanying notes and accountants' report.

**EDUCATIONAL FOUNDATION OF ORINDA  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2010**

|   | Grants & Management<br>Programs | Management<br>& General | Fund-<br>Raising | Total               |
|---|---------------------------------|-------------------------|------------------|---------------------|
| Orinda Unified School District            | \$ 960,000                      |                         |                  | \$ 960,000          |
| Miramonte High School                     | 519,014                         |                         |                  | 519,014             |
| Credit card merchant fees                 |                                 | 27,353                  |                  | 27,353              |
| Administrator                             |                                 | 13,686                  |                  | 13,686              |
| Supplies                                  |                                 | 508                     |                  | 508                 |
| Annual report printing                    |                                 |                         | 5,450            | 5,450               |
| Annual report mail service                |                                 |                         | 1,218            | 1,218               |
| Audit services                            |                                 | 3,000                   |                  | 3,000               |
| Printing                                  |                                 | 1,918                   | 2,858            | 4,776               |
| Member and volunteer recognition          |                                 |                         | 135              | 135                 |
| Organization dues/conferences             |                                 | 500                     |                  | 500                 |
| Celebration of the Arts- Supplies & Misc  | 763                             |                         |                  | 763                 |
| Celebration of the Arts- teacher stipends | 3,566                           |                         |                  | 3,566               |
| School signage                            |                                 |                         | 858              | 858                 |
| Postage & mailing                         |                                 | 857                     | 1,738            | 2,595               |
| Accounting services                       |                                 | 4,787                   |                  | 4,787               |
| Insurance                                 |                                 | 984                     |                  | 984                 |
| Campaign expenses                         |                                 |                         | 4,860            | 4,860               |
| Design services                           |                                 |                         | 819              | 819                 |
| Other expenses                            |                                 | 192                     |                  | 192                 |
| Monthly & annual member meetings          |                                 | 144                     |                  | 144                 |
| Telephone & communication                 |                                 | 367                     | 462              | 829                 |
| Computer system maintenance               |                                 | 200                     |                  | 200                 |
| CRM licenses                              |                                 | 4,000                   |                  | 4,000               |
| Bank fees                                 |                                 | 3                       |                  | 3                   |
| Filing fees                               |                                 | 180                     |                  | 180                 |
| Depreciation                              |                                 | 178                     |                  | 178                 |
| <b>Total expenses</b>                     | <b>\$ 1,483,343</b>             | <b>\$ 58,857</b>        | <b>\$ 18,398</b> | <b>\$ 1,560,598</b> |

See accompanying notes and accountants' report.

**EDUCATIONAL FOUNDATION OF ORINDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2010**

**NOTE 1 – BUSINESS ACTIVITY**

Educational Foundation of Orinda (EFO) is a non-profit corporation founded in 1979 to provide financial support for quality education and enrichment programs for all schools in the Orinda Union School District and Miramonte High School.

The EFO is volunteer-led by the Board of Directors and each Orinda school is represented on the board. The Board meets on a regular basis to govern the educational foundation and direct its activities.

All fundraising efforts are performed by volunteers. Contributions are solicited from parents and businesses, primarily at the beginning of the school year. About ninety-five percent of the monies raised go directly to Orinda's schools.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Unrestricted Net Assets – These assets represent the portion of expendable funds that are available for support of the operations of the foundation. Certain amounts were designated by the Board of Directors as of May 31, 2010 to function as an endowment as described in Note 4.

Temporarily Restricted Net Assets - These net assets are limited by either donor-imposed time restriction or a purpose restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. The foundation had no temporarily restricted net assets at May 31, 2010.

Permanently Restricted Net Assets – These net assets are contributions that donors have instructed the EFO to maintain permanently, but part or all of the income derived from the donated assets can be used for either specified or unspecified purposes. The foundation had permanently restricted net assets of \$6,200 at May 31, 2010 in donor-restricted endowment funds.

Cash and Cash Equivalents – At May 31, 2010 cash and cash equivalents consisted solely of money market funds.

Investments – All debt securities and investments in equity securities with readily determinable fair values are measured at their fair value in the statement of financial position. The fair values are based on quoted market prices. Unrealized and realized gains and losses resulting from market fluctuations are recognized in the period such fluctuations occur. Unrealized gains and losses are reported in the statement of

**EDUCATIONAL FOUNDATION OF ORINDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2010**

activities as part of investment income and in the change in net assets. At May 31, 2010, investments consisted of highly liquid, publicly traded, mutual funds held by an institutional broker.

Property and Equipment - Property and equipment are stated at cost. Donated property and equipment is recorded at estimated fair value when received. Depreciation is recorded using the straight-line method over useful lives of 3-5 years for equipment. Depreciation expense was \$178 for the year ended May 31, 2010. Maintenance and repairs are charged to expense when incurred.

Revenue Recognition – Contributions are recognized and recorded when the EFO has received or is unconditionally promised funds. At May 31, 2010 the foundation had no unconditionally promised receivables and investments received through gifts are immediately sold and recorded as contributions. 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 Expenses Classifications – EFO's operating expenses were classified as grants and programs, management and general, or fund-raising. Grants and program expenses relate to program service activities that result in services being distributed to the schools. Management and general expenses are related to administrative activities. Fund-raising expenses are incurred when soliciting donors.

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 these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those 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. The Orinda Union School District provides the use of its facilities, free-of-charge, for EFO's administrative office and a significant number of volunteers donated a substantial amount of time to run the foundation and the fund-raising campaigns.

**NOTE 3 – INVESTMENTS**

The EFO's investment portfolio consisted of a diversified portfolio that was evaluated, chosen, and managed by the Investment Committee. At May 31, 2010 investments consisted of the following at fair market values:

|                               |                |
|-------------------------------|----------------|
| Short-term money market funds | \$ 151,343     |
| Bond funds                    | 468,149        |
| Equity funds                  | <u>481,276</u> |
|                               | \$1,107,768    |

**EDUCATIONAL FOUNDATION OF ORINDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2010**

Total investment return for the year ended May 31, 2010 was comprised of the following:

|                                       |               |
|---------------------------------------|---------------|
| Dividends on investments              | \$ 21,139     |
| Net unrealized gains                  | <u>85,661</u> |
| Total unrestricted investment returns | \$ 106,800    |

**NOTE 4 – BOARD DESIGNATION OF FUNDS FUNCTIONING AS AN ENDOWMENT**

EFO maintains investments the Board calls Funds Functioning as Endowment (“FFE”) to ensure continuation of EFO funded programs in the event of economic uncertainty. The FFE has two portions: 1) the short-term portion, which should equal at least ten percent of the current year fundraising objectives, which is invested in highly secure and highly liquid investments; 2) the long-term portion which is invested in a self-directed, self-executed index fund. The long-term asset allocation is approximately 50-50 between the bond and equity funds and the funds performance is reviewed quarterly by the Investment Committee.

The Investment Committee reports to the Board of Directors. The Committee is chaired by a Board member and consists of 5-7 individuals, a majority of whom were also Board members and appointed to a three year term. In 2009/2010, the Committee’s new investment strategy is to maintain low-cost, self-directed, self-executed index funds versus the hiring of an outside investment manager.

The FFE were unrestricted (with the exception of \$6,200) as of May 31, 2010 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 EFO’s annual pledges and to provide a reliable source of income for funding the respective school’s programs. The Board of Directors reserves the right to make final decisions concerning the use of FFE funds.

At May 31, 2010 the FFE was comprised of short-term investments and cash totaling \$1,100,768 (\$6,200 donor-restricted funds and \$1,094,568 voluntarily designated by the Board of Directors). As of May 31, 2010 FFE were allocated approximately 65% to OUSD and 35% to Miramonte.

**NOTE 5 – GRANTS AND PROGRAMS**

Grants were provided to Orinda Union School District and Miramonte High School as payment for specified school programs, as supported by the annual budgets that were approved by the Board of Directors. The annual budgets outlined financial support for various school personnel, elective student programs, books, materials, equipment, and library expenses. OUSD and Miramonte are responsible for the accounting and reporting of the program’s expenses and that the EFO grants were spent as approved.

**NOTE 6 – CONCENTRATION OF RISK**

EFO’s investment policy is to invest cash and cash equivalents with federally insured financial institutions and to maintain balances within the federally insured limits. At May

**EDUCATIONAL FOUNDATION OF ORINDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2010**

31, 2010 one money market account exceeded the federally insured limit of \$250,000 by approximately \$49,000. Money was transferred in order to pay the grants outstanding due at that time.

The Securities Investor Protection Corporation (SPIC) protects customers in the highly unlikely event its brokerage firm goes bankrupt. EFO maintains its investments with one reputable brokerage. The SPIC protects customers up to \$500,000 in securities and up to \$100,000 in cash. At May 31, 2010, EFO has exceeded these limits.

**NOTE 7 – OTHER INCOME**

The EFO celebrated its thirtieth anniversary with a one-time event that was budgeted to break even, however the event netted an unexpected \$3,711 in revenue.