

*Financial Statements*

Emery Education Foundation  
Years Ended June 30, 2010 and 2009

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Board of Directors  
Emery Education Foundation  
Emeryville, California

Independent Auditor's Report

We have audited the accompanying statements of financial position of Emery Education Foundation, a nonprofit organization, as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 audits provide 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 Emery Education Foundation as of June 30, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

OTO BAILEY FUKUMOTO & MISHIMA, INC.

By:   
Ann A. Fukumoto, CPA

Emeryville, California  
October 27, 2010

EMERY EDUCATION FOUNDATION  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2010	2009
Cash and cash equivalents	\$ 329,311	\$ 735,148
Receivables - grants and other	55,072	8,666
Prepaid expenses	3,423	2,431
Property and equipment - net of accumulated depreciation of \$7,758 and \$7,090 in 2010 and 2009	8,238	10,621
	\$ 396,044	\$ 756,866

LIABILITIES AND NET ASSETS

Liabilities

Fiscal sponsorships		
- Healthy Cities	\$ -	\$ 6,000
- Anna Yates PTO	2,392	1,887
- DIASPORA Club project	280	-
- PEP TEAMS project	-	1,495
- Other	320	800
	2,992	10,182
Grants payable	46,000	24,000
Payroll tax payable	4,580	5,766
Accounts payable	11,838	1,997
Accrued vacation	9,577	7,569
	74,987	49,514

Commitments and Contingencies

Net Assets

Unrestricted		
Board designated reserve	20,000	20,000
Operating fund	21,886	24,173
	41,886	44,173
Temporarily restricted	277,973	661,986
Permanently restricted	1,198	1,193
	321,057	707,352
	\$ 396,044	\$ 756,866

(See independent auditor's report and notes to financial statements)

EMERY EDUCATION FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2010				Year Ended June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenue and Support</u>								
Grants received	\$ -	\$ 225,000	\$ -	\$ 225,000	\$ 6,230	\$ 484,271	\$ -	\$ 490,501
Contributions - cash	127,059	14,691	-	141,750	117,029	36,655	-	153,684
Contributions - in-kind	8,602	-	-	8,602	23,963	-	-	23,963
Contributed services	26,080	-	-	26,080	21,468	-	-	21,468
Administrative fees	22,183	-	-	22,183	54,500	-	-	54,500
	<u>183,924</u>	<u>239,691</u>	<u>-</u>	<u>423,615</u>	<u>223,190</u>	<u>520,926</u>	<u>-</u>	<u>744,116</u>
<u>Other Gains</u>								
Fundraising events revenue - net of \$3,360 and \$886 in expenses, respectively	104,745	-	-	104,745	83,794	-	-	83,794
Interest income	3,143	-	5	3,148	10,295	-	19	10,314
	<u>107,888</u>	<u>-</u>	<u>5</u>	<u>107,893</u>	<u>94,089</u>	<u>-</u>	<u>19</u>	<u>94,108</u>
	<u>291,812</u>	<u>239,691</u>	<u>5</u>	<u>531,508</u>	<u>317,279</u>	<u>520,926</u>	<u>19</u>	<u>838,224</u>
<u>Net Assets Released from Restrictions</u> - satisfaction of restrictions for:								
Scholarships	58,795	(58,795)	-	-	16,000	(16,000)	-	-
School programs	564,909	(564,909)	-	-	496,948	(496,948)	-	-
	<u>623,704</u>	<u>(623,704)</u>	<u>-</u>	<u>-</u>	<u>512,948</u>	<u>(512,948)</u>	<u>-</u>	<u>-</u>
<u>Total Revenue, Gains and Other Support</u>	<u>915,516</u>	<u>(384,013)</u>	<u>5</u>	<u>531,508</u>	<u>830,227</u>	<u>7,978</u>	<u>19</u>	<u>838,224</u>
<u>Expenses</u>								
Programs								
Scholarships	79,065	-	-	79,065	68,093	-	-	68,093
Teacher and other grants	35,980	-	-	35,980	62,896	-	-	62,896
School programs	680,488	-	-	680,488	617,906	-	-	617,906
Management and general	101,385	-	-	101,385	92,019	-	-	92,019
Fundraising	20,885	-	-	20,885	17,666	-	-	17,666
<u>Total Expenses</u>	<u>917,803</u>	<u>-</u>	<u>-</u>	<u>917,803</u>	<u>858,580</u>	<u>-</u>	<u>-</u>	<u>858,580</u>
<u>Changes in Net Assets</u>	<u>(2,287)</u>	<u>(384,013)</u>	<u>5</u>	<u>(386,295)</u>	<u>(28,353)</u>	<u>7,978</u>	<u>19</u>	<u>(20,356)</u>
<u>Net Assets</u>								
Beginning of year	44,173	661,986	1,193	707,352	72,526	654,008	1,174	727,708
End of year	<u>\$ 41,886</u>	<u>\$ 277,973</u>	<u>\$ 1,198</u>	<u>\$ 321,057</u>	<u>\$ 44,173</u>	<u>\$ 661,986</u>	<u>\$ 1,193</u>	<u>\$ 707,352</u>

(See independent auditor's report and notes to financial statements)

EMERY EDUCATION FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2010						Year Ended June 30, 2009					
	Program Services			Management and General	Fundraising	Total	Program Services			Management and General	Fundraising	Total
	Scholarships	Teacher and Other Grants	School Programs				Scholarships	Teacher and Other Grants	School Programs			
Salaries - executive director	\$ 10,375	\$ 5,188	\$ 51,877	\$ 25,938	\$ 10,375	\$ 103,753	\$ 10,877	\$ 5,439	\$ 54,387	\$ 27,193	\$ 10,877	\$ 108,773
Salaries - other	-	13,271	37,760	-	2,686	53,717	-	7,388	41,385	-	2,567	51,340
Payroll taxes	834	1,484	7,208	2,086	1,050	12,662	896	1,057	7,890	2,240	1,108	13,191
Employee benefits	2,531	4,503	21,865	6,327	3,184	38,410	1,725	2,035	15,191	4,313	2,134	25,398
	13,740	24,446	118,710	34,351	17,295	208,542	13,498	15,919	118,853	33,746	16,686	198,702
Scholarships paid	65,325	-	-	-	-	65,325	54,595	-	-	-	-	54,595
Grants:												
Teachers and other	-	11,534	-	-	-	11,534	-	46,977	-	-	-	46,977
Arts (Haas)	-	-	90,000	-	-	90,000	-	-	93,000	-	-	93,000
Community transformation (Stuart)	-	-	360,000	-	-	360,000	-	-	279,000	-	-	279,000
Secondary school (Valley)	-	-	-	-	-	-	-	-	93,000	-	-	93,000
Technology	-	-	88,155	-	-	88,155	-	-	-	-	-	-
Other school projects	-	-	10,204	-	-	10,204	-	-	16,471	-	-	16,471
Audit and tax	-	-	-	14,250	-	14,250	-	-	-	13,275	-	13,275
Accounting services	-	-	-	19,200	-	19,200	-	-	-	18,662	-	18,662
Contributed services	-	-	-	14,400	-	14,400	-	-	3,500	11,968	-	15,468
Rent - in-kind	-	-	4,410	1,590	-	6,000	-	-	4,410	1,590	-	6,000
Program expenses - in-kind	-	-	8,602	-	-	8,602	-	-	4,933	-	-	4,933
Bank charges	-	-	-	817	-	817	-	-	-	1,506	-	1,506
Technology	-	-	-	3,621	-	3,621	-	-	-	1,860	-	1,860
Postage and delivery	-	-	2	625	330	957	-	-	83	533	228	844
Promotions	-	-	11	2,310	2,943	5,264	-	-	437	391	521	1,349
Supplies	-	-	173	1,135	7	1,315	-	-	328	1,288	28	1,644
Insurance	-	-	-	2,833	-	2,833	-	-	-	2,816	-	2,816
Depreciation	-	-	-	3,542	-	3,542	-	-	-	3,484	-	3,484
Miscellaneous	-	-	221	2,711	310	3,242	-	-	3,891	900	203	4,994
	<u>\$ 79,065</u>	<u>\$ 35,980</u>	<u>\$ 680,488</u>	<u>\$ 101,385</u>	<u>\$ 20,885</u>	<u>\$ 917,803</u>	<u>\$ 68,093</u>	<u>\$ 62,896</u>	<u>\$ 617,906</u>	<u>\$ 92,019</u>	<u>\$ 17,666</u>	<u>\$ 858,580</u>

(See independent auditor's report and notes to financial statements)

EMERY EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS

	June 30,	
	<u>2010</u>	<u>2009</u>
<u>Cash Flows from Operating Activities</u>		
Decrease in net assets	\$ (386,295)	\$ (20,356)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,542	3,484
	<u>(382,753)</u>	<u>(16,872)</u>
Changes in operating assets and liabilities:		
Receivables - grants and other	(46,406)	60,970
Prepaid expenses	(992)	(36)
Fiscal sponsorships - Stuart and Haas		
Amounts paid	-	(11,520)
Fiscal sponsorships - Healthy Cities		
Amounts paid	(6,000)	-
Fiscal sponsorship - Anna Yates PTO		
Amounts received	18,434	-
Amounts paid	(17,929)	-
Fiscal sponsorship - DIASPORA Club project		
Amounts received	280	-
Amounts paid	-	(2,985)
Fiscal sponsorship - Target Student Exchange Program		
Amounts received	6,715	-
Amounts paid	(6,715)	-
Fiscal sponsorships - STEM and Other		
Amounts received	11,680	8,687
Amounts paid	(13,655)	(623)
Grants payable	22,000	-
Payroll liabilities	(1,186)	1,007
Accounts payable and accrued vacation	11,849	9,311
	<u>(404,678)</u>	<u>47,939</u>
<u>Cash Flows from Investing Activities</u>		
Property and equipment - in-kind	(1,159)	(1,156)
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(405,837)	46,783
<u>Cash and Cash Equivalents at Beginning of Year</u>	735,148	688,365
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 329,311</u>	<u>\$ 735,148</u>

(See independent auditor's report and notes to financial statements)

EMERY EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

Nature of Business

The Emery Education Foundation (Emery Ed), dba Emery Ed Fund, incorporated in 1996, is an independent community-based not-for-profit organization formed to provide additional resources to support and enhance educational programs and opportunities for the students and teachers of the Emery Unified School District (EUSD).

In addition to receiving corporate and individual contributions, Emery Ed obtains grant funds from private foundations to be used toward certain EUSD programs and receives an administrative fee of generally 10% on grant funds received. The Organization also acts as an intermediary (i.e., fiscal sponsor collecting and disbursing funds as directed) for certain school-related projects.

1. Summary of Significant Accounting Principles

Basis of Presentation

Emery Ed prepares its financial statements on the accrual basis, which recognizes income in the period earned and expenses when incurred.

The financial statements are presented in accordance with generally accepted accounting principles which provide that net assets and revenue, gains, expenses and losses be classified based on the existence or absence of donor-imposed restrictions.

A description of the three classifications is as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted - Net assets subject to donor-imposed stipulations that will be met by either actions of Emery Ed and/or the passage of time.

Permanently restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by Emery Ed. Generally, donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

EMERY EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

1. Summary of Significant Accounting Principles (continued)

Basis of Presentation (continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Support with restrictions expiring in the same period in which the support is received is reported as an increase in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

From time to time, the Organization's Board of Directors designates funds and related assets to be used for specific purposes, generally designated programs. Such funds are included in unrestricted fund balances, as they are not legally restricted.

Certain amounts for 2009 were reclassified to conform to the 2010 presentation. Net assets and changes in net assets are unchanged due to the reclassifications.

Unrestricted and Restricted Support and Revenue

Contributions received, including unconditional promises to give (pledges), are recognized in the period received at their fair values. Conditional promises to give are recognized when the conditions are substantially met. Allowances for doubtful accounts are provided when necessary. Management believes all receivables at June 30, 2010 to be collectible.

The Organization is dependent upon donations and other support from individuals, foundations, corporations, and other entities. The activities and program services offered by the Organization are dependent on the level of support.

Contributed Services and In-Kind Contributions

Contributed services are recognized if services received create non-financial assets or require specialized skills which typically need to be purchased if not provided by donation.

EMERY EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

1. Summary of Significant Accounting Principles (continued)

Contributed Services and In-Kind Contributions (continued)

The Organization leases office space at the district office facility of EUSD at an annual rent of \$1.00. The Organization is responsible for all janitorial and certain related costs. Management has determined that the fair market value of the rent to approximate \$500 per month. The lease expires on June 30, 2011.

Contributed services are as follows:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Audit services	\$ 5,680	\$ 5,368
Office rent	6,000	6,000
Technology	14,400	6,600
Other program expense	-	3,500
	<u>\$ 26,080</u>	<u>\$ 21,468</u>

A number of individual volunteers and companies have donated significant amounts of time to advance the Organization's program objectives. No amounts have been reported in the accompanying financial statements for many of these donated services since no objective basis is available to measure the value of such services.

Fundraising Events Revenue

Fundraising events revenue is reported net of expenses.

Use of Estimates

The preparation of financial statements in conformity with auditing principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EMERY EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

1. Summary of Significant Accounting Principles (continued)

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with maturities at date of purchase of 90 days or less and total \$1,198 at June 30, 2010 and \$1,193 at June 30, 2009. These funds are for an endowment fund and considered permanently restricted.

Property and Equipment

Property and equipment purchased or donated with estimated useful lives in excess of one year are capitalized at cost. Donated assets are capitalized at the fair market value on the date of receipt. Depreciation is computed on straight-line method using estimated useful lives varying between five and ten years.

The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Functional Allocation of Expenses

The costs of providing various program services and other activities have been summarized on a functional basis in the Statements of Activities with detail included in a statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

Emery Ed is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and R&TC Section 23701d of the California Revenue and Taxation Code. An organization exempt from taxes pursuant to these code sections is taxed only on unrelated business income. The Organization does not have unrelated business income for the years ended June 30, 2010 and 2009.

2. Financial Instruments and Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash and cash equivalents.

The Organization maintains its cash accounts with three commercial banks. The cash balances and the certificates of deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2010, cash balances were fully insured.

EMERY EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

3. Grants Payable

The Organization awards various one-time scholarships to graduating high school seniors. These scholarships are conditional upon the students meeting certain criteria, which includes proof of admittance into an accredited college or vocational school.

The Organization grants multi-year scholarships (Novartis) to Emery graduates conditional upon receiving annual proof of enrollment.

Grants payable at June 30, 2010 also includes an unpaid balance of \$12,000 on a total pledge of \$32,000 to a local non-profit organization (East Bay College Fund) that will provide a 4-year college scholarship and mentoring services to two Emery students designated by Emery Ed.

As of June 30, 2010, the Organization is scheduled to award scholarships as follows:

Year Ended June 30,	Total	One Year Academic Grants	Novartis	East Bay College Fund
2011	\$ 27,000	\$ 4,000	\$ 15,000	\$ 8,000
2012	14,000	-	10,000	4,000
2013	5,000	-	5,000	-
	<u>\$ 46,000</u>	<u>\$ 4,000</u>	<u>\$ 30,000</u>	<u>\$ 12,000</u>

4. Net Assets

Net asset balances consist of the following:

	June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	\$ 1,148	\$ 326,965	\$ 1,198	\$ 329,311
Receivables-grants/other	55,072	-	-	55,072
Prepaid expenses	3,423	-	-	3,423
Property & equipment-net	8,238	-	-	8,238
Fiscal sponsorships	-	(2,992)	-	(2,992)
Other	-	(600)	-	(600)
Grants payable	-	(46,000)	-	(46,000)
Payroll tax payable	(4,580)	-	-	(4,580)
Accounts payable	(11,838)	-	-	(11,838)
Accrued vacation	(9,577)	-	-	(9,577)
	<u>\$ 41,886</u>	<u>\$ 277,973</u>	<u>\$ 1,198</u>	<u>\$ 321,057</u>

EMERY EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

4. Net Assets (continued)

	June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	\$ 37,787	\$ 696,168	\$ 1,193	\$ 735,148
Receivables-grants/other	8,666	-	-	8,666
Prepaid expenses	2,431	-	-	2,431
Property & equipment-net	10,621	-	-	10,621
Fiscal sponsorships	-	(10,182)	-	(10,182)
Grants payable	-	(24,000)	-	(24,000)
Payroll tax payable	(5,766)	-	-	(5,766)
Accounts payable	(1,997)	-	-	(1,997)
Accrued vacation	(7,569)	-	-	(7,569)
	\$ 44,173	\$ 661,986	\$ 1,193	\$ 707,352

5. Temporarily Restricted Net Assets

Purpose Restrictions	Released from Donor Restriction as of June 30, 2010	Available at June 30, 2010
Novartis Scholarship	\$ 50,000	\$ 63,000
Community engagement/instruction (Stuart)	360,000	180,000
Arts and Learning (Haas)	90,000	-
Library and Technology (Rogers, Madison Marquette)	91,182	22,218
Other School Related Programs	32,522	12,755
	\$ 623,704	\$ 277,973
Purpose Restrictions	Released from Donor Restriction as of June 30, 2009	Available at June 30, 2009
Novartis Scholarship	\$ 15,000	\$ 118,895
Community engagement/instruction (Stuart)	279,000	360,000
Arts and Learning (Haas)	93,000	90,000
Secondary School Redesign (Valley)	93,000	-
Library and Technology (Rogers)	-	68,400
Other School Related Programs	32,948	24,601
	\$ 512,948	\$ 661,986

During the fiscal year 2010, the Board of Directors approved short term borrowing from temporarily restricted net assets to fund operations. As of June 30, 2010, all amounts were repaid in full.

EMERY EDUCATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

6. Related Party Transactions

The Organization received unrestricted donations from its Board Members totaling \$12,403 for 2010.

7. Major Donors

Approximately 33% of the Organization's private grants and contributions as of June 30, 2010 were from three donors.

8. Retirement Plan

The Organization has an agreement with the executive director to provide annual retirement contributions totaling 10% of compensation and established a simplified employee pension plan in the name of the executive director. The Organization contributed \$20,476 (including a "catch up" contribution of \$10,238) in 2010 and \$9,750 in 2009.

9. Subsequent Events

Date of Management Evaluation

Management has evaluated subsequent events through October 27, 2010, the date on which the financial statements were available to be issued.