

REDWOOD CITY EDUCATION FOUNDATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JULY 31, 2018

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CHAVAN & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE, SUITE 180
SAN JOSE, CA 95129
WWW.CNALLP.COM

REDWOOD CITY EDUCATION FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Redwood City Education Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Redwood City Education Foundation (the "Foundation"), which comprise the statement of financial position as of July 31, 2018, the related statement of activities, functional expenses and cash flows for the year 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 financial statement.

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, financial position of the Redwood City Education Foundation as of July 31, 2018, 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.

C & A LLP

San Jose, California
December 5, 2018

REDWOOD CITY EDUCATION FOUNDATION
Statement of Financial Position
July 31, 2018

Assets

Current assets:

Cash and cash equivalents	\$ 331,932
Pledges receivable - current	51,890
Other current assets	2,695
Total current assets	<u>386,517</u>

Noncurrent assets:

Pledges receivable - noncurrent	194,058
Investments at fair value	11,648
Total noncurrent assets	<u>205,706</u>

TOTAL ASSETS \$ 592,223

Liabilities

Current liabilities:

Accounts payable	\$ 141,242
Payroll related liabilities	6,850
Unearned revenue	191,560
	<u>339,652</u>

TOTAL LIABILITIES 339,652

Net Assets

Temporarily restricted	122,289
Unrestricted	<u>130,282</u>

TOTAL NET ASSETS 252,571

TOTAL LIABILITIES AND NET ASSETS \$ 592,223

REDWOOD CITY EDUCATION FOUNDATION
Statement of Activities
July 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions:			
Corporations	\$ 20,320	\$ 120,000	\$ 140,320
Individuals	584	59,802	60,386
Total Contributions	<u>20,904</u>	<u>179,802</u>	<u>200,706</u>
Grants:			
Foundations	-	45,250	45,250
Government	50,000	10,000	60,000
Total Grants	<u>50,000</u>	<u>55,250</u>	<u>105,250</u>
Other Income:			
Miscellaneous	2,771	-	2,771
Interest	992	-	992
Total Other Income	<u>3,763</u>	<u>-</u>	<u>3,763</u>
Special Events:			
Special event revenue	80,333	-	80,333
Less: Direct fundraising costs	(74,267)	-	(74,267)
Total Special Events - Net	<u>6,066</u>	<u>-</u>	<u>6,066</u>
Net Assets Released From Restrictions	<u>218,554</u>	<u>(218,554)</u>	<u>-</u>
Total Support and Revenues	<u>299,287</u>	<u>16,498</u>	<u>315,785</u>
 Expenses			
Program services	243,456	-	243,456
Management and general	60,598	-	60,598
Fundraising	24,532	-	24,532
Total Expenses	<u>328,586</u>	<u>-</u>	<u>328,586</u>
 Change in Net Assets	<u>(29,299)</u>	<u>16,498</u>	<u>(12,801)</u>
Prior Period Adjustment	51,404	(51,404)	-
Net Assets - Beginning of the Year	<u>108,177</u>	<u>157,195</u>	<u>265,372</u>
 Net Assets - End of the Year	<u>\$ 130,282</u>	<u>\$ 122,289</u>	<u>\$ 252,571</u>

REDWOOD CITY EDUCATION FOUNDATION
Statement of Functional Expenses
July 31, 2018

Expenses	Management and			Total
	Program Services	General	Fundraising	
Materials and Supplies	\$ -	\$ 5,649	\$ -	\$ 5,649
Community Grants	-	4,142	-	4,142
District funding	130,815	-	-	130,815
Food and Beverage	8,047	597	997	9,641
Salaries and Benefits	79,314	11,441	22,661	113,416
Professional Fees	16,200	28,780	-	44,980
Community Donations	-	1,000	-	1,000
Advertising	-	365	-	365
Bank Charges	-	1,677	112	1,789
Production	500	500	-	1,000
Printing and Reproduction	-	-	142	142
Marketing	8,184	56	-	8,240
Online Processing Fees	363	-	-	363
Conferences and Seminars	-	401	620	1,021
Dues & Subscriptions	-	3,665	-	3,665
Insurance	-	1,811	-	1,811
Taxes and Fees	-	96	-	96
Office Expenses	33	418	-	451
Total Expenses	\$ 243,456	\$ 60,598	\$ 24,532	\$ 328,586

REDWOOD CITY EDUCATION FOUNDATION
Statement of Cash Flows
July 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (12,801)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
(Increase) Decrease in pledges receivable	(127,538)
(Increase) Decrease in other current assets	2,515
Increase (Decrease) in accounts payable	141,242
Increase (Decrease) in payroll related liabilities	(2,962)
Increase (Decrease) in unearned revenue	191,177
Net cash provided by (used for) operating activities	<u>191,633</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	<u>14,890</u>
Net cash provided by (used for) investing activities	<u>14,890</u>

Net decrease in cash and cash equivalents 206,523

Cash and cash equivalents - beginning of the year 125,409

Cash and cash equivalents - end of the year \$ 331,932

REDWOOD CITY EDUCATION FOUNDATION
Notes to the Financial Statements
July 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation and nature of activities - The Redwood City Education Foundation (the Foundation) is a 501(c)(3) nonprofit Foundation benefiting students of the Redwood City public schools. Believing that a quality education inspires children to work toward a successful future, the Foundation is providing music education, innovative teaching mini-grants and outdoor education that encourage children to learn. In existence since 1983, it has an eighteen-member volunteer board of directors. The major activity is fund-raising to support the following programs: music education, outdoor education, innovative teaching mini-grants, health and wellness program. The Foundation's support comes primarily from individual donors' contributions, fundraising events and various government and private foundation grants. The foundation is a nonprofit Foundation as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Presentation

The financial statements are presented in conformity with Financial Accounting Standards Board Accounting Standards Codification 958 (FASB ASC 958) of Not-For-Profit Foundations. Under FASB ASC 958, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Permanently Restricted Net Assets - Net assets subject to third party or legal stipulations that they be maintained permanently.

Temporarily Restricted Net Assets - Net assets whose use is limited by third party or legal stipulations that either expire by passage of time or can be fulfilled and released by actions pursuant to those donor-imposed or legal stipulations. As of July 31, 2018, the Foundation had the following temporarily restricted net assets:

Temporarily Restricted Net Assets	Beginning	Received	Released	Ending
Equity Fund	\$ 25,000	\$ 105,815	\$ (130,815)	\$ -
Annual Breakfast	-	20,095	(20,095)	-
Leadership	78,210	100,000	(57,853)	120,357
Fiscal Projects	2,581	9,142	(9,791)	1,932
Totals	\$ 105,791	\$ 235,052	\$ (218,554)	\$ 122,289

Unrestricted Net Assets - Net assets whose use is not subject to third party or legal restrictions.

Revenues are reported as increases in unrestricted net assets unless their use is limited by third party restrictions. Expenses are reported as decreases in unrestricted net assets. When a 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 as net assets released from restrictions in the statement of activities.

REDWOOD CITY EDUCATION FOUNDATION
Notes to the Financial Statements
July 31, 2018

Basis of Accounting

The accounting policies of the Foundation conform to accounting principles generally accepted in the United States of America, as prescribed by the American Institute of Certified Public Accountants, which require the use of the accrual method of accounting. Under the accrual method of accounting, revenue is recognized when earned and expenses are recognized in the period incurred

Public Support and Revenue

The Foundation receives substantially all of its grant revenue from foundations, corporations, government and nonprofit agencies.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Foundation reports contributions of cash and other assets as restricted support if they 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.

Donated Assets

Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services and Items

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC standards have not been satisfied.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk include cash and investments. The Foundation maintains its cash in interest and non-interest-bearing bank deposit accounts which, at times, may exceed federally insured limits as guaranteed by the Federal Depository Insurance Corporation (FDIC).

Cash and Cash Equivalents

The Redwood City Education Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are composed of mutual funds invested in debt and equity securities and are carried at fair value. As of July 31, 2018, the Foundation had \$1,048 invested with First Republic Bank and \$10,600 invested with Silicon Valley Community Foundation which were held in a cash and sweep accounts where the actual balance and fair value are one in the same.

REDWOOD CITY EDUCATION FOUNDATION
Notes to the Financial Statements
July 31, 2016

Investments held by a broker in customer accounts are protected against physical loss by the Securities Investor Protection Corporation (SIPC). All investments held by the Foundation at July 31, 2018 were highly liquid. The following methods and significant assumptions were used to estimate the fair values of financial assets and financial liabilities:

1. Assets for which carrying amounts approximate fair values include cash and cash equivalents and certain other assets that mature within 90 days.
2. For investment securities for which it was practicable to determine fair value, fair value is based either on exchange-traded prices or broker-dealer quotations for the same or similar securities.
3. For accounts payable and accrued expenses, fair value approximates carrying value due to the relatively short period of time between their origination and expected realization.

Pledges Receivable

Pledges receivable consists of sponsorships and donations that have been pledged but not paid as of July 31, 2018. The Foundation computes an allowance for doubtful accounts based on historical uncollectible receivables. Management determined that none of the receivables were uncollectible as of July 31, 2018.

Income Tax Status

The Foundation is publicly supported and has applied for, and received, tax-exempt status under Internal Revenue Code Section 501c(3) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements

Functional Allocation of Expenses

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

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 certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentrations

For the year ended July 31, 2018, contributions from corporations comprised 37% of total revenue.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its balance sheet for all

REDWOOD CITY EDUCATION FOUNDATION
Notes to the Financial Statements
July 31, 2016

operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019.

In September 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 was added to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. ASU 2014-14 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017.

In January 2018, FASB issued Accounting Standards Update (ASU) 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842. ASU 2018-01 allows for an entity to elect an optional transition practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840. ASU 2018-01 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents were comprised of the following as of July 31, 2018.

Account	Balance
Checking	\$ 305,597
PayPal	24
Money Market	23,733
Fiscal Sponsor	2,578
Total Cash and Cash Equivalents	\$ 331,932

The Foundation maintains its bank balances and cash equivalents at First Republic Bank, Wells Fargo Banks, the San Mateo Credit Union and Paypal. These bank balances were insured by the Federal Deposit Insurance Company ("FDIC") up to \$250,000 per bank and as of July 31, 2018. The bank balance of the Foundation's cash and cash equivalents before reconciling items was \$337,957 which was fully covered by the FDIC. The differences between the bank balances and carrying amounts are due to reconciling items such as deposits in transit and outstanding checks.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of July 31, 2018:

Pledges Receivable	Balance
Board Pledges	\$ 96,922
General Pledges	142,526
Miscellaneous	6,500
Total Pledges Receivable	\$ 245,948

REDWOOD CITY EDUCATION FOUNDATION
Notes to the Financial Statements
July 31, 2018

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable consisted of the following as of July 31, 2018:

<u>Accounts Payable</u>	<u>Balance</u>
Redwood City School District	\$ 130,000
Miscellaneous	11,242
Total Accounts Payable	<u>\$ 141,242</u>

NOTE 5 - UNEARNED REVENUE

Unearned revenue consisted of the following as of July 31, 2018:

<u>Unearned Revenue</u>	<u>Balance</u>
General Donors	\$ 114,022
Board Pledges	77,538
Total Unearned Revenue	<u>\$ 191,560</u>

NOTE 6 - SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the statement of financial position date through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.