

MENLO PARK-ATHERTON EDUCATION FOUNDATION

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WITH SUMMARIZED FINANCIAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT



2479 E. Bayshore Rd., Suite 285
Palo Alto, CA 94303

To the Board of Directors of
Menlo Park-atherton Education Foundation
Atherton, CA

We have audited the accompanying statement of financial position of Menlo Park-Atherton Education Foundation (a non-profit organization) as of June 30, 2016, and the related statements of activities and changes in net assets, functional revenue and expense for the year then ended and cash flows for the years ended June 30, 2016 and 2015, 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 relevance 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 Menlo Park-Atherton Education Foundation as of June 30, 2016 and the changes in its net assets, functional revenue and expense and its cash flows for the years ended June 30, 2016 and 2015 in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Menlo Park-Atherton Education Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Morton & Associates Inc.
Certified Public Accountants

September 26, 2016

MENLO PARK-ATHERTON EDUCATION FOUNDATION

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds June 30</u>	
				2016	2015
ASSETS					
Current Assets					
Cash & Equivalents	\$ 4,087,928	\$ 11,500	\$	\$ 4,099,428	\$ 4,076,578
Investments	<u>1,655,229</u>	<u> </u>	<u>1,335,909</u>	<u>2,991,138</u>	<u>2,988,910</u>
Total Current Assets	<u>5,743,157</u>	<u>11,500</u>	<u>1,335,909</u>	<u>7,090,566</u>	<u>7,065,488</u>
Total Assets	<u>\$ 5,743,157</u>	<u>\$ 11,500</u>	<u>\$ 1,335,909</u>	<u>\$ 7,090,566</u>	<u>\$ 7,065,488</u>
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 255	\$	\$	\$ 255	\$ 42,183
Payroll & Related Liabilities	8,809			8,809	7,359
Grant Payable	<u>3,600,000</u>	<u> </u>	<u> </u>	<u>3,600,000</u>	<u>3,600,000</u>
Total Current Liabilities	<u>3,609,064</u>	<u> </u>	<u> </u>	<u>3,609,064</u>	<u>3,649,542</u>
NET ASSETS					
Operating Fund	2,134,093			2,134,093	2,167,579
Temporarily Restricted		11,500		11,500	56,153
Endowment Funds	<u> </u>	<u> </u>	<u>1,335,909</u>	<u>1,335,909</u>	<u>1,192,214</u>
Total Net Assets	<u>2,134,093</u>	<u>11,500</u>	<u>1,335,909</u>	<u>3,481,502</u>	<u>3,415,946</u>
Total Liabilities & Net Assets	<u>\$ 5,743,157</u>	<u>\$ 11,500</u>	<u>\$ 1,335,909</u>	<u>\$ 7,090,566</u>	<u>\$ 7,065,488</u>

The Accompanying Independent Auditors' Report and the Attached Notes are an Integral Part of These Financial Statements.

MENLO PARK-ATHERTON EDUCATION FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds June 30</u>	
				2016	2015
SUPPORT					
Contributions	\$ 3,628,480	\$ 11,500	\$ 143,695	\$ 3,783,675	\$ 3,906,806
Contributions In-Kind	<u>46,025</u>	<u> </u>	<u> </u>	<u>46,025</u>	<u>37,200</u>
Total Support	<u>3,674,505</u>	<u>11,500</u>	<u>143,695</u>	<u>3,829,700</u>	<u>3,944,006</u>
SPECIAL EVENTS					
Auctions	271,863			271,863	276,784
Are You In Run	106,967			106,967	109,942
Holiday Boutique	22,635			22,635	26,313
Fund-a-need	38,800			38,800	22,502
Other Fundraising	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>18,121</u>
Total Special Events	440,265			440,265	453,662
OTHER REVENUE					
Interest & Dividends	150,274			150,274	169,427
Other Income	501			501	
Gain or Loss	(1,710)			(1,710)	(21,718)
Unrealized Gain or Loss	<u>(293,563)</u>	<u> </u>	<u> </u>	<u>(293,563)</u>	<u>(216,577)</u>
Total Other Revenue	<u>(144,498)</u>	<u> </u>	<u> </u>	<u>(144,498)</u>	<u>(68,868)</u>
Total Increases in Net Assets	<u>\$ 3,970,272</u>	<u>\$ 11,500</u>	<u>\$ 143,695</u>	<u>\$ 4,125,467</u>	<u>\$ 4,328,800</u>
EXPENSES					
Program Services					
Program Services	<u>\$ 3,600,000</u>	<u>\$ </u>	<u>\$ </u>	<u>\$ 3,600,000</u>	<u>\$ 3,600,000</u>
Total Program Services	<u>3,600,000</u>	<u> </u>	<u> </u>	<u>3,600,000</u>	<u>3,600,000</u>
Support Services					
Management & General	80,198			80,198	76,205
Fund Raising	<u>379,713</u>	<u> </u>	<u> </u>	<u>379,713</u>	<u>456,466</u>
Total Support Services	<u>459,911</u>	<u> </u>	<u> </u>	<u>459,911</u>	<u>532,671</u>
Total Expenses	<u>4,059,911</u>	<u> </u>	<u> </u>	<u>4,059,911</u>	<u>4,132,671</u>
Net Increase (Decrease)	(89,639)	11,500	143,695	65,556	196,129
Assets Released From Restriction	56,153	(56,153)			
Net Assets Beginning	<u>2,167,579</u>	<u>56,153</u>	<u>1,192,214</u>	<u>3,415,946</u>	<u>3,219,817</u>
Net Assets Ending	<u>\$ 2,134,093</u>	<u>\$ 11,500</u>	<u>\$ 1,335,909</u>	<u>\$ 3,481,502</u>	<u>\$ 3,415,946</u>

The Accompanying Independent Auditors' Report and the Attached Notes
are an Integral Part of These Financial Statements.

MENLO PARK-ATHERTON EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2016
(With Summarized Financial Information for the Year Ended June 30, 2015)

	Program Services	Management & General	Fund Raising	Total Support	Total 2016	Total 2015
SUPPORT & REVENUE						
SUPPORT						
Contributions	\$ 3,639,980	\$ 8,825	\$ 143,695	\$ 143,695	\$ 3,783,675	\$ 3,906,806
Contributions In-Kind			37,200	46,025	46,025	37,200
Total Support	3,639,980	8,825	180,895	189,720	3,829,700	3,944,006
SPECIAL EVENTS						
Auctions			271,863	271,863	271,863	294,904
Are You In Run			106,967	106,967	106,967	109,942
Holiday Boutique			22,635	22,635	22,635	26,313
Fund-a-need			38,800	38,800	38,800	22,502
Total Special Events			440,265	440,265	440,265	453,661
OTHER REVENUE						
Interest & Dividends		150,274		150,274	150,274	169,427
Other Income		501		501	501	
Gain or Loss	(1,710)				(1,710)	(21,718)
Unrealized Gain or Loss		(293,563)		(293,563)	(293,563)	(216,577)
Total Other Revenue	(1,710)	(142,788)		(142,788)	(144,498)	(68,868)
Total Support & Revenue	3,638,270	(133,963)	621,160	487,197	4,125,467	4,328,799
EXPENSES						
Salaries		36,823	142,740	179,563	179,563	199,282
Payroll Taxes		3,271	12,680	15,951	15,951	17,077
Total Salaries & Benefits		40,094	155,420	195,514	195,514	216,359
District Grant	3,600,000				3,600,000	3,600,000
Professional Fees		19,442	19,060	38,502	38,502	33,647
Contributed Services		8,825	8,825	8,825	8,825	
Supplies		329	1,273	1,602	1,602	2,433
Office		182	702	884	884	1,014
Telephone						1,516
License & Fees		485	15,120	15,605	15,605	14,675
Contributed Space		7,629	29,571	37,200	37,200	37,200
Dues & Publications			2,265	2,265	2,265	3,985
Advertising			6,024	6,024	6,024	6,882
Conferences & Meetings		1,159		1,159	1,159	2,663
Special Event Costs			72,559	72,559	72,559	140,901
Campaign Costs			69,957	69,957	69,957	62,293
Insurance		2,003	7,762	9,765	9,765	8,526
Miscellaneous		50		50	50	550
Bank Charges						26
Total Expense	3,600,000	80,198	379,713	459,911	4,059,911	4,132,670
Increase (Decrease) Assets	38,270	(214,161)	241,447	27,286	65,556	196,129

The Accompanying Independent Auditors' Report and the Attached Notes
are an Integral Part of These Financial Statements.

MENLO PARK-ATHERTON EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>TOTAL CURRENT YEAR</u>	<u>TOTAL PRIOR YEAR</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Increase (Decrease) in Net Assets	\$ 65,556	\$ 196,129
Adjustments to Reconcile Net Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized (Gain)/Loss On Investments	1,710	23,170
Net unrealized (Gain)/Loss On Investments	293,563	216,577
Net Investment Earnings	(148,042)	(166,412)
(Increase) Decrease in Assets:		
Accounts Receivable		5,188
Increase (Decrease) in Liabilities:		
Accounts Payable	(41,928)	31,565
Payroll & Related Liabilities	<u>1,450</u>	<u>(11,032)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	172,309	295,185
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments	<u>(149,459)</u>	<u>(153,433)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:	(149,459)	(153,433)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>22,850</u>	<u>141,752</u>
CASH & CASH EQUIVALENTS, BEGINNING	<u>4,076,578</u>	<u>3,934,826</u>
CASH & CASH EQUIVALENTS, ENDING	<u>\$ 4,099,428</u>	<u>\$ 4,076,578</u>
Contributed Goods & Services	<u>\$ 46,025</u>	<u>\$ 37,200</u>

The Accompanying Independent Auditors' Report and the Attached Notes are an Integral Part of These Financial Statements.

MENLO PARK-ATHERTON EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: ORGANIZATION

The Menlo Park-Atherton Education Foundation is a non-profit 501(c)(3) organization founded in 1982 and led by volunteers who are parents of students enrolled in the Menlo Park City School District. The MPAEF raises funds to support teachers and innovative curriculum for students at the schools of the Menlo Park City School District. The Foundation is committed to conducting its fundraising in a manner that enhances a positive sense of community, fosters cooperation among all District organizations, and increases awareness of the need for private funds for public education. Our Annual Parent Campaign happens in the fall and supports the district with essential funding. There is also the MPAEF Endowment for Excellence in Teaching, a permanent self-sustaining fund managed by an investment committee of parent volunteers, which was founded in 2003. In addition we have programs for business and community giving.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with FASB ASC subtopic 958-205-05-6, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted Net Assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an Operating Fund. Any net assets designated by the Board for specific purposes would also be categorized as unrestricted net assets. The Organization has elected to report as an increase in unrestricted net assets any restricted revenue received in the current period for which the restrictions have been met as of the end of the current reporting period.
- Temporarily Restricted Net Assets include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period.
- Permanently Restricted Net Assets include assets which are subject to a non-expiring donor restriction such as a donor restricted endowment fund.

MENLO PARK-ATHERTON EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting: The financial statements of the Organization are prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred.

Cash and Cash Equivalents include highly liquid investments and investments with a maturity of three months or less.

Investments consist of money market funds, bond funds, equity funds and other funds held by Charles Schwab. The funds are valued at fair market value with the net change recorded as unrealized gain or loss. Investments received through donations are recorded at their fair market value and in accordance with Board policy are generally sold upon receipt.

Furniture and Equipment with a useful life of three or more years and a cost or value in excess of \$1,000 that under generally accepted accounting principles would be capitalized and depreciated over the estimated useful life is being expensed. This departure from generally accepted accounting principles has not been, and is not expected to be, material.

Contributions are recorded when donations are received and are considered to be available for unrestricted use unless specifically restricted by the donor.

Functional Expenses have been allocated between Program Services and Supporting Services based on an analysis of personnel time and space utilized.

Income Taxes are not provided for in the financial statements since the corporation is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701D of the Revenue and Taxation Code of California. The Organization has not been classified as a private foundation.

Estimates: In accordance with generally accepted accounting principles, management has made estimates and assumptions that affect certain amounts and disclosures which could differ from actual results.

Prior year summarized financial information

The financial statements include amounts summarized from the prior audit which are presented in total but not by net asset class. Such information does not include sufficient detail to constitute a full comparative presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

MENLO PARK-ATHERTON EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3: CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

At June 30, 2016, the Organization maintains cash balances at financial institutions in excess of the FDIC coverage limit of \$250,000. At June 30, 2016, the Organization's uninsured cash balance totaled approximately \$3,844,726. In addition, \$2,905,848 was held in bond funds, equity funds and other assets, which are uninsured and subject to market risk.

NOTE 4: INVESTMENTS

	June 30, 2016		June 30, 2015	
	Cost	FMV	Cost	FMV
Money Market	\$ 85,289	\$ 85,289	\$ 53,540	\$ 53,540
Bond Funds	534,326	553,433	521,019	528,863
Equity Funds	2,205,633	1,983,657	2,109,331	2,147,987
Other Assets	<u>336,885</u>	<u>368,759</u>	<u>212,902</u>	<u>258,520</u>
Total Investments	<u>\$ 3,162,133</u>	<u>\$ 2,991,138</u>	<u>\$ 2,896,792</u>	<u>\$ 2,988,910</u>

All investments held by the Organization are Level 1 investments. Level 1 investments are quoted market prices in active markets for identical assets or liabilities.

NOTE 5: DONATED FACILITIES

Use of the administration office space located at Encinal Avenue is donated by the Menlo Park City School District at no charge. Values for the donated space are set by the District. During the fiscal year ended June 30, 2016, the contributed rent amounted to \$37,200.

NOTE 6: DONATED ASSISTANCE

Individuals volunteering their time is an integral part of the Organization's ability to keep their costs low. No amounts have been reflected in the financial statements for donated assistance. The Organization pays for most services requiring specific expertise. The Organization received approximately 5,796 volunteer hours valued at a rate provided by the Independent Sector, which was \$27.59 per hour for the year ended June 30, 2016 for a total value of approximately \$159,912.

MENLO PARK-ATHERTON EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7: ENDOWMENT FUND

The Organization has established an Endowment Fund with the goal of providing \$100,000 per year in general operating support. A separate appeal is made annually for endowment contributions. The Organization follows the guidance of FASB subtopic 958-205-50-1A and the state of California, State Prudent Management of Institutional Funds Act, which requires the preservation of the fair value of the original contributions as of the date of the donor restricted date unless the donor stipulates otherwise.

NOTE 8: DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through September 26, 2016, the date that the financial statements were available to be issued.