

MENLO PARK-ATHERTON EDUCATION FOUNDATION

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

WITH SUMMARIZED FINANCIAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT



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, 2017, 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, 2017 and 2016, 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, 2017 and the changes in its net assets, functional revenue and expense and its cash flows for the years ended June 30, 2017 and 2016 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Morton & Associates Inc.
Certified Public Accountants

October 15, 2017

MENLO PARK-ATHERTON EDUCATION FOUNDATION

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds June 30</u>	
				<u>2017</u>	<u>2016</u>
ASSETS					
Current Assets					
Cash & Equivalents	\$ 3,706,423	\$ 4,708	\$	\$ 3,711,131	\$ 4,099,428
Investments	2,282,288		1,654,598	3,936,886	2,991,138
Accounts Receivable	49,465			49,465	
Prepaid Expenses	<u>108</u>			<u>108</u>	
Total Current Assets	<u>6,038,284</u>	<u>4,708</u>	<u>1,654,598</u>	<u>7,697,590</u>	<u>7,090,566</u>
Total Assets	<u>\$ 6,038,284</u>	<u>\$ 4,708</u>	<u>\$ 1,654,598</u>	<u>\$ 7,697,590</u>	<u>\$ 7,090,566</u>
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 1,554	\$	\$	\$ 1,554	\$ 255
Payroll & Related Liabilities	7,230			7,230	8,809
Grant Payable	<u>3,545,000</u>		<u>155,000</u>	<u>3,700,000</u>	<u>3,600,000</u>
Total Current Liabilities	<u>3,553,784</u>		<u>155,000</u>	<u>3,708,784</u>	<u>3,609,064</u>
NET ASSETS					
Operating Fund	2,484,500			2,484,500	2,134,093
Temporarily Restricted		4,708		4,708	11,500
Endowment Funds			<u>1,499,598</u>	<u>1,499,598</u>	<u>1,335,909</u>
Total Net Assets	<u>2,484,500</u>	<u>4,708</u>	<u>1,499,598</u>	<u>3,988,806</u>	<u>3,481,502</u>
Total Liabilities & Net Assets	<u>\$ 6,038,284</u>	<u>\$ 4,708</u>	<u>\$ 1,654,598</u>	<u>\$ 7,697,590</u>	<u>\$ 7,090,566</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, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds June 30</u>	
				<u>2017</u>	<u>2016</u>
SUPPORT					
Contributions	\$ 3,621,927	\$ 4,708	\$ 318,689	\$ 3,945,324	\$ 3,783,675
Contributions In-Kind	<u>47,950</u>	<u> </u>	<u> </u>	<u>47,950</u>	<u>46,025</u>
Total Support	<u>3,669,877</u>	<u>4,708</u>	<u>318,689</u>	<u>3,993,274</u>	<u>3,829,700</u>
SPECIAL EVENTS					
Auctions	240,385			240,385	271,863
Are You In Run	58,118			58,118	106,967
Holiday Boutique					22,635
Fund-a-need	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>38,800</u>
Total Special Events	298,503			298,503	440,265
OTHER REVENUE					
Interest & Dividends	100,779			100,779	150,274
Other Income					501
Gain or Loss	(2,281)			(2,281)	(1,710)
Unrealized Gain or Loss	<u>293,214</u>	<u> </u>	<u> </u>	<u>293,214</u>	<u>(293,563)</u>
Total Other Revenue	<u>391,712</u>	<u> </u>	<u> </u>	<u>391,712</u>	<u>(144,498)</u>
Total Increases in Net Assets	<u>\$ 4,360,092</u>	<u>\$ 4,708</u>	<u>\$ 318,689</u>	<u>\$ 4,683,489</u>	<u>\$ 4,125,467</u>
EXPENSES					
Program Services					
Program Services	\$ 3,545,000	\$ <u> </u>	\$ 155,000	\$ 3,700,000	\$ 3,600,000
Total Program Services	<u>3,545,000</u>	<u> </u>	<u>155,000</u>	<u>3,700,000</u>	<u>3,600,000</u>
Support Services					
Management & General	84,508			84,508	80,198
Fund Raising	<u>391,677</u>	<u> </u>	<u> </u>	<u>391,677</u>	<u>379,713</u>
Total Support Services	<u>476,185</u>	<u> </u>	<u> </u>	<u>476,185</u>	<u>459,911</u>
Total Expenses	<u>4,021,185</u>	<u> </u>	<u>155,000</u>	<u>4,176,185</u>	<u>4,059,911</u>
Net Increase (Decrease)	338,907	4,708	163,689	507,304	65,556
Assets Released From Restriction	11,500	(11,500)			
Net Assets Beginning	<u>2,134,093</u>	<u>11,500</u>	<u>1,335,909</u>	<u>3,481,502</u>	<u>3,415,946</u>
Net Assets Ending	<u>\$ 2,484,500</u>	<u>\$ 4,708</u>	<u>\$ 1,499,598</u>	<u>\$ 3,988,806</u>	<u>\$ 3,481,502</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, 2017
(With Summarized Financial Information for the Year Ended June 30, 2016)

	Program Services	Management & General	Fund Raising	Total Support	Total 2017	Total 2016
SUPPORT & REVENUE						
SUPPORT						
Contributions	\$ 3,626,635	\$	\$ 318,689	\$ 318,689	\$ 3,945,324	\$ 3,783,675
Contributions In-Kind		10,750	37,200	47,950	47,950	46,025
Total Support	3,626,635	10,750	355,889	366,639	3,993,274	3,829,700
SPECIAL EVENTS						
Auctions			240,385	240,385	240,385	271,863
Are You In Run			58,118	58,118	58,118	106,967
Holiday Boutique						22,635
Fund-a-need						38,800
Total Special Events			298,503	298,503	298,503	440,265
OTHER REVENUE						
Interest & Dividends		100,779		100,779	100,779	150,274
Other Income						501
Gain or Loss	(2,281)				(2,281)	(1,710)
Unrealized Gain or Loss		293,214		293,214	293,214	(293,563)
Total Other Revenue	(2,281)	393,993		393,993	391,712	(144,498)
Total Support & Revenue	3,624,354	404,743	654,392	1,059,135	4,683,489	4,125,467
EXPENSES						
Salaries		38,752	166,877	205,629	205,629	179,563
Payroll Taxes		3,367	14,500	17,867	17,867	15,951
Total Salaries & Benefits		42,119	181,377	223,496	223,496	195,514
District Grant	3,700,000				3,700,000	3,600,000
Professional Fees		21,727	14,189	35,916	35,916	38,502
Contributed Services		10,750		10,750	10,750	8,825
Supplies		238	1,027	1,265	1,265	1,602
Office		288	1,241	1,529	1,529	884
License & Fees			7,969	7,969	7,969	15,605
Contributed Space		7,011	30,189	37,200	37,200	37,200
Dues & Publications			184	184	184	2,265
Advertising			5,299	5,299	5,299	6,024
Conferences & Meetings		1,578		1,578	1,578	1,159
Special Event Costs			85,325	85,325	85,325	72,559
Campaign Costs			62,091	62,091	62,091	69,957
Insurance		647	2,786	3,433	3,433	9,765
Bank Charges		150		150	150	50
Total Expense	3,700,000	84,508	391,677	476,185	4,176,185	4,059,911
Increase (Decrease) Assets	\$ (75,646)	\$ 320,235	\$ 262,715	\$ 582,950	\$ 507,304	\$ 65,556

The Accompanying Independent Auditors' Report and the Attached Notes
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MENLO PARK-ATHERTON EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>TOTAL CURRENT YEAR</u>	<u>TOTAL PRIOR YEAR</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Increase (Decrease) in Net Assets	\$ 507,304	\$ 65,556
Adjustments to Reconcile Net Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized (Gain)/Loss On Investments	2,281	1,710
Net unrealized (Gain)/Loss On Investments	(293,214)	293,563
Net Investment Earnings	(86,702)	(148,042)
(Increase) Decrease in Assets:		
Accounts Receivable	(49,465)	
Prepaid Expenses	(108)	
Increase (Decrease) in Liabilities:		
Accounts Payable	1,299	(41,928)
Payroll & Related Liabilities	<u>(1,580)</u>	<u>1,450</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	79,815	172,309
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments	<u>(468,112)</u>	<u>(149,459)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:	(468,112)	(149,459)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(388,297)</u>	<u>22,850</u>
CASH & CASH EQUIVALENTS, BEGINNING	<u>4,099,428</u>	<u>4,076,578</u>
CASH & CASH EQUIVALENTS, ENDING	<u>\$ 3,711,131</u>	<u>\$ 4,099,428</u>
NON CASH TRANSACTIONS		
Contributed Goods & Services	<u>\$ 47,950</u>	<u>\$ 46,025</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, 2017

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, 2017

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, 2016, from which the summarized information was derived.

MENLO PARK-ATHERTON EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

At June 30, 2017, the Organization maintains cash balances at financial institutions in excess of the FDIC coverage limit of \$250,000. At June 30, 2017, the Organization's uninsured cash balance totaled approximately \$2,247,597. In addition, \$3,640,051 was held in bond funds, equity funds and exchange traded funds (ETF), which are uninsured and subject to market risk.

NOTE 4: INVESTMENTS

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>
Cash	\$ 10,036	\$ 10,036	\$	\$
Money Market	286,799	286,799	85,289	85,289
Bond Funds	700,153	694,761	534,326	553,433
Equity Funds	1,522,451	1,596,858	2,205,633	1,983,657
ETF	<u>1,193,485</u>	<u>1,348,432</u>	<u>336,885</u>	<u>368,759</u>
Total Investments	<u>\$ 3,712,924</u>	<u>\$ 3,936,886</u>	<u>\$ 3,162,133</u>	<u>\$ 2,991,138</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, 2017, 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 5,850 volunteer hours valued at a rate provided by the Independent Sector, which was \$28.46 per hour for the year ended June 30, 2017 for a total value of approximately \$166,491.

MENLO PARK-ATHERTON EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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 October 15, 2017, the date that the financial statements were available to be issued.