

**EL SEGUNDO EDUCATIONAL FOUNDATION**  
(A California Nonprofit Corporation)

**Audit Report**

**June 30, 2010**

EL SEGUNDO EDUCATIONAL FOUNDATION  
(A CALIFORNIA NONPROFIT CORPORATION)  
AUDIT REPORT  
For the Fiscal Year Ended June 30, 2010  
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Board of Directors  
El Segundo Educational Foundation  
El Segundo, California

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of the El Segundo Educational Foundation (the "Foundation") (a California Nonprofit Corporation) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 El Segundo Educational Foundation as of June 30, 2010, and the 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.

*Christy White Accountancy Corporation*

San Diego, California  
October 11, 2010

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*Financial Section*

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**El Segundo Educational Foundation  
(A California Nonprofit Corporation)  
Statement of Financial Position  
June 30, 2010**

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<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 212,777
<b>NON CURRENT ASSETS</b>	
Investments	1,283,962
<b>TOTAL ASSETS</b>	<b>\$ 1,496,739</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accrued expenses	\$ 6,694
Deferred revenue	74,598
<b>TOTAL LIABILITIES</b>	<b>81,292</b>
<b>NET ASSETS</b>	
Unrestricted	1,415,447
Temporarily restricted	-
<b>TOTAL NET ASSETS</b>	<b>\$ 1,415,447</b>

*See accompanying notes to financial statements.*

**El Segundo Educational Foundation**  
**(A California Nonprofit Corporation)**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Contributions	\$ 646,111	\$ -	\$ 646,111
Special events fundraising	84,753	-	84,753
Total revenues and support	<u>730,864</u>	<u>-</u>	<u>730,864</u>
<b>EXPENSES</b>			
Support services	169,019	-	169,019
Program expenses	462,000	-	462,000
Total expenses	<u>631,019</u>	<u>-</u>	<u>631,019</u>
<b>OTHER REVENUES AND EXPENSES</b>			
Interest and dividend income	43,017	-	43,017
Net realized and unrealized gains on investments	84,292	-	84,292
Total other revenues and expenses	<u>127,309</u>	<u>-</u>	<u>127,309</u>
<b>CHANGE IN NET ASSETS</b>	227,154	-	227,154
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,188,293</u>	<u>-</u>	<u>1,188,293</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,415,447</u>	<u>\$ -</u>	<u>\$ 1,415,447</u>

*See accompanying notes to financial statements.*

**El Segundo Educational Foundation  
(A California Nonprofit Corporation)  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2010**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 227,154
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Interest and dividends on investments	
less applicable fees	(26,762)
Net realized and unrealized gains on investments	(84,292)
Change in operating assets and liabilities:	
Accrued expenses	6,694
Deferred revenue	74,598
	<hr/>
Net cash flows provided by operating activities	197,392
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<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	197,392
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	15,385
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<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 212,777
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*See accompanying notes to financial statements.*

**El Segundo Educational Foundation**  
**(A California Nonprofit Corporation)**  
**Statement of Functional Expenses**  
**For the Fiscal Year Ended June 30, 2010**

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	Support	Program	Total
Other general administration	\$ 112,571	\$ -	\$ 112,571
Consulting	4,995	-	4,995
Dues and subscriptions	100	-	100
Postage and printing	4,565	-	4,565
Supplies	586	-	586
Taxes	105	-	105
Fundraising expenses	46,097	-	46,097
Grants	-	462,000	462,000
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	<b>\$ 169,019</b>	<b>\$ 462,000</b>	<b>\$ 631,019</b>
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*See accompanying notes to financial statements.*



**El Segundo Educational Foundation  
(A California Nonprofit Corporation)  
Notes to Financial Statements  
June 30, 2010**

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**NOTE 1 – ACCOUNTING POLICIES**

The significant policies followed by El Segundo Educational Foundation (the Foundation) are described below to enhance the usefulness of the financial statements to the reader.

*✓ Organization and Nature of Activities*

The Foundation was formed pursuant to the not-for-profit corporation laws of the State of California as a California Nonprofit Public Benefit Corporation for the primary purpose of encouraging public awareness, the receiving contributions and, in turn, the making of donations to, and otherwise aiding and supporting El Segundo Unified School District (the District). Should the Foundation be dissolved, its assets remaining after payment of liabilities shall be distributed to the District.

*✓ Basis of Accounting*

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

*✓ 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 and disclosures. Accordingly, actual results could differ from those estimates.

*✓ Income Taxes*

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private Foundation within the meaning of Section 509(a). The Foundation annually files Forms 990, 199, and RRF-1 with the appropriate agencies.

Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Foundation did not have any net unrelated business income for the year ended June 30, 2010. It is management's belief that the Foundation does not hold any uncertain tax positions that would materially impact the financial statements.

**El Segundo Educational Foundation  
(A California Nonprofit Corporation)  
Notes to Financial Statements  
June 30, 2010**

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**NOTE 1 – ACCOUNTING POLICIES (continued)**

*✓ Revenue Recognition*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence of any donor restrictions. The Foundation did not have any permanently restricted net assets at June 30, 2010. All donor-restricted contributions are recorded as increases in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, either by passage of time or satisfaction of purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.”

*✓ Cash and Cash Equivalents*

The Foundation considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

*✓ Investments*

The Foundation’s method of accounting for investments is the fair value method. Fair value is determined by published quotes when they are readily available. Adjustments to fair values are included in the accompanying statement of financial position and statement of activities.

*✓ Financial Statement Presentation*

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Fund accounting is not used in its financial statement presentation.

*✓ Statement of Functional Expenses*

The costs of providing the various programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the functional categories based upon management’s estimates.

*✓ Subsequent Events*

The Foundation has evaluated subsequent events for the period from June 30, 2010 through October 11, 2010, the date the financial statements were issued.

El Segundo Educational Foundation  
(A California Nonprofit Corporation)  
Notes to Financial Statements  
June 30, 2010

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**NOTE 1 – ACCOUNTING POLICIES (continued)**

*Recent Accounting Pronouncements*

The Financial Accounting Standards Board (the “FASB”) has codified a single source of U.S. Generally Accepted Accounting Principles, the *Accounting Standards Codification*. Unless needed to clarify a point to readers, we will refrain from citing specific section references when discussing application of accounting principles or addressing new or pending accounting rule changes. There are no recently issued accounting standards that are expected to have a material effect on the Foundation’s financial position, results of activities or cash flows.

✓ **NOTE 2 – CONCENTRATION OF RISK**

Custodial credit risk is the risk that in the event of a bank failure, the Foundation’s deposits may not be returned to it. The Foundation does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2010, the Foundation was not exposed to custodial credit risk as there were no deposits over \$250,000 at any one insured bank.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following as of June 30, 2010:

Checking and savings accounts	\$ 10,545
Certificates of deposit	1,973
Money market savings	200,259
Total cash and cash equivalents	<u>\$ 212,777</u>

**El Segundo Educational Foundation  
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Notes to Financial Statements  
June 30, 2010**

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✓ **NOTE 4 – INVESTMENTS**

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
  
- Level 2      Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
  
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following details the level within the fair value hierarchy of the Foundation's assets as fair value as of June 30, 2010. Level 1 investments consist of equity securities and totaled \$1,283,962. There were no Level 2 or Level 3 investments.

**El Segundo Educational Foundation  
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Notes to Financial Statements  
June 30, 2010**

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**NOTE 5 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are contributions that have donor imposed restrictions that expire with the passage of time or when the purpose is satisfied. As these restrictions are met, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restriction.” Permanently restricted net assets are gifts of cash and securities restricted by donors in ways that permit only the earnings to be used for specific programs, scholarships, and general operations of the Foundation. As restrictions on the net assets expire due to time passing and earnings becoming available for expenditure, the funds are released to either temporarily restricted net assets or unrestricted net assets as applicable. At June 30, 2010, the Foundation had no permanently or temporarily restricted net assets.

**NOTE 6 – DONATED ASSETS AND SERVICES**

During the year, many individuals donate significant amounts of time and services to the Foundation in an effort to advance the programs and objectives of the Foundation. These services have not been recorded in the financial statements because no objective basis is available to measure the value of such services. The assets received have not been recorded in the financial statements because they are immediately passed on to the program that is to use the assets, or the value of the assets is not readily determinable.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The Foundation’s primary purpose is to provide support to the programs, students, and educational departments of the El Segundo Unified School District. In exchange, the District provides office space and administrative support. The cost of this support has not been reflected within the financial statements as a reasonable basis has not been established.

The Foundation awards financial support for various programs and general support to the District in accordance with donor instructions. During the year ended June 30, 2010, the Foundation transmitted payments to the District in the amount of \$462,000.

The Foundation maintains accounts at Citizens Business Bank and Bank of Manhattan. Board of Director members Cameronne Mosher and Ed Myska are employees of the banks.

Mr. Ed Su serves as a member director of the board for the Foundation and is also the owner of a printing company called Studio Printing. The Foundation from time to time engages Studio Printing for printing services. Fees invoiced to the Foundation from Studio Printing during the year ended June 30, 2010 totaled \$5,812.