

**CORONADO SCHOOLS FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2018**

CORONADO SCHOOLS FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Coronado Schools Foundation

We have audited the accompanying financial statements of Coronado Schools Foundation, a nonprofit organization, and subsidiaries, which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the years then 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 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 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 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.

Earning Your Trust Since 1946

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coronado Schools Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE
An accountancy corporation

October 4, 2018

**CORONADO SCHOOLS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTALS</u>
ASSETS				
CURRENT ASSETS				
Cash (note 3)	\$ 722,177	\$ 24,000	\$ -	\$ 746,177
Certificate of deposit	25,018	-	-	25,018
Accounts receivable	26,665	-	-	26,665
Prepaid expenses	17,105	-	-	17,105
	<u>790,965</u>	<u>24,000</u>	<u>-</u>	<u>814,965</u>
PROPERTY AND EQUIPMENT (note 4)	2,585	-	-	2,585
OTHER ASSETS				
Investments (note 6)	<u>5,038,268</u>	<u>125,736</u>	<u>1,301,994</u>	<u>6,465,998</u>
TOTAL ASSETS	<u><u>5,831,818</u></u>	<u><u>149,736</u></u>	<u><u>1,301,994</u></u>	<u><u>7,283,548</u></u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	56,108	-	-	56,108
Block grants due	547,115	-	-	547,115
Accrued scholarships and grants	80,897	-	-	80,897
Unearned revenue	48,153	-	-	48,153
TOTAL LIABILITIES	<u>732,273</u>	<u>-</u>	<u>-</u>	<u>732,273</u>
NET ASSETS (note 8)	<u>5,099,545</u>	<u>149,736</u>	<u>1,301,994</u>	<u>6,551,275</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,831,818</u></u>	<u><u>\$ 149,736</u></u>	<u><u>\$ 1,301,994</u></u>	<u><u>\$ 7,283,548</u></u>

See accompanying notes

**CORONADO SCHOOLS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTALS</u>
REVENUE				
Contributions	\$ 426,084	\$ 132,553	\$ -	\$ 558,637
Interest and dividend income (note 6)	78,213	21,964	-	100,177
Realized and unrealized gain, net (note 6)	301,871	83,472	-	385,343
Enrichment tuition	151,135	-	-	151,135
	<u>957,303</u>	<u>237,989</u>	<u>-</u>	<u>1,195,292</u>
Special Events and Activities (note 9)				
Special events and activities revenue	679,364	-	-	679,364
Direct benefits to donors	(58,200)	-	-	(58,200)
	<u>621,164</u>	<u>-</u>	<u>-</u>	<u>621,164</u>
Net assets released from restriction	168,461	(168,461)	-	-
	<u>1,746,928</u>	<u>69,528</u>	<u>-</u>	<u>1,816,456</u>
EXPENSES				
Program services	1,178,273	-	-	1,178,273
Management and general	102,995	-	-	102,995
Development	249,480	-	-	249,480
	<u>1,530,748</u>	<u>-</u>	<u>-</u>	<u>1,530,748</u>
CHANGE IN NET ASSETS	216,180	69,528	-	285,708
NET ASSETS, BEGINNING	<u>4,883,365</u>	<u>80,208</u>	<u>1,301,994</u>	<u>6,265,567</u>
NET ASSETS, END	<u>\$ 5,099,545</u>	<u>\$ 149,736</u>	<u>\$ 1,301,994</u>	<u>\$ 6,551,275</u>

See accompanying notes

**CORONADO SCHOOLS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTALS</u>
EXPENSES				
Bank service charges	\$ -	\$ 7,971	\$ 7,971	\$ 15,942
Business partners	-	-	618	618
Community involvement	546	-	546	1,091
Designated donations	22,020	-	-	22,020
District program funding	115,892	-	-	115,892
District site program grants	800,350	-	-	800,350
Donor recognition	-	-	7,459	7,459
Endowment management (in house)	1,000	1,000	-	2,000
Foundation grant	41,350	-	-	41,350
In-kind rent and services	15,960	2,520	2,520	21,000
Insurance	4,577	4,577	4,577	13,731
Marketing	-	-	23,239	23,239
Office and administrative	12,238	24,475	12,238	48,950
Payroll taxes	7,056	5,040	8,064	20,159
Professional services	4,547	4,547	4,547	13,640
PTA support	2,092	-	-	2,092
Scholarships	48,051	-	-	48,051
Special event costs and supplies	-	-	79,061	79,061
Special event food and beverage	-	-	55,845	55,845
Training and seminars	1,599	-	-	1,599
Wages	100,997	50,498	100,997	252,492
TOTAL EXPENSES BEFORE DEPRECIATION	1,178,273	100,628	307,680	1,586,581
Depreciation	-	2,367	-	2,367
TOTAL EXPENSES	1,178,273	102,995	307,680	1,588,948
Less: Direct benefits to donors at special events included in revenue	-	-	(58,200)	(58,200)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	\$ 1,178,273	\$ 102,995	\$ 249,480	\$ 1,530,748

See accompanying notes

**CORONADO SCHOOLS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

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CASH FLOWS USED BY OPERATING ACTIVITIES	
Change in net assets	\$ 285,708
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES	
Depreciation	2,367
Realized and unrealized gain, net	(385,343)
Changes in operating assets and liabilities:	
Accounts receivable	(10,808)
Prepaid expenses	1,539
Accounts payable and accrued liabilities	48,285
Block grants due	(160,744)
Accrued scholarships and grants	25,285
Unearned revenue	(41,135)
	(520,554)
NET CASH FLOWS USED BY OPERATING ACTIVITIES	(234,846)
NET CASH PROVIDED BY INVESTING ACTIVITIES	
Net change in certificate of deposit	(18)
Purchases of investments	(106,940)
Proceeds on sales of investments	279,741
	172,783
NET DECREASE IN CASH	(62,063)
CASH, BEGINNING OF YEAR	808,240
CASH, END OF YEAR	\$ 746,177

See accompanying notes

CORONADO SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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NOTE 1 THE ORGANIZATION

The Coronado Schools Foundation (Foundation) was incorporated under the laws of the State of California in April, 1981 as a nonprofit community organization. The Foundation operates exclusively for educational and charitable purposes, in order to promote and help maintain quality education and the welfare of all the students within the boundaries of the Coronado Unified School District. The Foundation is supported primarily through partners in education - donations from parents and community members - as well as business partners in education and proceeds from special fundraising events. Additional program funding is provided by returning 4% annually, per the Foundation's investment policy, from both the general endowment and the board designated Frances G. Harpst Legacy gift.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements have been prepared using the accrual method in conformity with generally accepted accounting principles (GAAP) in the United States.

Basis of 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. New standards were issued regarding classification of endowment funds of nonprofits subject to an enacted version of the Uniform Prudent Management of Institutional Funds Acts (UPMIFA) and enhanced disclosures in the endowment. The State of California adopted UPMIFA in October 2008. The Foundation adopted new standards effective July 1, 2009.

Estimates - Management of the Foundation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Cash - The Foundation considers financial instruments with a fixed maturity date of less than three months to be cash equivalents.

Certificate of deposit - The certificate of deposit is reported at cost. Management has elected not to record accrued interest or applicable early withdrawal penalties related to the certificate of deposit due to its immateriality to the financial statements. At June 30, 2018, the Foundation had a certificate of deposit at a commercial bank for \$25,000. The rate of interest is 0.10% and the maturity date was July 2018. It was renewed with a new maturity date of April 2019.

CORONADO SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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Property and equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method of depreciation over the asset's estimated useful life of five years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Fair value measurement - The Foundation follows accounting standards consistent with the Financial Accounting Standards Board (FASB) codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Investments - The Foundation carries investments in marketable securities with readily determinable values at fair value in the statement of financial position. Realized and unrealized gains and losses are included in the accompanying statement of activities and changes in net assets. Investment income is recognized as revenue in the period it is earned.

Donor-imposed restrictions - All contributions are considered to be unrestricted unless specifically restricted by the donor. Amounts received designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted, increasing those net asset classes. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as temporarily restricted and then released from restriction in the same period.

In-kind donations - The Foundation follows standards relating to contributions received and contributions made as consistent with the FASB Codification. These standards require recording the value of donated services that create or enhance non-financial assets or require specialized skills. Although many individuals donate significant time to the Foundation these services did not meet the above criteria for recognition for the year ended June 30, 2018.

The Foundation records donated goods, services, and facilities at fair value. The Foundation received \$18,000 in donated office space rent and \$3,000 in donated services for the year ended June 30, 2018.

Functional allocation of expenses - The Foundation allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Foundation's management.

Income taxes - The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and under Section 23701(d) of the California Franchise Tax Code.

CORONADO SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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The Foundation follows accounting standards which clarify the accounting uncertainty in income taxes recognized in the financial statements and prescribes a recognition threshold and measurement attribute for the financial statements and recognition and measurement of a tax position taken or expected to be taken in the tax return. It also provides guidance on derecognition and measurement of a tax position taken or to be taken in a tax return. As of June 30, 2018, the Foundation has no accrued interest or penalties related to uncertain tax positions. The Foundation files tax returns in the U.S. Federal jurisdiction and the State of California.

NOTE 3 CASH

The Foundation maintains its cash balances in one regional bank located in California. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation has not experienced any loss in such accounts. As of June 30, 2018, the uninsured balance is \$790,159. The Foundation believes it is not exposed to any significant credit risks on its cash balances.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2018
Office equipment	\$ 17,702
Accumulated depreciation	(15,117)
	<u>\$ 2,585</u>

Depreciation expense was \$2,367 for the year ended June 30, 2018.

NOTE 5 FAIR VALUE MEASUREMENT

The Foundation follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

CORONADO SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Financial assets carried at fair value and measured on a recurring basis at June 30, 2018 are classified below in one of the three levels described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Stock Mutual Funds	\$ 4,411,015	\$ -	\$ -	\$ 4,411,015
Bond Mutual Funds	2,042,658	-	-	2,042,658
Cash reserves	12,326	-	-	12,326
	<u>\$ 6,465,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,465,998</u>

Investments in mutual funds are revalued at market prices in active markets and are classified as Level 1.

NOTE 6 INVESTMENTS

Investments are stated at fair value and consist of the following at June 30, 2018:

	<u>Cost</u>	<u>Fair Value</u>
Stock Mutual Funds	\$ 3,273,646	\$ 4,411,015
Bond Mutual Funds	2,025,961	2,042,658
Cash reserves	12,326	12,326
	<u>\$ 5,311,933</u>	<u>\$ 6,465,998</u>

The following schedule summarizes the Foundation's return on long-term investments and its classification in the statement of activities and changes in net assets for the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 78,213	\$ 21,964	\$ -	\$ 100,177
Realized and unrealized gain, net	301,871	83,472	-	385,343
Total investment return	<u>\$ 380,084</u>	<u>\$ 105,436</u>	<u>\$ -</u>	<u>\$ 485,520</u>

Investment return is shown net of investment management fees of \$18,597 for the year ended June 30, 2018.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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NOTE 7 ENDOWMENT FUND

The Foundation has interpreted UPMIFA as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Policy Manual of the Foundation prescribes that an Endowment Fund shall be maintained for the purpose of ensuring the Foundation's continued financial viability. The primary goal for the management of the Endowment Fund is to preserve the real (i.e., inflation-adjusted) purchasing power of principal and income after accounting for endowment spending, inflation and costs of investment management. The Finance Committee shall oversee the Endowment Fund in such a manner as to, first, minimize risk of loss of the Endowment fund's principal, and second, achieve the maximum return available consistent with prudent investment standards. The portfolio manager shall be authorized to invest the Endowment Fund's assets as set forth by the Foundation's approved investment policy. The Foundation has committed to return 4% of its value annually first to benefit its administrative and overhead costs and second to the Coronado Unified School District, per its investment policy.

As of June 30, 2018 the Foundation held in trust five sub-endowment funds in addition to its General Endowment Fund. The sub-endowment funds are the Shelia Davis Lawrence (SDL) Endowment Fund, Burke Couture Scholarship Fund, Robert J. Oliver (RJO) Scholarship Fund, Patricia Davy Scholarship Fund and the Tanya Hagen Scholarship Fund. The details are summarized as follows:

SDL Endowment Fund - The Foundation received an endowment for the purpose of providing a portion of investment income and capital gains to the Foundation to be used for program expenses.

Burke Couture Scholarship Fund - The Foundation received an endowment from a donor family for the purpose of granting an annual scholarship to an eligible student within the Coronado Unified School District who will attend either University of San Diego or San Diego State University.

RJO Scholarship Fund - The Foundation received an endowment from a donor family for the purpose of granting an annual scholarship to an eligible student within the Coronado Unified School District who will be attending a college or university in the following Foundation year.

Patricia Davy Scholarship Fund - Coronado High School received an estate gift to fund an annual scholarship for an eligible student within the senior class of the Coronado Unified School District.

**CORONADO SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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Tanya Hagen Scholarship Fund - The Foundation received an endowment of \$50,000 from a donor family for the purpose of granting an annual scholarship to an eligible graduating student within the Coronado Unified School District who will be attending a college or university in the following Foundation year.

The portion of the Endowment Fund that is classified as permanently restricted is not reduced by losses on the investments of the fund. Losses on the investments of permanently restricted funds reduce the temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets.

The endowment funds are reported as investments on the statement of financial position.

The Foundation has the following endowment related activities and changes in endowment net assets for the year ending June 30, 2018.

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning	\$ (12,853)	\$ 80,208	\$ 1,301,994	\$ 1,369,349
Contributions	-	-	-	-
Investment income net amounts	-	105,436	-	105,436
Appropriated for expenditure	(2,853)	(59,908)	-	(62,761)
Endowment net assets, end	<u>\$ (15,706)</u>	<u>\$ 125,736</u>	<u>\$ 1,301,994</u>	<u>\$ 1,412,024</u>

From time to time, the fair value of assets associated with permanently restricted funds may fall below the level that the donor requires the Foundation to retain permanently. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets was \$15,706 as of June 30, 2018. These deficiencies resulted from unfavorable market fluctuations that have occurred after the investment of permanently restricted funds and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

**CORONADO SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 NET ASSETS

Net assets consisted of the following at June 30, 2018:

Unrestricted	\$	45,572
Unrestricted - board designated		<u>5,053,973</u>
		5,099,545
Temporarily restricted		
Endowment funds' earnings		125,736
Scholarships		<u>24,000</u>
		149,736
Permanently restricted		
General Endowment		1,000,000
SDL Endowment		107,500
Tanya Hagen Scholarship Fund		51,179
RJO Scholarship Fund		50,000
Patricia Davy Scholarship Fund		49,344
Burke Couture Scholarship Fund		<u>43,971</u>
		<u>1,301,994</u>
Total net assets	\$	<u><u>6,551,275</u></u>

The Board has designated for future use donations received from Frances G. Harpst Legacy in previous years. Included in unrestricted - board designated is income earned from investing the Frances G. Harpst funds less any board approved appropriation, such as the amount returned annually, that is reflected in the district site program grants line on the statement of functional expenses.

The permanently restricted amounts represent the corpus, the original value of the gifts to the Foundation (see note 7).

**CORONADO SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9 SPECIAL EVENTS AND ACTIVITIES

Revenues and expenses from Special Events and Activities are directly related to fundraising and consist of the following:

Revenue:

Benefit auction contributions	\$ 416,300
Supporter/telethon donations	260,564
Concert in the park	<u>2,500</u>
	679,364

Less: Direct benefit to donors	<u>(58,200)</u>
	621,164

Expenses:

Auction expenses:

Event costs and supplies	70,501
Food and beverage	52,750
Wages and payroll taxes	43,335
Bank service charges	8,093
Office	2,899
Auction party favors	1,377
Marketing	976
Business partners	<u>337</u>
	180,268

Telethon expenses:

Wages and payroll taxes	13,001
Event cost and supplies	5,916
Office	2,920
Marketing	3,105
Food and beverage	3,095
Business partners	<u>281</u>
	<u>28,318</u>

Total auction and telethon expenses	208,586
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Less: direct benefit to donors at special events netted with revenue	<u>(58,200)</u>
	<u>150,386</u>

Net special events and activities	<u><u>\$ 470,779</u></u>
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NOTE 10 SUBSEQUENT EVENTS

The Foundation has evaluated events through October 4, 2018, the date at which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.