Moraga Education Foundation

Financial Statements

For the Year Ended
June 30, 2016

MORAGA EDUCATION FOUNDATION

(A California Non-Profit Corporation)
June 30, 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Moraga Education Foundation

We have audited the accompanying financial statements of Moraga Education Foundation (a California nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities and changes in net assets, 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 audits 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moraga Education Foundation as of June 30, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Regalia & Associates

Danville, California
October 27, 2016

Statements of Financial Position
June 30, 2016 and 2015

ASSETS

		2016		2015
Current assets:				
Cash and cash equivalents	$	**80,090**	$	179,089
Investments		**2,806,636**		2,591,193
Accrued interest receivable		**6,715**		5,122
Prepaid expenses		**4,535**		4,597
Total current assets		**2,897,976**		2,780,001
	$	**2,897,976**	$	2,780,001

LIABILITIES AND NET ASSETS

		2016		2015
Liabilities:				
Accounts payable and accrued liabilities	$	**43,167**	$	47,510
Total liabilities		**43,167**		47,510
Net assets:				
Unrestricted:				
Board-designated endowment funds		**318,553**		258,961
Undesignated		**2,536,256**		2,473,530
Total net assets		**2,854,809**		2,732,491
	$	**2,897,976**	$	2,780,001

MORAGA EDUCATION FOUNDATION

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2016 and 2015

	2016	2015
Change in net assets:		
Contributed income and revenue		
Donations and contributions	$ **2,101,957**	$ 2,056,458
Endowment fund contributions	**53,092**	60,468
Investment interest and dividends	**52,729**	52,999
Realized losses on investments	**(4,449)**	-
Unrealized losses on investments	**(12,327)**	(26,674)
Total contributed income and revenue	**2,191,002**	2,143,251
Expenses:		
Business sponsors	**853**	1,263
Communications	**17,217**	16,205
Community events	**1,095**	115
General and administrative	**44,101**	47,143
Occupancy	**7,750**	7,600
Office expenses	**3,069**	4,624
Payroll	**53,020**	48,990
Phone-A-Thon	**1,252**	1,678
School district contributions	**1,940,327**	1,924,882
Total expenses	**2,068,684**	2,052,500
Increase in net assets	**122,318**	90,751
Net assets at beginning of year	**2,732,491**	2,641,740
Net assets at end of year	$ **2,854,809**	$ 2,732,491

Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Operating activities:		
Increase in net assets	**$ 122,318**	$ 90,751
Adjustments to reconcile to cash provided by operating activities:		
Net realized loss on disposition of investments	**4,449**	-
Net unrealized losses on investments	**12,327**	26,674
Changes in:		
Accrued interest receivable	**(1,593)**	(1,234)
Prepaid expenses	**62**	697
Accounts payable	**(4,343)**	(22,045)
Cash provided by operating activities	**133,220**	94,843
Investing activities:		
Acquisition of investments	**(1,921,970)**	(139,715)
Proceeds from sales and maturities of investments	**1,689,751**	-
Cash used for investing activities	**(232,219)**	(139,715)
Decrease in cash and cash equivalents	**(98,999)**	(44,872)
Cash and cash equivalents at beginning of year	**179,089**	223,961
Cash and cash equivalents at end of year	**$ 80,090**	$ 179,089
Additional cash flow information:		
Taxes paid	**$ 150**	$ 150
Interest paid	**$ -**	$ -

Notes to Financial Statements
June 30, 2016 and 2015

1. Organization

Moraga Education Foundation (MEF) was organized and incorporated in 1981 as a nonprofit corporation under the laws of the State of California. MEF raises funds to preserve and enhance educational opportunities for all students attending Moraga public schools, through a broad-based community effort. MEF believes that together the entire community can build a better future for all Moraga school children consistent with the educational goals of the Moraga School District and Campolindo High School.

2. Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of MEF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, MEF 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.

Revenue Recognition
MEF records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, donations and grants restricted by the donor for particular purposes are deemed to be earned and are reported as revenue and support when MEF has incurred expenditures in compliance with the specific restrictions. Such amounts received or receivable but not yet earned are included as temporarily restricted net assets on the statements of financial position. MEF had no temporarily or permanently restricted contributions as of and for the years ended June 30, 2016 and 2015.

Cash and Cash Equivalents
MEF considers all highly liquid investments with an original commitment period of three months or less when acquired to be cash equivalents. Cash and cash equivalents include all monies in FDIC-insured bank accounts and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. From time to time, account balances may exceed the maximum balance protected by federal insurance. MEF attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements
MEF follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, and has estimated the fair value of its current assets using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that MEF could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2016. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented

Investments
In accordance with the provisions of ASC 958.320, *Investments – Debt and Equity Securities of Not-for-Profit Entities*, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

Occasionally MEF is the recipient of donated securities. Investments and other securities received by gift are recorded at market value at the date of contribution in accordance with ASC 958.320. MEF converts such securities to liquid assets (cash and cash equivalents), and any realized gains or losses are included on the statements of activities and changes in net assets.

Income Taxes
Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, MEF is required to report information regarding its exposure to various tax positions taken by MEF and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that MEF has adequately evaluated its current tax positions and has concluded that as of June 30, 2016, MEF does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

MEF has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. MEF may periodically receive unrelated business income requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, MEF would calculate and accrue the applicable taxes payable.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Net Assets

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board. Board-designated endowment funds amounted to $318,553 and $258,961 at June 30, 2016 and 2015, respectively.

3. Cash and Cash Equivalents

Cash and cash equivalents of $80,090 and $179,089 at June 30, 2016 and 2015, respectively, include all deposits in banks and highly liquid investments (including short-term interest bearing investments in money market accounts) with maturity dates of less than 90 days when acquired.

Components of cash and cash equivalents are detailed as follows at June 30, 2016 and 2015:

	2016	2015
Checking (noninterest-bearing)	**$ 54,187**	$ 153,157
Savings (bearing interest at 0.06% per annum at 2016)	**25,410**	25,395
Money market (bearing interest at 0.01% per annum)	**493**	537
Total investments	**$ 80,090**	$ 179,089

Notes to Financial Statements

4. Investments

Investments consist of the following at June 30, 2016 and 2015:

	2016	2015
Certificates of deposit	**$ 1,719,000**	$ 1,493,000
Money market funds	**50,431**	17,905
Mutual funds principally invested in equities	**500,606**	375,486
Mutual funds principally invested in bonds	**536,599**	704,802
Total investments	**$ 2,806,636**	$ 2,591,193

Certificates of deposit mature at various dates through 2017 and bear interest at rates ranging from 0.45% to 0.85% per annum as of June 30, 2016. Composition of investments utilizing fair value measurements at June 30, 2016 is as follows:

	Total	Level 1	Level 2	Level 3
Certificates of deposit	$ 1,719,000	$ 1,719,000	$ -	$ -
Money market funds	50,431	50,431	-	-
Mutual funds principally invested in equities	500,606	500,606	-	-
Mutual funds principally invested in bonds	536,599	536,599	-	-
Total investments	$ 2,806,636	$ 2,806,636	$ -	$ -

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on “unobservable inputs," such as the organization’s own estimates and pricing models.

MEF’s Board members have the responsibility for establishing the organization’s investment objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters (generally low risk securities, certificates of deposit and mutual funds). Members of the Board routinely oversee investment performances and review cash flows necessary to sustain MEF’s operating activities.

5. School District Contributions

The Moraga Education Foundation raises funds to preserve and enhance educational opportunities for all Moraga public school students, through a broad-based community effort. MEF believes that together the entire community can build a better future for its children consistent with the educational goals of the Moraga School District and Campolindo High School. During the years ended June 30, 2016 and 2015, Moraga Education Foundation raised over $2,150,000 and $2,100,000, respectively, in contributions from the community which included parents and business partners. This allowed MEF to expend $1,940,327 and $1,924,882 during the years ended June 30, 2016 and 2015, respectively, in direct monetary support for educational programs for all five public schools in Moraga, including Campolindo High School.

Notes to Financial Statements

6. In-Kind Contributions

During the years ended June 30, 2016 and 2015, MEF was the recipient of a substantial amount of in-kind contributions. The value of these contributions, as reflected in the financial statements, is summarized as follows:

		2016		2015
Occupancy	$	**7,750**	$	7,600
Supporting services		**1,569**		1,050
Graphic design		**3,750**		3,720
Strategic planning		**-**		1,500
Total in-kind contributions	$	**13,069**	$	13,870

Additionally, a substantial number of unpaid volunteers have made significant contributions of time to MEF's operations and programs. The value of this contributed time is not reflected in the financial statements because it is not susceptible to objective measurement or valuation and therefore did not meet the criteria for recognition under ASC 958.605.

7. Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts related to ongoing operational activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate MEF to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond MEF's control, such as general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

8. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, MEF has evaluated subsequent events through October 27, 2016, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.