

**CHARTER SCHOOL OF MORGAN HILL
FOUNDATION**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2014

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CHARTER SCHOOL OF MORGAN HILL FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Charter School of Morgan Hill Foundation
Morgan Hill, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Charter School of Morgan Hill Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year 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 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 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 the Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

C & A LLP

November 14, 2014
San Jose, California

CHARTER SCHOOL OF MORGAN HILL FOUNDATION
Statement of Financial Position
June 30, 2014

Assets

Current assets:

Cash and cash equivalents	\$ 492,912
Accounts receivable	1,665
Due from CSMH	3,775
Prepaid expenses	3,903
Total current assets	<u>502,255</u>

Other assets	<u>10,000</u>
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TOTAL ASSETS	<u><u>\$ 512,255</u></u>
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Liabilities

Current liabilities:

Accounts payable	\$ 1,239
Due to CSMH	811
Other current liabilities	<u>3,500</u>

TOTAL LIABILITIES	<u>5,550</u>
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Net Assets

Temporarily restricted for:

Classroom supplies	12,150
Mural	<u>2,075</u>
Total temporarily restricted net assets	14,225

Unrestricted	<u>492,480</u>
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TOTAL NET ASSETS	<u>506,705</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 512,255</u></u>
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The Notes to Financial Statements are an integral part of this statement.

CHARTER SCHOOL OF MORGAN HILL FOUNDATION

Statement of Activities

For the Year Ended June 30, 2014

Support and Revenues	Unrestricted	Temporarily Restricted	Total
Contributions:			
Annual Giving and Growing Program	\$ 222,167	\$ -	\$ 222,167
Classroom Supplies Funding	-	20,160	20,160
Other contributions	4,300	3,321	7,621
Total Contributions	<u>226,467</u>	<u>23,481</u>	<u>249,948</u>
Special Events:			
Gala Event	132,306	14,050	146,356
Family Fun Fest	29,258	-	29,258
Total Special Events	<u>161,564</u>	<u>14,050</u>	<u>175,614</u>
Less: Direct Fundraising Costs	(50,963)	-	(50,963)
Total Special Events - Net	<u>110,601</u>	<u>14,050</u>	<u>124,651</u>
Other Income:			
Interest	863	-	863
Net Assets Released From Restrictions	58,589	(58,589)	-
Total Support and Revenues	<u>396,520</u>	<u>(21,058)</u>	<u>375,462</u>
Expenses			
Program Services	101,061	-	101,061
Management and General	22,618	-	22,618
Fundraising	6,412	-	6,412
Total Expenses	<u>130,091</u>	<u>-</u>	<u>130,091</u>
Change in Net Assets	266,429	(21,058)	245,371
Net Assets - Beginning of the Year	<u>226,051</u>	<u>35,283</u>	<u>261,334</u>
Net Assets - End of the Year	<u>\$ 492,480</u>	<u>\$ 14,225</u>	<u>\$ 506,705</u>

The Notes to Financial Statements are an integral part of this statement.

CHARTER SCHOOL OF MORGAN HILL FOUNDATION
Statement of Functional Expenses
For the Year Ended June 30, 2014

Expenses	Program Services	Management and General	Fundraising	Total
Contributions to CSMH	\$ 101,061	\$ -	\$ -	\$ 101,061
Professional Fees	-	17,811	-	17,811
Marketing	-	600	1,584	2,184
Conferences and Seminars	-	1,153	-	1,153
Licenses & Fees	-	925	-	925
Insurance	-	2,119	-	2,119
Service Charges	-	10	4,828	4,838
Total Expenses	\$ 101,061	\$ 22,618	\$ 6,412	\$ 130,091

The Notes to Financial Statements are an integral part of this statement.

CHARTER SCHOOL OF MORGAN HILL FOUNDATION

Statement of Cash Flows

June 30, 2014

Operating Activities	
Change in net assets	\$ 245,371
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Increase in accounts receivable	(1,205)
Decrease in due from CSMH	4,040
Decrease in prepaid expenses	567
Increase in other assets	(4,500)
Increase in accounts payable	1,239
Decrease in due to CSMH	(9,406)
Increase in other current liabilities	1,500
	<hr/>
Net cash provided by operating activities	237,606
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Net increase in cash and cash equivalents	237,606
Cash and cash equivalents - beginning of the year	<hr/>
	255,306
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Cash and cash equivalents - end of the year	<u>\$ 492,912</u>

The Notes to Financial Statements are an integral part of this statement.

CHARTER SCHOOL OF MORGAN HILL FOUNDATION
Notes to Financial Statements
June 30, 2014

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Charter School of Morgan Hill Foundation (the Foundation) is a 501(c)(3) nonprofit organization benefiting students of the South Valley Charter School which is doing business as the Charter School of Morgan Hill (CSMH). The mission of the Foundation is to lead all resource development to support the Charter School of Morgan Hill. CSMH is a California public charter school that uses project-based learning, strong family involvement and community interaction to develop lifelong learners prepared to be successful and innovative participants in the global community.

The Foundation was formed in August 2012 and has a board of directors consisting of seven volunteer members. The Foundation's fundraising efforts help CSMH to provide students with accessibility to technology, enrichment programs, field trips, project oriented and community based hands-on activities as well as improvements to facilities and equipment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in conformity with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 958, Not-for-Profit Entities. The Foundation is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, which represent resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Basis of Accounting

The Foundation uses the accrual basis of accounting. Revenues are recognized when promises to give are measurable and funds are available; expenses are recognized in the period incurred, if measurable.

Public Support and Revenue

The Foundation receives substantially all of its revenue from individual donors and local businesses.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Foundation reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

CHARTER SCHOOL OF MORGAN HILL FOUNDATION
Notes to Financial Statements
June 30, 2014

Donated Assets

Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services and Items

The Foundation receives donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the Statement of Activities because the criteria for recognition under FASB ASC standards have not been satisfied.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk include cash and investments. The Foundation maintains its cash in interest bearing bank deposit accounts. At times, interest bearing accounts may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC).

Cash and Cash Equivalents

The Charter School of Morgan Hill Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consists of sponsorships and donations that have been pledged but not paid as of June 30, 2014. The Foundation computes an allowance for doubtful accounts based on historical uncollectible receivables. Management determined that none of the receivables were uncollectible as of June 30, 2014.

Income Tax Status

The Foundation is tax-exempt under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CHARTER SCHOOL OF MORGAN HILL FOUNDATION
Notes to Financial Statements
June 30, 2014

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the Statement of Financial Position date through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and investments were comprised of the following as of June 30, 2014.

Account	Balance
Checking	\$ 490,409
PayPal	488
Undeposited Funds	2,015
Total Cash and Cash Equivalents	\$ 492,912

The Foundation maintains its bank balances and cash equivalents at Heritage Bank of Commerce and PayPal. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per bank per customer. The Foundation's total cash in the bank at June 30, 2014 was \$558,541, which exceeded FDIC coverage by \$308,541. Differences between bank balances and carrying amounts in the Foundation's books are due to reconciling items such as deposits in transit and outstanding checks.