

**MILL VALLEY SCHOOLS
COMMUNITY FOUNDATION
(d.b.a. Kiddo!)
(A California Nonprofit Public Benefit Corporation)**

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2018 and 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mill Valley Schools Community Foundation (d.b.a. Kiddo!)
Mill Valley, CA

We have audited the accompanying financial statements of the Mill Valley Schools Community Foundation (d.b.a. Kiddo!) (a nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 of 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 Mill Valley Schools Community Foundation as of June 30, 2018 and 2017, 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.

December 10, 2018



MILL VALLEY SCHOOLS COMMUNITY FOUNDATION
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STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 1)	\$ 2,493,846	\$ 2,569,464
Pledges receivable, net of allowance for uncollectible accounts of \$21,178 in 2018 and \$13,904 in 2017	327,249	219,282
Total current assets	2,821,095	2,788,746
Investments (Note 2)	7,004,864	6,555,744
Furniture and equipment, net of accumulated depreciation of \$12,692 in 2018 and \$9,657 in 2017 (Notes 1 and 4)	7,515	5,145
Total assets	\$ 9,833,474	\$ 9,349,635
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 16,030	\$ 5,512
Total liabilities	16,030	5,512
Net assets		
Unrestricted net assets:		
Undesignated	2,799,353	3,139,179
Board designated endowment (Note 5)	5,924,167	5,480,422
Total unrestricted net assets	8,723,520	8,619,601
Temporarily restricted net assets (Note 6)	1,093,924	724,522
Total net assets	9,817,444	9,344,123
Total liabilities and net assets	\$ 9,833,474	\$ 9,349,635

The accompanying notes are an integral part of these financial statements.

MILL VALLEY SCHOOLS COMMUNITY FOUNDATION
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STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Support:			
Annual campaign	\$ 2,084,608	\$ 1,035,525	\$ 3,120,133
Business campaigns	165,917	-	165,917
Endowment	125,343	-	125,343
Total support	<u>2,375,868</u>	<u>1,035,525</u>	<u>3,411,393</u>
Revenue:			
Investment income (Note 2)	416,525	-	416,525
Other income	80,772	-	80,772
Special events (Note 3)	101,688	-	101,688
Total revenue	<u>598,985</u>	<u>-</u>	<u>598,985</u>
Net assets released from restriction	<u>716,950</u>	<u>(716,950)</u>	<u>-</u>
Total support and revenue	<u>3,691,803</u>	<u>318,575</u>	<u>4,010,378</u>
EXPENSES			
Program expense	3,133,903	-	3,133,903
Fundraising expense, including \$26,771 of special events (Note 3)	67,377	-	67,377
Administrative expense	327,452	-	327,452
Uncollectible pledge expense	8,325	-	8,325
Total expenses	<u>3,537,057</u>	<u>-</u>	<u>3,537,057</u>
Change in net assets	154,746	318,575	473,321
Net assets, beginning of year	<u>8,627,173</u>	<u>716,950</u>	<u>9,344,123</u>
Net assets, end of year	<u>\$ 8,781,919</u>	<u>\$ 1,035,525</u>	<u>\$ 9,817,444</u>

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MILL VALLEY SCHOOLS COMMUNITY FOUNDATION
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STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Support:			
Annual campaign	\$ 1,737,690	\$ 716,950	\$ 2,454,640
Business campaigns	92,986	-	92,986
Endowment	159,929	-	159,929
Total support	<u>1,990,605</u>	<u>716,950</u>	<u>2,707,555</u>
Revenue:			
Investment income (Note 2)	630,390	-	630,390
Other income	90,845	-	90,845
Special events (Note 3)	420,221	-	420,221
Total revenue	<u>1,141,456</u>	<u>-</u>	<u>1,141,456</u>
Net assets released from restriction	<u>1,272,377</u>	<u>(1,272,377)</u>	<u>-</u>
Total support and revenue	<u>4,404,438</u>	<u>(555,427)</u>	<u>3,849,011</u>
EXPENSES			
Program expense	2,982,332	-	2,982,332
Fundraising expense, including \$183,420 of special events (Note 3)	257,818	-	257,818
Administrative expense	278,696	-	278,696
Uncollectible pledge expense	3,583	-	3,583
Total expenses	<u>3,522,429</u>	<u>-</u>	<u>3,522,429</u>
Change in net assets	882,009	(555,427)	326,582
Net assets, beginning of year	<u>7,745,164</u>	<u>1,272,377</u>	<u>9,017,541</u>
Net assets, end of year	<u>\$ 8,627,173</u>	<u>\$ 716,950</u>	<u>\$ 9,344,123</u>

The accompanying notes are an integral part of these financial statements.

MILL VALLEY SCHOOLS COMMUNITY FOUNDATION
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STATEMENTS OF CASH FLOWS
For the years ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 473,321</u>	<u>\$ 326,582</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,035	2,688
Realized (gain) loss on investments	63,237	(15,139)
Unrealized (gain) loss on investments	(316,296)	(476,295)
Changes in assets and liabilities:		
Change in pledges receivable	(107,967)	242,332
Change in other current liabilities	10,518	(24,485)
Total adjustments	<u>(347,473)</u>	<u>(270,899)</u>
Net cash provided (used) by operating activities	<u>125,848</u>	<u>55,683</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(5,405)	(2,724)
Net change in investments	<u>(196,061)</u>	<u>(42,470)</u>
Net cash (used) provided by investing activities	<u>(201,466)</u>	<u>(45,194)</u>
Net change in cash and cash equivalents	(75,618)	10,489
Cash and cash equivalents, beginning of year	<u>2,569,464</u>	<u>2,558,975</u>
Cash and cash equivalents, end of year	<u>\$ 2,493,846</u>	<u>\$ 2,569,464</u>

The accompanying notes are an integral part of these financial statements.

MILL VALLEY SCHOOLS COMMUNITY FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Mill Valley Schools Community Foundation, d.b.a. Kiddo! (the Foundation) was organized to raise money, gather resources, and act as a catalyst to fund comprehensive arts programs in vocal and instrumental music, visual art, dance, drama, and poetry for children enrolled in public school in the Mill Valley School District. The Foundation's major sources of revenue are from contributions and investment income.

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets: unrestricted, temporarily restricted and permanently restricted, according to externally imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the current fiscal year; also included as unrestricted net assets are Board Designated funds that are held for future operations.

Temporarily restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Foundation pursuant to those stipulations.

Permanently restricted net assets - Net assets resulting (a) from contributions and other inflows of assets 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 organization, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

There were no permanently restricted net assets at June 30, 2018 and 2017.

Method of Accounting - The financial statements of the Foundation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fair Value Measurements - Accounting standards were created which establish a framework for reporting fair value and expand disclosures about fair value measurements, effective for years beginning after November 15, 2007. The Foundation adopted these standards, thereby measuring the fair value of its cash and cash equivalents, investments, and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the assets or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The Foundation's carrying amounts of its assets and liabilities, including its investments presented in Note 2, approximate fair value under Level 1 and Level 2 for the years ended June 30, 2018 and 2017.

Furniture and Equipment - The Foundation records furniture and equipment at cost of acquisition. Depreciation is recognized using the straight-line method over the useful life of the assets, which range from 5 to 10 years. The Foundation capitalizes purchases of furniture and equipment over \$1,000.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701d of the California Revenue and Taxation Code and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Contributions - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. In addition, many individuals have donated significant amounts of time in furthering the Foundation's programs and objectives.

Advertising Costs – It is the policy of the Foundation to expense advertising costs as incurred.

NOTE 2 INVESTMENTS

Investments, which are carried at market value and are subject to market risk, consist of the following at June 30, 2018 and 2017:

	2018		
	Level 1	Level 2	Total
Equity funds	\$ 3,589,455	\$ -	\$ 3,589,455
Bond funds	-	2,756,117	2,756,117
Marin Community Foundation	-	659,292	659,292
	\$ 3,589,455	\$ 3,415,409	\$ 7,004,864
	2017		
	Level 1	Level 2	Total
Equity funds	\$ 3,349,192	\$ -	\$ 3,349,192
Bond funds	-	2,601,200	2,601,200
Marin Community Foundation	-	605,352	605,352
	\$ 3,349,192	\$ 3,206,552	\$ 6,555,744

Investment income for the year ended June 30, 2018 and 2017 is as follows:

	2018	2017
Dividends and interest	\$ 163,466	\$ 138,956
Realized gain (loss)	(63,237)	15,139
Unrealized gain (loss)	316,296	476,295
	\$ 416,525	\$ 630,390

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

NOTE 3 SPECIAL EVENTS

The Foundation held several special events during the years ended June 30, 2018 and 2017 as follows:

<u>2018</u>	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
San Francisco Giants Game	\$ 23,347	\$ 11,424	\$ 11,923
Mill Valley Fall Arts Fair	6,878	3,325	3,553
Memorial Day Festivities	<u>71,462</u>	<u>12,022</u>	<u>59,440</u>
	<u>\$ 101,687</u>	<u>\$ 26,771</u>	<u>\$ 74,916</u>
<u>2017</u>	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
Biennial Gala	\$ 307,570	\$ 141,451	\$ 166,119
San Francisco Giants Game	26,704	16,128	10,576
Mill Valley Fall Arts Fair	7,873	2,520	5,353
Memorial Day Festivities	<u>78,074</u>	<u>23,321</u>	<u>54,753</u>
	<u>\$ 420,221</u>	<u>\$ 183,420</u>	<u>\$ 236,801</u>

NOTE 4 FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

<u>Furniture and equipment, at cost</u>	
Balance, June 30, 2017	\$ 14,802
Additions	<u>5,405</u>
Balance, June 30, 2018	<u>20,207</u>
<u>Accumulated Depreciation</u>	
Balance, June 30, 2017	9,657
Depreciation expense	<u>3,035</u>
Balance, June 30, 2018	<u>12,692</u>
Furniture and equipment, net	<u>\$ 7,515</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

NOTE 5 BOARD DESIGNATED ENDOWMENT

The Foundation established a board designated endowment fund and established an investment policy. Currently, the Foundation adopted a spending policy which consists of an annual distribution for operations from the endowment fund equal to 4 percent of the average of the prior three calendar years ending fair market value. The policy requires that approximately one third of the total program reserve be maintained in cash equivalents. The balances of the fund are as follows:

Balance, June 30, 2016		\$ 4,952,721
Net increase in value		725,838
Transfers to operations		<u>(198,137)</u>
Balance, June 30, 2017		5,480,422
Net increase in value		655,680
Transfers to operations		<u>(211,935)</u>
Balance, June 30, 2018		<u>\$ 5,924,167</u>

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available to be used within a specific time period or for a specified purpose and consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Available for future periods	<u>\$ 1,093,924</u>	<u>\$ 724,522</u>

NOTE 7 EQUIPMENT LEASE

The Foundation leases office equipment. The lease began in June 2013, and has a term of 60 months with a base rent of \$169 per month and expired in June 2018. Another lease was entered into in March 2018 with a 60 month term and a base rent of \$182 per month. Total rent expense for the years ending June 30, 2018 and 2017 was \$4,100 and \$2,959, respectively.

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**NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017**

NOTE 8 CONTINGENCIES AND COMMITMENTS

As of June 30, 2018, the Foundation had exceeded the Federal Depository Insurance Corporation and Securities Investor Protection Corporation cash limit of \$250,000 on its depository accounts. At June 30, 2018, the Foundation had approximately \$985,000 on deposit in excess of federally insured limits.

NOTE 9 SUBSEQUENT EVENTS

Management has evaluated all subsequent events through the Auditor's Report date, the date the financial statements were available to be issued.