

TORREY PINES HIGH SCHOOL FOUNDATION, INC.

FINANCIAL STATEMENTS

WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2017

June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Torrey Pines High School Foundation, Inc.
Del Mar, California

We have audited the accompanying financial statements of the Torrey Pines High School Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibilities 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.

Auditors' 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 auditors' judgment, including the assessment of the risk 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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 Torrey Pines High School Foundation, Inc. as of June 30, 2017, 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.

White Nelson Diehl Evans LLP

Carlsbad, California
November 28, 2017

TORREY PINES HIGH SCHOOL FOUNDATION, INC.

Statement of Financial Position
June 30, 2017

Assets

Current Assets:

Cash and cash equivalents - Unrestricted	\$ 205,586
Cash and cash equivalents - Temporarily Restricted	1,140,717
Accounts receivable - Temporarily Restricted	20,030
Prepaid expenses - Temporarily Restricted	<u>91,685</u>

Total Current Assets 1,458,018

Endowment Investments:

Endowment funds - Temporarily Restricted	557
Endowment funds - Permanently Restricted	<u>155,832</u>

Total Endowment Investments 156,389

Total Assets \$ 1,614,407

TORREY PINES HIGH SCHOOL FOUNDATION, INC.

Statement of Financial Position (Continued)
June 30, 2017

Liabilities and Net Assets

Current Liabilities:

Accounts payable	
Accounts payable from temporarily restricted assets	\$ 56,056
Deferred revenue, payable from temporarily restricted assets	174,408
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Total Liabilities	230,464
	<hr/>

Net Assets:

Unrestricted	205,586
Temporarily restricted	1,022,525
Permanently restricted	155,832
	<hr/>
Total Net Assets	1,383,943
	<hr/>

Total Liabilities and Net Assets	\$ 1,614,407
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TORREY PINES HIGH SCHOOL FOUNDATION, INC.Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenues, and Reclassifications:				
Contributions	\$ 260,141	\$ 734,319	\$ -	\$ 994,460
Special events	-	76,902	-	76,902
Sales of goods	11,967	552,310	-	564,277
Registration fees	169,954	378,291	-	548,245
Interest income	3,067	-	2,233	5,300
Unrealized gain on investments	-	1,367	12,992	14,359
Net assets released from restrictions	1,837,121	(1,837,121)	-	-
Total public support, revenues, and reclassifications	2,282,250	(93,932)	15,225	2,203,543
Expenses and Losses:				
Program Services:				
Athletics:				
Equipment, uniforms and spirit wear	421,945	-	-	421,945
Coaches, instructors and referees	366,822	-	-	366,822
Travel, banquets and other	587,708	-	-	587,708
Registration and tournaments	124,245	-	-	124,245
Gifts and grants to school for school programs	209,957	-	-	209,957
Academic, educational and student activities	336,400	-	-	336,400
Total program services	2,047,077	-	-	2,047,077
Supporting Services:				
Fundraising	30,870	-	-	30,870
Management and general	206,027	-	1,231	207,258
Total supporting services	236,897	-	1,231	238,128
Total expenses and losses	2,283,974	-	1,231	2,285,205
Changes in net assets	(1,724)	(93,932)	13,994	(81,662)
Net assets at beginning of year	207,310	1,116,457	141,838	1,465,605
Net assets at end of year	\$ 205,586	\$ 1,022,525	\$ 155,832	\$ 1,383,943

See accompanying independent auditors' report and notes to financial statements.

TORREY PINES HIGH SCHOOL FOUNDATION, INC.

Statement of Cash Flows
For the Year Ended June 30, 2017

Operating activities:

Decrease in net assets	\$ (81,662)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net unrealized gain on investments	(14,359)
Changes in:	
Prepaid expenses	(3,777)
Accounts receivable	(7,708)
Accounts payable	37,502
Deferred revenue	24,497
	<hr/>
Net cash provided (used) by operating activities	(45,507)
	<hr/>
Net increase (decrease) in cash and cash equivalents	(45,507)
Cash and cash equivalents at beginning of year	<hr/> 1,391,810
Cash and cash equivalents at end of year	<hr/> <hr/> \$ 1,346,303
Reconciliation to Statement of Financial Position:	
Cash and cash equivalents - Unrestricted	\$ 205,586
Cash and cash equivalents - Temporarily Restricted	<hr/> 1,140,717
	<hr/> <hr/> \$ 1,346,303

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Description of Organization:

Torrey Pines High School Foundation, Inc. (the Foundation) is a nonprofit charitable California corporation, incorporated on September 3, 1993. The purpose of the Foundation is to raise funds through donations and special events for the benefit of students at Torrey Pines High School in San Diego, California. The money collected assists support programs and improvements not fully funded by School District allocations. These programs and improvements provide for growth, broadened experiences and a well-rounded education for students.

b. Public Support and Revenue:

The Foundation is supported by contributions received from the public. Contributions are recorded as revenue of the Foundation, and are classified as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions.

The Foundation reports gifts of cash, unconditional promises to give, 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 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.

Investment earnings available for distribution are recorded as unrestricted revenue. Investment earnings from endowment funds are recorded as either temporarily restricted revenue or permanently restricted revenue depending on the terms of the endowment fund.

c. Contributed Services and Facilities:

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fundraising and programs. No amounts have been recognized as revenue in the accompanying statement of activities because there is no clearly measurable and objective basis for determining the value of these services.

The Foundation maintains its office in facilities, including furniture and equipment, provided by the Torrey Pines High School. The agreement between the Foundation and the High School calls for \$1 of rent to be paid annually for the use of the facilities.

d. Use of 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 and assumptions.

e. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

f. Income Taxes:

No provision has been made in the financial statements for income taxes. Under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar California Law, the Foundation is exempt from federal and state income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(ii) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

The Foundation files income tax returns in the United States federal jurisdiction and California state jurisdiction. With few exceptions, the Foundation is no longer subject to United States federal or California income tax examinations by tax authorities for fiscal years ended before June 30, 2015 for federal tax authorities and June 30, 2014 for California state tax authorities.

g. Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

h. Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, the Foundation considers money market funds and other short-term investments that mature within three months of purchase to be cash equivalents.

i. Allowance for Doubtful Accounts:

Management estimates that all accounts receivables are collectible. Therefore, an allowance for doubtful accounts has not been provided.

j. 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, based on management estimates, certain costs have been allocated among the programs and supporting services benefited.

k. Fair Value Measurements:

The Foundation values financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value is based on the assumptions used by market participants when pricing the asset or liability, which include observable and unobservable inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect an organization's own assumptions about the assumptions market participants would use in pricing the asset or liability. There is a three-tiered fair value hierarchy that maximizes the use of observable inputs and prioritizes financial assets and liabilities measured with such inputs. See Note 7 for more information regarding fair value measurements.

2. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of donor designated contributions to be used for specific athletic or educational programs of the Foundation. Temporarily restricted net assets become unrestricted when the donor restricted purpose has been satisfied.

Temporarily restricted net assets, at beginning of year	\$ 1,116,457
2016/2017 donor designated contributions	1,741,822
2016/2017 unrealized gain on temporarily restricted assets	1,367
2016/2017 temporarily restricted net assets, released from donor restriction	(1,837,121)
Temporarily restricted net assets, at end of year	<u>\$ 1,022,525</u>

3. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are assets which must be maintained by the Foundation in perpetuity. The Foundation has established permanently restricted endowment funds with the Rancho Santa Fe Foundation and the San Diego Foundation.

The Rancho Santa Fe Foundation holds two endowment funds, the *Torrey Pines High School Foundation Endowment Fund* and the *President's Fund*. The Torrey Pines High School Foundation has the right to withdraw an amount equal to 5% of the value of the fund for the *Torrey Pines High School Foundation Endowment Fund* and 10% of the value of the fund, for the *President's Fund*. The value of each fund is calculated on the last day of the calendar year, and the Torrey Pines High School Foundation retains the right to withdraw the applicable percentage for the entire subsequent calendar year. Undistributed funds are added to the principal balance of the endowment fund. The Board of Directors elected not to request the available distribution for 2017, and it has therefore been added to the principal and reflected as a permanently restricted asset.

The San Diego Foundation holds two endowment funds, the *Torrey Pines High School Foundation Endowment Fund* and the *Ed Burke Fund*. For the *Torrey Pines High School Foundation Endowment Fund*, the Torrey Pines High School Foundation entered into an agreement on June 8, 2000 to have all earnings reinvested and therefore permanently restricted. This agreement can be altered at any time. For the *Ed Burke Fund*, the cumulative income may be withdrawn at any time to be used for expenditures relating to the Football Program. The cumulative income from this endowment fund is considered temporarily restricted, while the original principal is permanently restricted.

At June 30, 2017, permanently restricted net assets were \$155,832.

4. UNRESTRICTED NET ASSETS:

Unrestricted net assets consist of unspent contributions unencumbered by donor designations, and available to be used by the Foundation for general and administrative purposes. Unrestricted net assets may also be used to supplement the cost of athletic and education programs. During the year end June 30, 2017, \$209,957 of unrestricted net assets were used for this purpose. As of June 30, 2017, unrestricted net assets were \$205,586.

5. SUBSEQUENT EVENTS:

The Foundation has evaluated subsequent events through November 28, 2017, the date which the financial statements were available to be issued.

6. CONCENTRATIONS:

The Foundation's cash and cash equivalents are on deposit with four financial institutions. Cash and cash equivalents at banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per financial institution. The amount in excess of the insured limit (based on actual bank balances) at June 30, 2017 was \$229,357.

7. FAIR VALUE MEASUREMENTS:

The Foundation values certain assets in accordance with Financial Accounting Standards Board (FASB) Codification Section 820-20 on "Fair Value Measurements", which provides a framework for measuring fair value under United States generally accepted accounting principles. This standard applies to all financial instruments that are being measured and reported on a fair value basis.

FASB ASC 820 establishes a fair value hierarchy with Levels 1, 2, and 3 that prioritize the inputs to valuation techniques used to measure fair value.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets accessible at the measurement date and have the highest priority. When available, the Foundation measures fair value using Level 1 inputs as they generally provide the most reliable evidence of fair value.

Level 2 inputs are comprised of direct or indirect observable inputs other than quoted market prices for identical assets included within Level 1. Examples of Level 2 inputs are quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data.

Level 3 inputs consist of unobservable inputs that are supported by little or no market activity and are significant to the measurement of the fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available as they have the lowest priority in the measurement of fair value.

The Foundation's endowment investments are reported at fair value in the accompanying Statement of Financial Position as of June 30, 2017 are as follows:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
San Diego Foundation – Temporarily Restricted	\$ 557	\$ -	\$ 557	\$ -
San Diego Foundation – Permanently Restricted	59,324	-	59,324	-
Rancho Santa Fe Foundation – Permanently Restricted	96,508	-	96,508	-
June 30, 2017	<u>\$ 156,389</u>	<u>\$ -</u>	<u>\$ 156,389</u>	<u>\$ -</u>