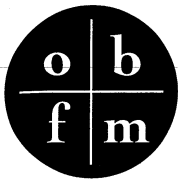


Financial Statements

Emery Education Foundation
Years Ended June 30, 2009 and 2008

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Board of Directors
Emery Education Foundation
Emeryville, California

Independent Auditor's Report

We have audited the accompanying statements of financial position of Emery Education Foundation, a nonprofit organization, as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emery Education Foundation as of June 30, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

OTO BAILEY FUKUMOTO & MISHIMA, INC.

By: Ann A. Fukumoto
Ann A. Fukumoto, CPA

Emeryville, California
October 21, 2009

EMERY EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2009	2008
Cash and cash equivalents	\$ 735,148	\$ 688,365
Receivables - grants and other	8,666	69,636
Prepaid expenses	2,431	2,395
Property and equipment - net of accumulated depreciation	10,621	12,949
	\$ 756,866	\$ 773,345

LIABILITIES AND NET ASSETS

Liabilities

Fiscal sponsorships		
- Healthy Cities	\$ 6,000	\$ -
- Haas Foundation	-	11,520
- Anna Yates PTO	1,887	-
- DIASPORA Club project	-	2,985
- PEP TEAMS project	1,495	1,495
- Other	800	623
	10,182	16,623
Grants payable	24,000	24,000
Payroll tax payable	5,766	4,759
Accounts payable	1,997	255
Accrued vacation	7,569	-
	49,514	45,637

Commitments and Contingencies

Net Assets

Unrestricted		
Board designated reserve	20,000	20,000
Operating fund	24,173	52,526
	44,173	72,526
Temporarily restricted	661,986	654,008
Permanently restricted	1,193	1,174
	707,352	727,708
	\$ 756,866	\$ 773,345

(See independent auditor's report and notes to financial statements)

EMERY EDUCATION FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2009				Year Ended June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenue and Support</u>								
Grants received	\$ 6,230	\$ 484,271	\$ -	\$ 490,501	\$ 2,500	\$ 404,900	\$ -	\$ 407,400
Contributions – cash	117,029	36,655	-	153,684	132,808	35,150	-	167,958
Contributions - in-kind (scholarships)	-	-	-	-	30,000	-	-	30,000
Contributions - in-kind	23,963	-	-	23,963	-	-	-	-
Contributed services	21,468	-	-	21,468	10,655	-	-	10,655
Administrative fee	54,500	-	-	54,500	37,605	-	-	37,605
	<u>223,190</u>	<u>520,926</u>	<u>-</u>	<u>744,116</u>	<u>213,568</u>	<u>440,050</u>	<u>-</u>	<u>653,618</u>
<u>Other Gains</u>								
Fundraising events revenue - net of expense	83,794	-	-	83,794	130,782	-	-	130,782
Interest income	10,295	-	19	10,314	20,584	-	36	20,620
	<u>94,089</u>	<u>-</u>	<u>19</u>	<u>94,108</u>	<u>151,366</u>	<u>-</u>	<u>36</u>	<u>151,402</u>
	<u>317,279</u>	<u>520,926</u>	<u>19</u>	<u>838,224</u>	<u>364,934</u>	<u>440,050</u>	<u>36</u>	<u>805,020</u>
<u>Net Assets Released from Restrictions - satisfaction of restrictions for:</u>								
Scholarships	16,000	(16,000)	-	-	14,000	(14,000)	-	-
School programs	496,948	(496,948)	-	-	33,957	(33,957)	-	-
	<u>512,948</u>	<u>(512,948)</u>	<u>-</u>	<u>-</u>	<u>47,957</u>	<u>(47,957)</u>	<u>-</u>	<u>-</u>
<u>Total Revenue, Gains and Other Support</u>	<u>830,227</u>	<u>7,978</u>	<u>19</u>	<u>838,224</u>	<u>412,891</u>	<u>392,093</u>	<u>36</u>	<u>805,020</u>
<u>Expenses</u>								
Programs								
Scholarships	63,835	-	-	63,835	54,305	-	-	54,305
Scholarships - in-kind	-	-	-	-	30,000	-	-	30,000
Teacher and other grants	56,211	-	-	56,211	91,078	-	-	91,078
School programs	566,425	-	-	566,425	166,707	-	-	166,707
General and administrative	159,149	-	-	159,149	106,280	-	-	106,280
Fundraising	12,960	-	-	12,960	-	-	-	-
<u>Total Expenses</u>	<u>858,580</u>	<u>-</u>	<u>-</u>	<u>858,580</u>	<u>448,370</u>	<u>-</u>	<u>-</u>	<u>448,370</u>
<u>Changes in Net Assets</u>	<u>(28,353)</u>	<u>7,978</u>	<u>19</u>	<u>(20,356)</u>	<u>(35,479)</u>	<u>392,093</u>	<u>36</u>	<u>356,650</u>
<u>Net Assets</u>								
Beginning of year	72,526	654,008	1,174	727,708	108,005	261,915	1,138	371,058
End of year	<u>\$ 44,173</u>	<u>\$ 661,986</u>	<u>\$ 1,193</u>	<u>\$ 707,352</u>	<u>\$ 72,526</u>	<u>\$ 654,008</u>	<u>\$ 1,174</u>	<u>\$ 727,708</u>

(See independent auditor's report and notes to financial statements)

EMERY EDUCATION FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2009						Year Ended June 30, 2008				
	Program					Total	Program				Total
	Scholarships	Teacher and Other Grants	School Programs	General and Administrative	Fundraising		Scholarships	Teacher and Other Grants	School Programs	General and Administrative	
Salaries - executive director	\$ 5,438	\$ -	\$ 15,037	\$ 78,549	\$ 9,750	\$ 108,774	\$ 3,670	\$ 7,341	\$ 62,394	\$ 24,470	\$ 97,875
Salaries - other	2,083	7,388	38,644	3,224	-	51,339	3,099	2,324	34,974	28,782	69,179
Payroll taxes	526	674	5,176	6,132	683	13,191	602	859	8,657	4,735	14,853
Employee benefits	1,193	1,172	8,514	12,971	1,547	25,397	934	1,333	13,427	7,343	23,037
	<u>9,240</u>	<u>9,234</u>	<u>67,371</u>	<u>100,876</u>	<u>11,980</u>	<u>198,701</u>	<u>8,305</u>	<u>11,857</u>	<u>119,452</u>	<u>65,330</u>	<u>204,944</u>
Scholarships paid	54,595	-	-	-	-	54,595	46,000	-	-	-	46,000
Scholarship - in-kind	-	-	-	-	-	-	30,000	-	-	-	30,000
Grants:											
Teachers and other	-	46,977	-	-	-	46,977	-	79,221	-	-	79,221
Arts (Haas)	-	-	93,000	-	-	93,000	-	-	18,780	-	18,780
Community transformation (Stuart)	-	-	279,000	-	-	279,000	-	-	-	-	-
Secondary school (Valley)	-	-	93,000	-	-	93,000	-	-	-	-	-
Other school projects	-	-	16,471	-	-	16,471	-	-	20,415	-	20,415
Audit and tax	-	-	-	13,275	-	13,275	-	-	-	14,235	14,235
Accounting services	-	-	-	18,662	-	18,662	-	-	-	2,731	2,731
Contributed services	-	-	3,500	11,968	-	15,468	-	-	-	4,655	4,655
Rent - in-kind	-	-	4,410	1,590	-	6,000	-	-	4,410	1,590	6,000
Program expenses - in-kind	-	-	4,933	-	-	4,933	-	-	-	-	-
Bank charges	-	-	-	1,506	-	1,506	-	-	-	2,682	2,682
Technology (including software)	-	-	-	1,860	-	1,860	-	-	1,608	2,500	4,108
Postage and delivery	-	-	83	533	228	844	-	-	-	2,219	2,219
Promotions	-	-	437	391	521	1,349	-	-	-	1,167	1,167
Supplies	-	-	328	1,288	28	1,644	-	-	2,042	456	2,498
Insurance	-	-	-	2,816	-	2,816	-	-	-	2,963	2,963
Depreciation	-	-	-	3,484	-	3,484	-	-	-	3,311	3,311
Miscellaneous	-	-	3,892	900	203	4,995	-	-	-	2,441	2,441
	<u>\$ 63,835</u>	<u>\$ 56,211</u>	<u>\$ 566,425</u>	<u>\$ 159,149</u>	<u>\$ 12,960</u>	<u>\$ 858,580</u>	<u>\$ 84,305</u>	<u>\$ 91,078</u>	<u>\$ 166,707</u>	<u>\$ 106,280</u>	<u>\$ 448,370</u>

(See independent auditor's report and notes to financial statements)

EMERY EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS

	June 30,	
	<u>2009</u>	<u>2008</u>
<u>Cash Flows from Operating Activities</u>		
Increase (Decrease) in net assets	\$ (20,356)	\$ 356,650
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	<u>3,484</u>	<u>3,311</u>
	(16,872)	359,961
Changes in operating assets and liabilities:		
Receivables - grants and other	60,970	80,114
Prepaid expenses	(36)	655
Fiscal sponsorships - Stuart and Haas		
Amounts paid	(11,520)	(289,500)
Fiscal sponsorship - DIASPORA Club project		
Amounts paid	(2,985)	-
Amounts received	-	925
Fiscal sponsorship - Strategic Initiatives		
Amounts paid	-	(4,118)
Fiscal sponsorships - Other		
Amounts paid	(623)	-
Amounts received	8,687	190
Payroll liabilities	1,007	(64)
Accounts payable and accrued vacation	<u>9,311</u>	<u>(2,960)</u>
Net cash provided by operating activities	47,939	145,203
 <u>Cash Flows from Investing Activities</u>		
Property and equipment - in-kind	<u>(1,156)</u>	<u>-</u>
 <u>Net Increase in Cash and Cash Equivalents</u>		
	<u>46,783</u>	<u>145,203</u>
 <u>Cash and Cash Equivalents at Beginning of Year</u>		
	<u>688,365</u>	<u>543,162</u>
 <u>Cash and Cash Equivalents at End of Year</u>		
	<u>\$ 735,148</u>	<u>\$ 688,365</u>

(See independent auditor's report and notes to financial statements)

EMERY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Nature of Business

The Emery Education Foundation (Emery Ed), dba Emery Ed Fund, incorporated in 1996, is an independent community-based not-for-profit organization formed to provide additional resources to support and enhance educational programs and opportunities for the students and teachers of the Emery Unified School District (EUSD).

Emery Ed also acts as an intermediary (i.e., fiscal sponsor collecting and disbursing funds as directed) for grant funds received from private foundations to be used toward certain EUSD programs. Emery Ed received handling fees during the current year on the majority of grant funds received (increased to 10% from 7% in 2008).

1. Summary of Significant Accounting Principles

Basis of Presentation

Emery Ed prepares its financial statements on the accrual basis, which recognizes income in the period earned and expenses when incurred.

The financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB) ASC 958-205, "Not-for-Profit Entities – Presentation of Financial Statements". Under these provisions, net assets and revenue, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions.

A description of the three classifications is as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted - Net assets subject to donor-imposed stipulations that will be met by either actions of Emery Ed and/or the passage of time.

Permanently restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by Emery Ed. Generally, donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

EMERY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

1. Summary of Significant Accounting Principles (continued)

Basis of Presentation (continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Support with restrictions expiring in the same period in which the support is received is reported as an increase in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

From time to time, the Organization's Board of Directors designates funds and related assets to be used for specific purposes, generally designated programs. Such funds are included in unrestricted fund balances, as they are not legally restricted.

Certain amounts for 2008 were reclassified to conform to the 2009 presentation. Net assets and changes in net assets are unchanged due to the reclassifications.

Unrestricted and Restricted Support and Revenue

FASB ASC 958-605, "Not-for-Profit Entities – Revenue Recognition", requires that contributions received, including unconditional promises to give (pledges), are recognized in the period received at their fair values. Conditional promises to give are recognized when the conditions are substantially met. Allowances for doubtful accounts are provided when necessary. Management believes all receivables at June 30, 2009 to be collectible.

The Organization is dependent upon donations and other support from individuals, foundations, corporations, and other entities. The activities and program services offered by the Organization are dependent on the level of support.

Contributed Services and In-Kind Contributions

Contributed services are recognized if services received create non-financial assets or require specialized skills which typically need to be purchased if not provided by donation.

EMERY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

1. Summary of Significant Accounting Principles (continued)

Contributed Services and In-Kind Contributions (continued)

The Organization leases office space at the district office facility of EUSD at an annual rent of \$1.00. The Organization is responsible for all janitorial and certain related costs. Management has determined that the fair market value of the rent to approximate \$500 per month. The lease expires on June 30, 2010.

Contributed services are as follows:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Audit services	\$ 5,368	\$ 4,655
Office rent	6,000	6,000
Technology	6,600	-
Other program expense	3,500	-
	<u>\$ 21,468</u>	<u>\$ 10,655</u>

Contributed services, including in-kind rent, of \$13,558 and \$6,245 are reflected in General and Administrative and \$7,910 and \$4,410 in School Programs for 2009 and 2008, respectively.

A number of individual volunteers and companies have donated significant amounts of time to advance the Organization's program objectives. No amounts have been reported in the accompanying financial statements for many of these donated services since no objective basis is available to measure the value of such services.

Fundraising Events Revenue

Fundraising events revenue is reported net of expenses.

Use of Estimates

The preparation of financial statements in conformity with auditing principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EMERY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

1. Summary of Significant Accounting Principles (continued)

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with maturities at date of purchase of 90 days or less and total \$1,193 at June 30, 2009 and \$1,174 at June 30, 2008. These funds are for an endowment fund and considered permanently restricted.

Property and Equipment

Property and equipment purchased or donated with estimated useful lives in excess of one year are capitalized at cost. Donated assets are capitalized at the fair market value on the date of receipt. Depreciation is computed on straight-line method using estimated useful lives varying between five and ten years.

The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Functional Allocation of Expenses

The costs of providing various program services and other activities have been summarized on a functional basis in the Statements of Activities with detail included in a statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

Emery Ed is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and R&TC Section 23701d of the California Revenue and Taxation Code. An organization exempt from taxes pursuant to these code sections is taxed only on unrelated business income. The Organization does not have unrelated business income for the years ended June 30, 2009 and 2008.

2. Financial Instruments and Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash and cash equivalents.

The Organization maintains its cash accounts with three commercial banks. The cash balances and the certificates of deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2009, uninsured balances approximate \$88,000 based upon bank statement balances.

EMERY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

3. Grants Payable

Grants payable at June 30, 2009 consists of an unpaid balance of \$24,000 on a total pledge of \$48,000 to a local non-profit organization (East Bay College Fund) that will provide a 4-year college scholarship and mentoring services to three Emery students designated by Emery Ed (also see note 5).

4. Net Assets

Net asset balances consist of the following:

	June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	\$ 37,787	\$ 696,168	\$ 1,193	\$ 735,148
Receivables-grants/other	8,666	-	-	8,666
Prepaid expenses	2,431	-	-	2,431
Property & equipment-net	10,621	-	-	10,621
Fiscal sponsorships				
- Anna Yates PTO	-	(1,887)	-	(1,887)
- Healthy Cities	-	(6,000)	-	(6,000)
- STEM Summer Academy	-	(800)	-	(800)
- PEP TEAMS project	-	(1,495)	-	(1,495)
Grants payable	-	(24,000)	-	(24,000)
Payroll tax payable	(5,766)	-	-	(5,766)
Accounts payable	(1,997)	-	-	(1,997)
Accrued vacation	(7,569)	-	-	(7,569)
	<u>\$ 44,173</u>	<u>\$ 661,986</u>	<u>\$ 1,193</u>	<u>\$ 707,352</u>
	June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	\$ (7,440)	\$ 694,631	\$ 1,174	\$ 688,365
Receivables-grants/other	69,636	-	-	69,636
Prepaid expenses & other	2,395	-	-	2,395
Property & equipment-net	12,949	-	-	12,949
Fiscal sponsorships				
- Haas Foundation	-	(11,520)	-	(11,520)
- DIASPORA Club	-	(2,985)	-	(2,985)
- PEP TEAMS	-	(1,495)	-	(1,495)
- Other	-	(623)	-	(623)
Grants payable	-	(24,000)	-	(24,000)
Payroll tax payable	(4,759)	-	-	(4,759)
Other	(255)	-	-	(255)
	<u>\$ 72,526</u>	<u>\$ 654,008</u>	<u>\$ 1,174</u>	<u>\$ 727,708</u>

EMERY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

5. Commitments and Contingencies

Promises to Give

The Organization awards various one-time scholarships to graduating high school seniors. These scholarships are conditional upon the students meeting certain criteria, which includes proof of admittance into an accredited college or vocational school.

The Organization also grants multi-year scholarships to Emery graduates conditional upon receiving annual proof of enrollment.

As of June 30, 2009, the Organization is scheduled to award scholarships as follows:

Year Ended June 30,	Total	One Year Academic Grants	Novartis	East Bay College Fund (See note 3)
2010	\$ 46,000	\$ 14,000	\$ 20,000	\$ 12,000
2011	23,000	-	15,000	8,000
2012	14,000	-	10,000	4,000
2013	5,000	-	5,000	-
	<u>\$ 88,000</u>	<u>\$ 14,000</u>	<u>\$ 50,000</u>	<u>\$ 24,000</u>

6. Temporarily Restricted Net Assets

Purpose Restrictions	Released from Donor Restriction as of June 30, 2009	Available at June 30, 2009
Novartis Scholarship	\$ 15,000	\$ 118,895
Community engagement/instruction (Stuart)	279,000	360,000
Arts and Learning (Haas)	93,000	90,000
Secondary School Redesign (Valley)	93,000	-
Library and Technology (Rogers)	-	68,400
Other School Related Programs	32,948	24,601
	<u>\$ 512,948</u>	<u>\$ 661,986</u>

Purpose Restrictions	Released from Donor Restriction as of June 30, 2008	Available at June 30, 2008
Novartis Scholarship	\$ 14,000	\$ 128,000
Community engagement/instruction (Stuart)	-	279,000
Volunteers (SF Foundation, Wells Fargo)	24,900	-
Arts and Learning (Haas)	-	93,000
Secondary School Redesign (Valley)	-	93,000
Library and Technology (Rogers)	-	27,900
Other School Related Programs	9,057	33,108
	<u>\$ 47,957</u>	<u>\$ 654,008</u>

EMERY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

7. Related Party Transactions

The Organization received an unrestricted donation from one of its Board Members totaling \$48,750 for 2009. Other board member donations received during the current year totaled \$10,323.

8. Major Donors

Approximately 60% of the Organization's private grants and contributions as of June 30, 2009 were from two donors.

9. Retirement Plan

The Organization has an agreement with the executive director to provide annual retirement contributions totaling 10% of compensation and established a simplified employee pension plan in the name of the executive director. The Organization contributed \$9,750 and \$9,500 in 2009 and 2008, respectively.