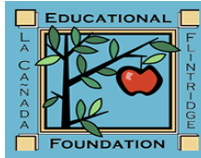


La Cañada Flintridge Educational Foundation



Financial Statements For Years Ended June 30, 2006 and 2005

Table of Contents

	<u>Page No.</u>
Report of Independent Public Accountants	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Notes to Financial Statements	7

Report of Independent Public Accountants

To the Board of Directors
La Cañada Flintridge Educational Foundation
La Cañada Flintridge, California

We have audited the accompanying statements of financial position of La Cañada Flintridge Educational Foundation (a California nonprofit organization), as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of La Cañada Flintridge Educational Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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 La Cañada Flintridge Educational Foundation as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RUSS & ALLCROFT

Certified Public Accountants

November 27, 2006
Glendale, California

La Cañada Flintridge Educational Foundation

Statements of Financial Position

As of June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets:		
Cash and cash equivalents, annual	\$ 1,365,721	\$ 1,248,508
Cash and cash equivalents, endowment	223,709	65,111
Prepaid expenses	6,643	-
Interest receivable	4,771	-
Interfund receivable	117,538	103,690
Long-term investments, endowment	<u>2,515,106</u>	<u>2,261,599</u>
Total assets	<u><u>\$ 4,233,488</u></u>	<u><u>\$ 3,678,908</u></u>
 Liabilities and Net Assets:		
Liabilities:		
Accrued expenses	\$ 6,000	\$ 5,000
Interfund payable	117,538	103,690
LCFUSD campaigns payable	1,455	1,080
Grant payable to school district	<u>1,265,000</u>	<u>1,178,000</u>
Total liabilities	<u>1,389,993</u>	<u>1,287,770</u>
 Net Assets:		
Unrestricted net assets:		
Operating	<u>145,121</u>	<u>128,766</u>
Total unrestricted net assets	145,121	128,766
 Permanently restricted net assets	 <u>2,698,374</u>	 <u>2,262,372</u>
Total net assets	<u>2,843,495</u>	<u>2,391,138</u>
 Total liabilities and net assets	 <u><u>\$ 4,233,488</u></u>	 <u><u>\$ 3,678,908</u></u>

See accompanying report of independent public accountants and notes to financial statements.

La Cañada Flintridge Educational Foundation

Statements of Activities

For the Years Ended June 30, 2006 and 2005

Changes in unrestricted net assets:

Revenues and gains:	<u>2006</u>	<u>2005</u>
Contributions	\$ 874,193	\$ 758,509
Special events	660,558	720,425
Interest and dividends	13,018	4,260
Other revenues	1,549	2,836
Realized gains/(losses)	1,019	(279)
Unrealized gains/(losses)	(585)	-
	<hr/>	<hr/>
Unrestricted revenues and gains	1,549,752	1,485,751
Net assets released from endowment	124,920	109,081
	<hr/>	<hr/>
Total unrestricted revenues and gains	1,674,672	1,594,832
 Expenses:		
Program expenses:		
Grant to school district	1,265,000	1,188,000
Grant to teacher	5,677	5,356
	<hr/>	<hr/>
Total program expenses	1,270,677	1,193,356
 Fund-raising and administrative expenses:		
Special events	254,739	262,199
Wages and related expenses	33,293	33,284
Bank, merchant card, and brokerage charges	4,930	9,857
Ads, publicity, and awards	10,275	12,746
Postage	5,702	6,793
Printing	25,606	10,967
Facilities	4,800	4,800
Storage	1,322	1,005
Accounting	7,000	5,500
Data base & web site services	18,333	18,380
Supplies	2,911	2,196
Meetings, receptions, fund-raising	10,823	12,043
Insurance	2,278	2,086
Tax, license, and miscellaneous	5,628	4,923
	<hr/>	<hr/>
Total fund-raising and administrative	387,640	386,779
	<hr/>	<hr/>
Total expenses	1,658,317	1,580,135
	<hr/>	<hr/>
Increase in unrestricted net assets	16,355	14,697

See accompanying report of independent public accountants and notes to financial statements.

La Cañada Flintridge Educational Foundation

Statements of Activities

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Increase in unrestricted net assets:	\$ 16,355	\$ 14,697
Changes in permanently restricted net assets:		
Contributions	295,436	124,711
Partnership investment income	11,157	20,630
Interest and dividends	113,448	80,000
Unrealized gains/(losses)	<u>140,881</u>	<u>125,533</u>
Restricted revenues and gains	560,922	350,874
Net assets released from restrictions	<u>(124,920)</u>	<u>(109,081)</u>
Increase in permanently restricted net assets	436,002	241,793
Increase in net assets	452,357	256,490
Net assets at beginning of year	<u>2,391,138</u>	<u>2,134,648</u>
Net assets at end of year	<u><u>\$ 2,843,495</u></u>	<u><u>\$ 2,391,138</u></u>

See accompanying report of independent public accountants and notes to financial statements.

La Cañada Flintridge Educational Foundation

Statements of Cash Flows

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Contributions received	\$ 1,831,736	\$ 1,606,482
Cash paid to suppliers of goods and services	(398,585)	(395,017)
Cash paid La Cañada Unified School District	(1,178,000)	(1,177,000)
Investment income received	<u>133,286</u>	<u>104,612</u>
Net cash provided by operating activities	388,437	139,077
Cash flows from investing activities:		
Purchases of investments	<u>(112,625)</u>	<u>(153,659)</u>
Net cash used by investing activities	<u>(112,625)</u>	<u>(153,659)</u>
Net increase (decrease) in cash	275,812	(14,582)
Cash and cash equivalents, beginning	<u>1,313,619</u>	<u>1,328,201</u>
Cash and cash equivalents, ending	<u><u>\$ 1,589,431</u></u>	<u><u>\$ 1,313,619</u></u>
Supplemental disclosures:		
Unrealized gains on securities	<u><u>\$ 140,881</u></u>	<u><u>\$ 125,533</u></u>

See accompanying report of independent public accountants and notes to financial statements.

La Cañada Flintridge Educational Foundation

Statements of Cash Flows

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 452,357	\$ 256,490
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Unrealized gains	(140,881)	(125,533)
(Increase)/decrease in:		
Interest receivable	(4,771)	-
Prepaid expenses	(6,644)	-
Increase/(decrease) in:		
Accrued expenses & payable	1,376	(2,880)
Grant to school district	87,000	11,000
	\$ 388,437	\$ 139,077
Net cash provided by operating activities	\$ 388,437	\$ 139,077

See accompanying report of independent public accountants and notes to financial statements.

La Cañada Flintridge Educational Foundation
Notes to Financial Statements
For the Years Ended June 30, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies

A. Organization and Nature of Activities:

The La Cañada Flintridge Educational Foundation (the Foundation) is a nonprofit California corporation and is exempt under Internal Revenue Code Section 501{c}(3) from federal and state income taxes. The Foundation's primary purpose is to perform fund-raising activities in order to provide financial support to the La Cañada Unified School District.

B. Basis of Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with the standards of the Public Company Accounting Oversight Board (United States). Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry on the operations of the organization in accordance with its bylaws.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent resources currently available for use, but expendable only for those operating purposes specified by the donor. Resources of this class of net assets originate from contributions, grants, bequests and investment income earned by the temporarily restricted assets.

Permanently Restricted Net Assets - Permanently restricted net assets are maintained as an endowment that represents net assets that are subject to restrictions of gift instruments requiring, in perpetuity, that the principal be invested and the income only be used.

C. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See accompanying report of independent public accountants.

La Cañada Flintridge Educational Foundation
Notes to Financial Statements
For the Years Ended June 30, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies (continued)

D. Cash and Cash Equivalents

Cash equivalents consist of certificates of deposit and money market funds. They are stated at cost, which approximates fair market value.

E. Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently 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 as unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

F. Investments

Investments in the Endowment Fund are carried at fair market value and consist of mutual funds and a donated interest in a limited partnership. The limited partnership interest was valued by an unrelated, third party, professional valuation firm in the fiscal year ended June 30, 2001. Unrealized gains and losses are included in the change of net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

G. Risk and Uncertainties

In the normal course of business, the Foundation is subject to certain risks and uncertainties:

The Endowment Fund's investment in mutual funds represented approximately 61% at June 30, 2006 and 60% at June 30, 2005 of the total assets of the Foundation and are subject to market changes and fluctuations.

H. Contributed Services

During the years ended June 30, 2006 and 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

See accompanying report of independent public accountants.

La Cañada Flintridge Educational Foundation

Notes to Financial Statements

For the Years Ended June 30, 2006 and 2005

Note 2 - Concentration of Credit Risk

Investments - As of June 30, 2006 and 2005, the Foundation's Endowment Fund has investments with fair market values of \$2,456,526 and \$2,203,019 deposited with The Vanguard Group that are not insured by the Securities Investors Protection Corporation. The Vanguard Group carries general indemnification insurance covering any errors and omissions caused by The Vanguard Group.

Cash – The Foundation maintains its cash balances in multiple institutions of which the balances are insured by the Federal Deposit Insurance Corporation up to \$100,000.

Note 3 - Promises to Give

Unconditional promises to give to the Endowment Fund at the years ended June 30, 2006 and June 30, 2005 are as follows:

	2006	2005
Receivable in less than one year	\$ 87,795	\$ 57,000
Receivable in one to five years	426,645	344,036
Subtotal	<u>514,440</u>	<u>401,036</u>
Less: Allowance for nonbinding promises	<u>(514,440)</u>	<u>(64,381)</u>
Net unconditional promises to give	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

No discount to net present value has been recorded, as the discount is not significant to the stated value of the unconditional promises to give.

The Board of Directors has no ability to legally enforce collection of any of the promises to give at the years ended June 30, 2006 and 2005.

New unconditional promises to give amounted to \$320,000 in the year ended June 30, 2006, and \$356,050 in the year ended June 30, 2005.

Note 4 - Grant Payable

The Foundation made a commitment to contribute the amount of \$1,265,000 to the La Canada Unified School District for the year ended June 30, 2006. For the year ended June 30, 2005, the contribution of \$1,188,000 was made to the La Canada Unified School District.

See accompanying report of independent public accountants.

La Cañada Flintridge Educational Foundation

Notes to Financial Statements

For the Years Ended June 30, 2006 and 2005

Note 5 - Investments

The Foundation's Endowment Fund investments for the years ended June 30, 2006 and 2005 are composed of the following permanently restricted assets, at fair market value:

	<u>2006</u>	<u>2005</u>
Mutual funds:		
Vanguard/Wellington Fund	\$ 830,456	\$ 757,349
Vanguard/Inter-Term Corp	178,895	181,790
Vanguard/Capital Opp Adm	267,093	235,620
Vanguard/Windsor	391,276	359,949
Vanguard/International	507,108	394,573
Vanguard/Wellesley (Harrington)	281,698	273,738
Subtotal mutual funds	<u>2,456,526</u>	<u>2,203,019</u>
Interest in limited partnership	58,580	58,580
Total long-term investments	<u><u>\$ 2,515,106</u></u>	<u><u>\$ 2,261,599</u></u>

Note 6 - Trustee Designated Endowment Fund Net Assets

The bylaws of the Foundation's Endowment Fund instruct the Trustees to annually transfer funds to the Foundation's unrestricted net assets. The amount of the transfer is equal to the lesser of:

- (a) 5% of the fair value of the assets of the Endowment Fund as of January 1 of the prior calendar year, or
- (b) The net appreciation, realized and unrealized, in the fair value of the assets of the Endowment Fund over the historic dollar value of those assets.

Note 7 – Transfers of Assets

Under Statement of Financial Accounting Standards No. 136, non-profit organizations that accept financial assets from a donor and agree to transfer those assets to a specified unaffiliated beneficiary are required to recognize the fair value of those assets as a liability to the specified beneficiary concurrent with recognition of the assets received from the donor. At June 30, 2006 the Foundation held \$1,455 in assets for the La Canada Unified School District Scrip campaign due to be paid in the subsequent fiscal year.

See accompanying report of independent public accountants.

La Cañada Flintridge Educational Foundation

Notes to Financial Statements

For Years Ended June 30, 2006 and 2005

Note 8 - Fund-raising Events

Revenues and expenses from major fund-raising events for the years ended June 30, 2006 and 2005 are as follows:

	2006		2005	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Gala event	\$ 529,047	\$ 241,146	\$ 588,535	\$ 248,261
Jog-A-Thon	95,636	2,413	88,598	2,846
Golf Tournament	35,875	11,180	43,292	11,092
Totals	<u>\$ 660,558</u>	<u>\$ 254,739</u>	<u>\$ 720,425</u>	<u>\$ 262,199</u>

In accordance with Financial Accounting Standards No. 116 and 117, included in the Gala event revenues and expenses are estimated fair values of donated goods and services of \$107,053 for year ended June 30, 2006 and \$157,402 for year ended June 30, 2005. The net effect of including such amounts on the profit of the Gala event is zero.

Note 9 - In-Kind Contributions

As prescribed by Financial Accounting Standards No. 116 and 117, the estimated fair market value of in-kind contributions are reported as revenues and expenses in the period in which contributions are made. In-kind contributions for the years ended June 30, 2006 and June 30, 2005 consisted of:

<u>Description</u>	<u>2006</u>	<u>2005</u>
Gala event	\$ 107,053	\$ 157,402
Other events & fund-raising	10,450	10,428
Donated office equipment	-	7,250
Donated office facility	4,800	4,800
Total	<u>\$ 122,303</u>	<u>\$ 179,880</u>

Note 10 – Interfund transactions

The Foundation receives monies that are donor designated for the Foundation's Annual and Endowment Funds. The Foundation has separate bank accounts for each Fund, and utilizes interfund transactions to facilitate the transfer of donor designated funds to the appropriate account. At June 30, 2006 designated donations of \$77,097 for the Endowment Fund were due for transfer from the Annual Fund.

Each year the Endowment Fund may designate a grant to transfer to the Annual Fund (see Note 6). At June 30, 2006 and June 30, 2005 such designations were \$117,538 and \$103,690, respectively.

See accompanying report of independent public accountants.

La Cañada Flintridge Educational Foundation
Notes to Financial Statements
For Years Ended June 30, 2006 and 2005

Note 11 – Fair Values of Financial Instruments

The Foundation's financial instruments consist of cash, investments, and unconditional promises to give. The Foundation estimates that the fair market value of all financial instruments as of June 30, 2006 and 2005 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair market value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair market value and, accordingly, the estimates are not necessarily indicative of the amount that the Foundation could realize in a current market exchange.

See accompanying report of independent public accountants.