

**ADSUM EDUCATION FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**DECEMBER 31, 2012**

**ADSUM EDUCATION FOUNDATION, INC.**

December 31, 2012

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**ADSUM EDUCATION FOUNDATION, INC.**

STATEMENT OF FINANCIAL POSITION

December 31, 2012

(With Comparative Totals for December 31, 2011)

	ASSETS			(Memo)
	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,217	\$ 72,572	\$ 78,789	\$ 51,385
Pledges receivable	-	21,500	21,500	8,500
<b>TOTAL ASSETS</b>	<b>\$ 6,217</b>	<b>\$ 94,072</b>	<b>\$ 100,289</b>	<b>\$ 59,885</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Scholarships payable	\$ -	\$ -	\$ -	\$ 3,541
<b>NET ASSETS</b>				
Unrestricted	6,217	-	6,217	5,608
Temporarily restricted	-	94,072	94,072	50,736
Total Net Assets	6,217	94,072	100,289	56,344
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,217</b>	<b>\$ 94,072</b>	<b>\$ 100,289</b>	<b>\$ 59,885</b>

See accountants' compilation report and footnotes.

**ADSUM EDUCATION FOUNDATION, INC.**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>(Memo) 2011 Total</u>
<b>REVENUE</b>				
Contributions	\$ -	\$ 90,311	\$ 90,311	\$ 46,286
Grants	3,250	650	3,900	7,250
Board contribuitons	5,200	-	5,200	6,300
Released from restrictions	<u>47,625</u>	<u>(47,625)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>56,075</u>	<u>43,336</u>	<u>99,411</u>	<u>59,836</u>
<b>EXPENSES</b>				
Program	50,350	-	50,350	17,295
Management and general	2,574	-	2,574	725
Fundraising	<u>2,542</u>	<u>-</u>	<u>2,542</u>	<u>758</u>
Total Expenses	<u>55,466</u>	<u>-</u>	<u>55,466</u>	<u>18,778</u>
<b>CHANGE IN NET ASSETS</b>	<b>609</b>	<b>43,336</b>	<b>43,945</b>	<b>41,058</b>
NET ASSETS, BEGINNING OF YEAR	<u>5,608</u>	<u>50,736</u>	<u>56,344</u>	<u>15,286</u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 6,217</u></b>	<b><u>\$ 94,072</u></b>	<b><u>\$ 100,289</u></b>	<b><u>\$ 56,344</u></b>

See accountants' compilation report and footnotes.

**ADSUM EDUCATION FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2012 Total</u>	<u>(Memo) 2011 Total</u>
<b>DIRECT PROGRAM EXPENSES</b>					
Scholarships (less rescindments of \$2,375 and \$7,500)	\$ 47,625	\$ -	\$ -	\$ 47,625	\$ 16,250
<b>OPERATING EXPENSES</b>					
Insurance	453	225	225	903	844
Supplies	160	205	268	633	675
Recognition and publicity	846	-	846	1,692	-
Printing and postage	640	1,279	640	2,559	516
Telephone and internet	126	63	63	252	285
Bank and credit card fees	-	302	-	302	208
Professional fees	<u>500</u>	<u>500</u>	<u>500</u>	<u>1,500</u>	<u>-</u>
Total Operating Expenses	<u>2,725</u>	<u>2,574</u>	<u>2,542</u>	<u>7,841</u>	<u>2,528</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 50,350</u></b>	<b><u>\$ 2,574</u></b>	<b><u>\$ 2,542</u></b>	<b><u>\$ 55,466</u></b>	<b><u>\$ 18,778</u></b>
	<b>91%</b>	<b>5%</b>	<b>4%</b>		

See accountants' compilation report and footnotes.

**ADSUM EDUCATION FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012	(Memo) 2011
CASH FLOWS FROM OPERATING ACTIVITIES	<u>2012</u>	<u>2011</u>
Change in net assets	\$ 43,945	\$ 41,058
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in pledges receivable	(13,000)	(8,000)
Increase (decrease) in scholarships payable	<u>(3,541)</u>	<u>3,541</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>27,404</u>	<u>36,599</u>
<b>NET INCREASE IN CASH</b>	<b>27,404</b>	<b>14,786</b>
CASH AT BEGINNING OF YEAR	<u>51,385</u>	<u>36,599</u>
<b>CASH AT END OF YEAR</b>	<b><u>\$ 78,789</u></b>	<b><u>\$ 51,385</u></b>

See accountants' compilation report and footnotes.

# ADSUM EDUCATION FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – ORGANIZATION

The Adsum Education Foundation, Inc. (Adsum) is a 501(c)(3) nonprofit organization established in 2010 to support students from Santa Barbara County who do not have access to traditional sources of financial aid. Proof of citizenship is not a requirement for eligibility and preference is given to AB 540 students who are ineligible for federal financial aid and loan programs. Students may use scholarships to attend any University of California, Cal State University, or California Community College as full-time students.

Adsum raises money through donations and grants in order to provide scholarships to students. Scholarships are administered by the Scholarship Foundation of Santa Barbara free of charge in conjunction with their annual award program. Thanks to operating support from the Fund for Santa Barbara, 100% of contributions received are used exclusively for scholarships. Since 2010, 44 students were awarded a total of \$73,000 and subsequent to December 31, 2012 another \$80,000 was awarded for scholarships related to the 2013-2014 academic year.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The accompanying financial statements of Adsum are prepared using the accrual basis of accounting.

#### Classification of Net Assets

Adsum reports information regarding its financial position and activities in three classes of net assets - unrestricted, temporarily restricted, and permanently restricted - based on the existence or absence of donor-imposed restrictions.

#### Unrestricted Net Assets

The unrestricted net assets represent Board contributions and specific grant resources available for general support of Adsum activities.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions restricted for scholarship awards. The restrictions are temporary in that they are expected to expire with the passage of time. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restrictions”.

#### Permanently Restricted Net Assets

As of December 31, 2012, Adsum did not maintain any permanently restricted net assets.

# ADSUM EDUCATION FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and Cash Equivalents

Adsum considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Contributions

Contributions received are recorded at their fair value on the date of donation. Contributions receivable are recognized as revenue when committed and as pledges receivable until collected. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### 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 amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the significant estimates could change in the coming year. Significant estimates used in the preparation of these financial statements include allocation of certain expenses by function and collectability of receivables.

#### Income Taxes

Adsum is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section number 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. Adsum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Adsum evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2012, Adsum had no uncertain tax positions requiring accrual. Adsum files tax returns in California and U.S. federal jurisdictions.

#### Donated Services

During the fiscal year ended December 31, 2012, numerous volunteers gave their time and expertise to Adsum in a wide variety of areas including outreach, administration, public relations activities and scholarship awards committees. This contribution, despite its considerable value to the mission of Adsum, is not reflected in the financial statements.



# ADSUM EDUCATION FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Scholarships

Adsum records scholarship expenses at the time they are approved by the Board of Directors. Scholarships payable are expected to be paid in full within one year.

#### Functional Expenses

Adsum allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated by various estimates and assumptions.

#### Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles.

#### Subsequent Events

Subsequent to December 31, 2012, the Board of Directors approved scholarship awards totaling \$80,000 to be administered by the Scholarship Foundation of Santa Barbara related to scholarships for the 2013-2014 academic year.

### NOTE 3 – PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as receivables and pledges receivable and revenue of the appropriate net asset category. At December 31, 2012, these amounts are considered fully collectible and therefore no allowances for receivables or uncollectible promises to give have been recorded. Unconditional promises to give totaling \$21,500 are expected to be collected in full within one year and are restricted for scholarships.

### NOTE 4 – NET ASSETS RELEASED FROM RESTRICTIONS

For the year ended December 31, 2012, the awarding of scholarships resulted in net assets released from restriction of \$47,625.

### NOTE 5 – CONCENTRATIONS

As of December 31, 2012, 93% of the pledges receivable was from one donor and 50% of the contribution revenue was derived from two donors. In addition, a majority of donors to Adsum are from Santa Barbara County.

**ADSUM EDUCATION FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – NET ASSETS**

Unrestricted Restricted Net Assets

As of December 31, 2012, unrestricted net assets consist of the following:

General operating funds	\$ 6,217
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Temporarily Restricted Net Assets

As of December 31, 2012, temporarily restricted net assets consist of the following:

Pledges receivable	\$ 21,500
Contributions restricted for scholarships	<u>72,572</u>
Total temporarily restricted net assets	<u>\$ 94,072</u>