

THE DECISION EDUCATION FOUNDATION
(A NON-PROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2009

THE DECISION EDUCATION FOUNDATION
(A NON-PROFIT ORGANIZATION)
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DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT



To the Board of Directors
The Decision Education Foundation
Palo Alto, California

We have audited the accompanying statement of financial position of The Decision Education Foundation (the "Organization") as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 audit provides 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 The Decision Education Foundation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

SingerLewak LLP

SingerLewak LLP

San Jose, California
July 15, 2010

THE DECISION EDUCATION FOUNDATION

(A NON-PROFIT ORGANIZATION)

STATEMENT OF FINANCIAL POSITION

December 31, 2009

ASSETS

	<u>2009</u>
Assets	
Cash and cash equivalents	\$ 195,733
Contributions receivable - related party	164,031
Accounts receivable	18,890
Prepaid expenses and other assets	10,272
Property and equipment, net	<u>2,229</u>
Total assets	<u>\$ 391,155</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ <u>58,891</u>
Total liabilities	<u>58,891</u>
Net assets	
Unrestricted	316,851
Temporarily restricted	<u>15,413</u>
Total net assets	<u>332,264</u>
Total liabilities and net assets	<u>\$ 391,155</u>

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

THE DECISION EDUCATION FOUNDATION
(A NON-PROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Contributions	\$ 862,651	\$ 10,125	\$ 872,776
Program service revenue	110,793	-	110,793
Sale of materials	650	-	650
Special events, net of \$51,621 of expenses	11,829	91,251	103,080
In-kind donations	119,488	-	119,488
Other income	2,712	-	2,712
Net assets released from restrictions	87,975	(87,975)	-
	1,196,098	13,401	1,209,499
Functional expenses			
Program services	1,067,903	-	1,067,903
General administrative	146,134	-	146,134
Fundraising	324,929	-	324,929
	1,538,966	-	1,538,966
Changes in net assets	(342,868)	13,401	(329,467)
Net assets, beginning of year	659,719	2,012	661,731
Net assets, end of year	\$ 316,851	\$ 15,413	\$ 332,264

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

THE DECISION EDUCATION FOUNDATION

(A NON-PROFIT ORGANIZATION)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2009

	Program Services	General Administrative	Fundraising	Total
Employee expenses				
Salaries	\$ 526,911	\$ 59,091	\$ 192,526	\$ 778,528
Payroll taxes	40,519	4,212	12,587	57,318
Employee benefits	54,077	6,064	19,759	79,900
	<u>621,507</u>	<u>69,367</u>	<u>224,872</u>	<u>915,746</u>
Total employee expenses				
	<u>621,507</u>	<u>69,367</u>	<u>224,872</u>	<u>915,746</u>
Other expenses				
Conferences, conventions and meetings	\$ 63,300	\$ -	\$ 1,220	\$ 64,520
Contractor fees	224,232	5,668	28,797	258,697
Depreciation	653	66	200	919
Dues and subscriptions	1,065	20	2,536	3,621
Equipment rental	3,038	434	868	4,340
Facilities rental	50,656	7,237	14,473	72,366
Insurance	2,612	689	954	4,255
IT services	3,341	474	949	4,764
Legal and accounting services	-	46,176	-	46,176
Office supplies	841	196	521	1,558
Other fees and expenses	71	4,969	2,099	7,139
Postage	2,809	171	3,633	6,613
Printing	14,904	856	7,119	22,879
Program, material and supplies	7,009	105	2,550	9,664
Telephone and internet	10,146	4,950	1,338	16,434
Travel and entertainment	43,725	4,756	14,248	62,729
Website maintenance	17,994	-	18,552	36,546
	<u>446,396</u>	<u>76,767</u>	<u>100,057</u>	<u>623,220</u>
Total other expenses				
	<u>446,396</u>	<u>76,767</u>	<u>100,057</u>	<u>623,220</u>
Total functional expenses	<u>\$ 1,067,903</u>	<u>\$ 146,134</u>	<u>\$ 324,929</u>	<u>\$ 1,538,966</u>

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

THE DECISION EDUCATION FOUNDATION

(A NON-PROFIT ORGANIZATION)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

Cash flows from operating activities

Changes in net assets	\$	(329,467)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation		919
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable		1,064
Accounts receivable		17,050
Prepaid expenses and other assets		(311)
Increase in liabilities:		
Accounts payable and accrued expenses		<u>17,331</u>
Net cash used in operating activities		<u>(293,414)</u>
Net decrease in cash and cash equivalents		(293,414)
Cash and cash equivalents, beginning of year		<u>489,147</u>
Cash and cash equivalents, end of year	\$	<u>195,733</u>

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

THE DECISION EDUCATION FOUNDATION

(A NON-PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

NOTE 1 – GENERAL

Organization and Nature of Activities

The Decision Education Foundation (the “Organization”) is a 501(c)(3) not-for-profit organization, formed in May 2001, which is dedicated to improving the lives of young people by empowering them with effective decision skills. To this end, the Organization works with schools and youth organizations, developing classroom-ready materials and training teachers, administrators, and mentors interested in making decision education a part of their curricula and youth-focused programs. The Organization serves the full spectrum of students – from those at-risk and vulnerable to those who are economically and socially disadvantaged.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The Organization classifies revenues, gains, expenses, and losses based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

- **Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.
- **Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support.
- **Permanently restricted net assets** – Net assets that are restricted by the donors for investment in perpetuity. The Organization has no permanently restricted net assets as of December 31, 2009.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

THE DECISION EDUCATION FOUNDATION

(A NON-PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Contributions Receivable

Accounts receivable and contributions receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. As of December 31, 2009, the allowance for uncollectible accounts is zero.

Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the related assets are as follows:

Computers	3 years
Furniture, fixtures and equipment	5 years

Revenue Recognition

Contributions of cash and other assets are reported as temporarily 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 classified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contribution and fundraising revenues are recognized in the period the revenues are earned.

In Kind Contributions

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Organization records contributed rent for its office space which is measured at fair market value per square foot. This contribution is recorded as a revenue and expense in the period in which the facilities are occupied. As a result, during the year ended December 31, 2009, the Organization recorded \$50,400 for in-kind rent.

The Organization also recorded in kind contributions totaling \$58,127 related to independent contractor fees for teaching courses, attorney services, IT services, printing and copying, and office supplies.

THE DECISION EDUCATION FOUNDATION

(A NON-PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value of Financial Instruments

The Organization measures and discloses fair value measurements as required by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.

The carrying value of accounts and contributions receivable, prepaid expenses and other assets, accounts payable, and accrued expenses are considered to be representative of their respective fair values because of the short-term nature of those instruments.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the FASB establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

As required by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, the Organization measures cash and cash equivalents at fair value and are classified within Level 1 by using quoted market prices utilizing market observable inputs.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. Accordingly, no provisions for income taxes or related credits are included in these financial statements.

THE DECISION EDUCATION FOUNDATION

(A NON-PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Pronouncements

Effective January 1, 2009, the Organization adopted ASC 740-10, Accounting for Uncertainty in Income Taxes. ASC 740-10 provides guidance on recognition, derecognition, measurement, classification, interest and penalties, disclosure and transition. ASC 740-10 requires an entity to recognize the financial statement impact of tax positions when it is more likely than not that the position will not be sustained upon examination. In addition, ASC 740-10 permits an entity to recognize interest and penalties related to tax uncertainties either as income tax expense or operating expenses.

The Organization has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. As a result, the adoption of ASC 740-10 did not have a material impact on the Organization's results of operations and financial position.

In May 2009, the FASB released ASC 855-10, "Subsequent Events". The scope of ASC 855-10 is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This statement is effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009. The Organization has evaluated subsequent events for recognition or disclosure through the issuance date of these financial statements.

In June 2009, the FASB released the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162. The FASB Accounting Standards Codification ("Codification") will become the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this Statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of the Codification did not have any impact on the Organization's financial position or results of operations.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Organization maintains bank accounts at three financial institutions. Accounts at all institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash in these accounts may exceed the insured amounts during the year ended December 31, 2009.

THE DECISION EDUCATION FOUNDATION

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2009 totaled \$164,031, and is due from one foundation controlled by or closely related to one of the members of the Board of Directors as noted in Note 7 below. This receivable has been subsequently collected in 2010.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 is as follows:

Computers	\$ 2,248
Furniture, fixtures and equipment	<u>4,119</u>
Total property and equipment	6,367
Less accumulated depreciation	<u>(4,138)</u>
Property and equipment, net	<u>\$ 2,229</u>

Depreciation expense totaled \$919 for the year ended December 31, 2009.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2009, temporarily restricted net assets were as follows:

	Balances at December 31, 2008	Revenues	Releases	Balances at December 31, 2009
Teacher scholarships	\$ 2,012	\$ 97,376	\$(87,975)	\$ 11,413
Student training	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total temporarily restricted	<u>\$ 2,012</u>	<u>\$ 101,376</u>	<u>\$(87,975)</u>	<u>\$ 15,413</u>

THE DECISION EDUCATION FOUNDATION
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

NOTE 7 – RELATED PARTY TRANSACTIONS

During 2009, the Organization received approximately \$183,000 in contributions from members of the Board of Directors and approximately \$696,000 from foundations controlled by or closely related to one of the members of the Board of Directors. These contributions accounted for 18% and 58% of the Organization's total gross contributions (including special events), respectively. The entire contributions receivable balance at December 31, 2009 is due from one of the afore mentioned foundations controlled by or closely related to one of the members of the Board of Directors (See Note 4). Also, during 2009, the Organization received in-kind donations in the amount of \$12,000 from a member of the Board of Directors.

NOTE 8 – EMPLOYEE RETIREMENT PLAN

The Organization has a 401(k) plan that allows eligible employees to contribute money on a pre-tax basis. In addition, the Organization makes matching contributions equal to 100% of the employee contribution, up to a maximum of 3% of the employee's base salary. For the year ended December 31, 2009, the Organization's contribution was \$21,766.