

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

OCEANSIDE IVEY RANCH

PARK ASSOCIATION

110 RANCHO DEL ORO DRIVE

OCEANSIDE, CA 92057

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January 22, 2008

Board Of Directors
Oceanside Ivey Ranch
Park Association
Oceanside, CA 92057

We have audited the accompanying statements of financial position of Oceanside Ivey Ranch Park Association (a California nonprofit corporation) as of June 30, 2007 and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the board of directors and management. Our responsibility is to express an opinion on the financial statements based on our audit.

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 audits to obtain reasonable assurance about whether the financial statements are free from 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 Oceanside Ivey Ranch Park Association as of June 30, 2007 and 2006, 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.

**OCEANSIDE IVEY RANCH PARK ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30,**

	ASSETS	
	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash and cash equivalents	\$ 2,451	\$ 3,923
Accounts receivable, net	6,481	12,668
Accounts receivable, ED	7,215	7,800
Prepaid insurance	877	905
Current Assets	<u>17,024</u>	<u>25,296</u>
Property and Equipment, net of accumulated depreciation	<u>55,823</u>	<u>55,742</u>
Other Assets:		
Construction in Progress	<u>145,130</u>	<u>138,659</u>
Other Assets	<u>145,130</u>	<u>138,659</u>
Total Assets	<u>\$ 217,977</u>	<u>\$ 219,697</u>
LIABILITIES AND NET ASSETS		
	<u>2007</u>	<u>2006</u>
Current Liabilities:		
Accounts payable	\$ 7,210	\$ 2,616
Prepaid service fees	10,915	7,554
Accrued expenses	24,237	14,896
Loan payable-other	4,000	0
Recoverable grant payable	46,600	47,800
Total Current Liabilities	<u>92,962</u>	<u>72,866</u>
Long-term Liabilities:		
Recoverable grant payable	<u>25,000</u>	<u>25,000</u>
Total Long-term Liabilities	<u>25,000</u>	<u>25,000</u>
Total Liabilities	<u>117,962</u>	<u>97,866</u>
Net Assets:		
Unrestricted	26,485	55,972
Temporarily restricted	73,530	65,859
Total Net Assets	<u>100,015</u>	<u>121,831</u>
Total Liabilities and Net Assets	<u>\$ 217,977</u>	<u>\$ 219,697</u>

See accompanying notes to financial statements.

**OCEANSIDE IVEY RANCH PARK ASSOCIATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,**

			<u>2007</u>	<u>2006</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Public Support, Revenues and Gains:				
Program revenue	\$ 98,513	\$ 82,892	\$ 181,405	\$ 220,117
Contributions and grants	42,406	38,904	81,310	83,045
Contributions in kind	12,200	14,300	26,500	27,300
Special event income	43,836	0	43,836	21,396
Rental income	800	0	800	1,200
Miscellaneous income	0	0	0	100
Investment income	13	0	13	37
	<u>197,768</u>	<u>136,096</u>	<u>333,864</u>	<u>353,195</u>
Total Public Support, Revenues and Gain				
Expenses and Losses:				
Programs				
Child development center	100,131	67,692	167,823	169,719
In-home respite program	2,400	46,375	48,775	38,719
Equestrian program	58,069	25,316	83,385	62,371
Other therapeutic & recreational program:	0	8,868	8,868	4,871
Total programs	<u>160,600</u>	<u>148,251</u>	<u>308,851</u>	<u>275,680</u>
Special event expenses	<u>8,546</u>	<u>0</u>	<u>8,546</u>	<u>9,175</u>
Management and general				
Depreciation	851	0	851	538
Legal and accounting	47	0	47	452
Meals and entertainment	25	0	25	273
Miscellaneous	1,452	0	1,452	0
Office expense	1,869	0	1,869	157
Postage	17	0	17	277
Rent	12,000	0	12,000	12,000
Repairs and maintenance	186	0	186	1,133
Salaries and payroll taxes	20,629	0	20,629	18,533
Utilities	1,207	0	1,207	473
Total management and general	<u>38,283</u>	<u>0</u>	<u>38,283</u>	<u>33,836</u>
Total Expenses and Losses	<u>207,429</u>	<u>148,251</u>	<u>355,680</u>	<u>318,691</u>
Change in net assets	(9,661)	(12,155)	(21,816)	34,504
Net assets transferred to restricted	(19,826)	19,826	0	0
Net assets at beginning of year	<u>55,972</u>	<u>65,859</u>	<u>121,831</u>	<u>87,327</u>
Net assets at end of year	<u>\$ 26,485</u>	<u>\$ 73,530</u>	<u>\$ 100,015</u>	<u>\$ 121,831</u>

See accompanying notes to the financial statements.

**OCEANSIDE IVY RANCH PARK ASSOCIATION
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30,**

	<u>2007</u>	<u>2006</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ (21,816)	\$ 34,504
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	8,913	5,380
Contributions of in-kind donated assets	(2,500)	0
(Increase) Decrease in accounts receivable	6,187	4,554
(Increase) Decrease in employee advances	585	(7,800)
(Increase) Decrease in prepaid insurance	29	41
Increase (Decrease) in accounts payable	4,594	(13,470)
Increase (Decrease) in prepaid service fees	3,361	(2,799)
Increase (Decrease) in accrued expenses	9,340	11,052
Subtotal	<u>30,509</u>	<u>(3,042)</u>
Net cash provided by operating activities	<u>8,693</u>	<u>31,462</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of equipment	(6,494)	(30,699)
Additions to construction in progress	<u>(6,471)</u>	<u>(3,494)</u>
Net cash used in investing activities	<u>(12,965)</u>	<u>(34,193)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Receipts on borrowing	4,000	0
Payment on recoverable grant payable	<u>(1,200)</u>	<u>(1,200)</u>
Net cash provided (used) in financing activities	<u>2,800</u>	<u>(1,200)</u>
Net decrease in cash and equivalents	(1,472)	(3,931)
Cash and equivalents at beginning of year	<u>3,923</u>	<u>7,854</u>
Cash and equivalents at end of year	<u>\$ 2,451</u>	<u>\$ 3,923</u>
SUPPLEMENTARY INFORMATION:		
Interest Paid	<u>\$ 0</u>	<u>\$ 0</u>
Taxes Paid	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.

OCEANSIDE IVEY RANCH PARK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Oceanside Ivey Ranch Park Association (the Association) is a nonprofit public benefit California corporation incorporated on July 24, 1981. The mission of the Association is to provide educational and recreational outlets to disabled and able-bodied adults and children. Located in Oceanside, California, the Association offers daycare, summer camps, respite care and therapeutic aquatic and equestrian programs.

Financial Statement Presentation

The financial statement presentation follows the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – net assets that are not subject to donor imposed stipulations.

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 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 – net assets subject to donor imposed stipulations that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Public Support and Revenue

Contributions are recognized when the donor makes a promise to give to the Organization a contribution that is, in substance, unconditional. Such contributions are recorded at their net realizable value. An allowance for uncollectible promises is provided based upon management's evaluation of potential uncollectible promises at year end. Grants and other contributions of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a 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.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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.

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OCEANSIDE IVEY RANCH PARK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

Note 1. Summary of Significant Accounting Policies- Continued

Estimates

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

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted cash and other highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Receivables become past due when they exceed their contractual due date. The allowance for uncollectibles is maintained at a level that, in the management's judgment, is adequate to absorb possible losses. This process is based on estimates, and ultimate losses may vary from current estimates. Bad debt expenses for the years ended June 30, 2007 and 2006 are \$361 and \$90, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as rent, depreciation and salaries, have been allocated among the programs and supporting services benefited.

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 classified by the Internal Revenue Service as other than a private foundation.

Note 2. Property and Equipment

The following is a summary of property and equipment as of June 30,

	<u>2007</u>	<u>2006</u>
Furniture and Equipment	\$68,203	\$59,908
Leasehold Improvements	20,804	20,104
Horses	<u>4,000</u>	<u>4,000</u>
	93,007	84,012
Less accumulated depreciation	<u>37,184</u>	<u>28,270</u>
Total	<u>\$55,823</u>	<u>\$55,742</u>

OCEANSIDE IVEY RANCH PARK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

Note 2. Property and Equipment-Continued

Property and equipment is carried at cost or, if donated, at the approximated fair value at the date of donation. Furniture and equipment are being depreciated using the straight-line method over periods of 5-10 years. Leasehold improvements are depreciated over the remainder of the lease period. For the years ended June 30, 2007 and 2006, depreciation expense is \$8,913 and \$5,380, respectively.

Note 3. Donated Services and Facilities

The Association receives a significant amount of donated services from unpaid volunteers who assist in the therapeutic programs and other services. No material amounts have been recognized in the statement of activities because the criteria for recognition under SFAS 116 have not been satisfied.

The City of Oceanside has provided the use of several buildings, outbuildings and acreage for the office and recreational programs of the Association. In return for fulfilling several contractual covenants, Ivey Park Ranch receives the usage of the property without additional costs. Management has estimated the approximate fair value of the annual rent to be \$24,000, annually.

Note 4. Construction in Progress

Construction in progress in the amount of \$145,130 has been spent on predevelopment expenses for a proposed expansion and construction of a 5,000 square foot preschool facility for the year ended June 30, 2007. These predevelopment expenses include architectural, engineering, temporary fencing and other such costs. No completion date on the project has been fixed until additional donations and grants can be secured.

These construction costs have been capitalized in these financial statements; however, if permanent funding is not received, these assets will have little or no value and the Association may be unable to repay grants as discussed in Note 5.

Note 5. Recoverable Grants Payable

The Organization received two grants that are in substance loans payable. Both grants are restricted for use in the predevelopment stage of the childcare center and both require the Organization to provide licensed childcare services. They are further explained as follows:

The current grant payable in the original amount of \$50,000 was due on February 1, 2003 and has been extended. The grantor and the Organization have since then agreed to repayment terms of \$100 monthly, principal only, with no specified maturity date. A total of \$1,200 in principal was repaid for each of the years ended June 30, 2007 and 2006, respectively.

OCEANSIDE IVEY RANCH PARK ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

Note 5. Recoverable Grants Payable-Continued

The long-term grant payable in the amount of \$25,000 is immediately payable if the construction project is terminated prior to its completion or the Organization secures permanent construction financing. Otherwise, the grant is required to be repaid within three years of project completion.

Note 6. Conditional Promise to Pay

Prior to 2005, the Organization received a conditional promise to pay from CDBG (Community Development Block Grant) in the amount of \$136,634. The Organization must pay additional development costs to meet the requirements of this grant prior to payout, thus, no amounts are recorded in these financial statements.

Note 7. Restrictions on Net Assets

For the years ended June 30, 2007 and 2006, there are no permanently restricted net assets. Assets held for use in the construction of the childcare center in the amount of \$73,530 and \$65,859 for the years ended June 30, 2007 and 2006, respectively, are considered temporarily restricted as of the financial statement date.

Note 8. Economic Dependency

The Organization receives a significant portion of its revenue under contracts with the San Diego Regional Center and other governmental agencies. Funding resources are dependent on continued support from these agencies.

Note 9. Commitments and Contingencies

At June 30, 2007 and 2006, the Organization has certain lease covenants with the City of Oceanside and is in compliance with them.

The board and management have indicated that as of the date of this report, no undisclosed claims, liabilities or pending lawsuits have been brought forward against the Organization.

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