

FINANCIAL REPORT



FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

December 31, 2011



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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Directors
1st Marine Division Association Scholarship Fund, Inc.
Oceanside, California

We have audited the accompanying statement of financial position of the 1st Marine Division Association Scholarship Fund, Inc. as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Scholarship Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Scholarship Fund's 2010 financial statements, and in our report dated September 22, 2011, we expressed an unqualified opinion on those financial statements.

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 1st Marine Division Association Scholarship Fund, Inc. as of December 31, 2011, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cheryl Rhode, CPA
for WEST RHODE & ROBERTS

San Diego, California
June 29, 2012

1ST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2011

(With Summarized Financial Information for December 31, 2010)

	<u>2011</u>	<u>2010</u> (Note 8)
ASSETS		
Cash and cash equivalents	\$ 420,607	\$ 445,219
Accounts receivable	1,215	-
Prepaid expenses	<u>6,912</u>	<u>10,192</u>
Total assets	<u>\$ 428,734</u>	<u>\$ 455,411</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	<u>\$ 52</u>	<u>\$ -</u>
Total liabilities	<u>52</u>	<u>-</u>
Commitments (Note 6)		
Net assets:		
Unrestricted	3,921	15,287
Temporarily restricted (Note 3)	<u>424,761</u>	<u>440,124</u>
Total net assets	<u>428,682</u>	<u>455,411</u>
Total liabilities and net assets	<u>\$ 428,734</u>	<u>\$ 455,411</u>

1ST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

(With Summarized Financial Information for December 31, 2010)

	2011			2010 (Note 8)
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT				
Contributions	\$ 1,000	\$ 44,887	\$ 45,887	\$ 27,828
Investment income	67	-	67	601
Temporarily restricted assets released from restrictions:				
Satisfaction of program restrictions	60,250	(60,250)	-	-
Total revenue and support	<u>61,317</u>	<u>(15,363)</u>	<u>45,954</u>	<u>28,429</u>
EXPENSES AND LOSSES				
Program expenses				
Scholarships and grants	60,250	-	60,250	49,125
Supporting services				
Management and general	12,433	-	12,433	17,321
Fundraising	-	-	-	166
Total expenses	<u>72,683</u>	<u>-</u>	<u>72,683</u>	<u>66,612</u>
TOTAL CHANGE IN NET ASSETS	(11,366)	(15,363)	(26,729)	(38,183)
NET ASSETS AT BEGINNING OF YEAR	<u>15,287</u>	<u>440,124</u>	<u>455,411</u>	<u>493,594</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,921</u>	<u>\$ 424,761</u>	<u>\$ 428,682</u>	<u>\$ 455,411</u>

1ST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

(With Summarized Financial Information for December 31, 2010)

	<u>2011</u>	<u>2010</u> (Note 8)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) in net assets	\$ (26,729)	(38,183)
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Increase) decrease in accounts receivable	(1,215)	50
(Increase) decrease in prepaid expenses	3,280	(10,192)
Increase in accounts payable	<u>52</u>	<u>-</u>
Net cash (used in) operating activities	<u>(24,612)</u>	<u>(48,325)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/transfer of investments	<u>-</u>	<u>455,033</u>
Net cash provided by investing activities	<u>-</u>	<u>455,033</u>
 (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	 (24,612)	 406,708
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>445,219</u>	<u>38,511</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 420,607</u>	<u>\$ 445,219</u>

1ST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization – The 1st Marine Division Association Scholarship Fund, Inc. (Scholarship Fund) is a non-profit organization formed to establish and maintain monies in a scholarship fund for the purpose of awarding grants to the dependents of veterans of the 1st Marine Division and attached supporting units, who are deceased, missing in action, or fully disabled.

Method of Accounting – The financial statements of the Scholarship Fund have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation – The Scholarship Fund reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. At December 31, 2011, there were no permanently restricted net assets.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received which have temporary restrictions as to their use, are reported as temporarily restricted support, and are then reclassified to unrestricted net assets upon fulfillment of the restriction.

Cash and Cash Equivalents – The Scholarship Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates – The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Scholarship Fund recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Scholarship Fund's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

The Scholarship Fund has evaluated subsequent events through June 29, 2012, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

1ST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2. FAIR VALUE

The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification No. 820 (ASC 820), Fair Value Measurements that establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Scholarship Fund's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Scholarship Fund's statement of financial position includes cash and cash equivalents which have been considered Level 1 assets and are reported at fair value based on quoted prices. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices.

The management of the Scholarship Fund is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Scholarship Fund has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with GAAP.

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent contributions and other inflows received by the Scholarship Fund, which are limited in their use by the donor-imposed stipulations. Temporarily restricted net assets consist of amounts received for scholarships available to dependents of deceased or disabled individuals who served in the First Marine Division and/or members attached to or in support of the Division, as defined. At December 31, 2011, temporarily restricted net assets related to the scholarship fund totaled \$411,874.

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets released from their restrictions at December 31, 2011 consist of \$60,250 spent on scholarships.

1ST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5. CONTRIBUTED SERVICES

The Scholarship Fund receives benefits from services provided by active and retired members of the Marine Corps and their spouses. The value of these donated services does not represent specialized skills, and an estimate for the dollar value of their time has not been reflected in the accompanying financial statements.

NOTE 6. ADMINISTRATIVE SERVICE CONTRACT

The Scholarship Fund entered into an arm's length service agreement with the 1st Marine Division Association, Inc. to provide administrative and financial support services to the Scholarship Fund. Termination of the agreement requires a 90 day cancellation notice and approval by the Board of Directors. Total payments made under the terms of this contract for the year ended December 31, 2011 was \$5,200.

NOTE 7. INCOME TAX STATUS

The Scholarship Fund, a not-for-profit corporation, is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Tax*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Scholarship Fund has reviewed its positions for all open tax years and has determined that no provision for income tax positions is required.

NOTE 8. DECEMBER 31, 2010 FINANCIAL 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. Accordingly, such information should be read in conjunction with the Scholarship Fund's financial statements for the year ended December 31, 2010, from which the summarized information was derived.