

FINANCIAL REPORT



FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

December 31, 2009



CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Cash Flows.....	4
Notes to Financial Statements	5 – 7



3104 Fourth Avenue
San Diego, California 92103
619.615.5380 Fax 619.615.5389

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying statement of financial position of the First Marine Division Association Scholarship Fund, Inc. as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association'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 Association's 2008 financial statements, and in our report dated February 16, 2009, 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 First Marine Division Association Scholarship Fund, Inc. as of December 31, 2009, 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
April 9, 2010

James H. West, C.P.A.

Cheryl M. Rhode, C.P.A.

Christopher M. Roberts, C.P.A.

FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2009

(With Summarized Financial Information for December 31, 2008)

	2009	2008 (Note 9)
ASSETS		
Cash and cash equivalents	\$ 38,511	\$ 22,874
Investments (Note 2)	455,033	494,798
Accounts receivable	50	245
Total assets	<u>\$ 493,594</u>	<u>\$ 517,917</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	-	94
Total liabilities	<u>-</u>	<u>94</u>
Commitments (Note 8)		
Net assets:		
Unrestricted	13,162	(173)
Temporarily restricted (Note 3)	480,432	517,996
Total net assets	<u>493,594</u>	<u>517,823</u>
Total liabilities and net assets	<u>\$ 493,594</u>	<u>\$ 517,917</u>

FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

(With Summarized Financial Information for December 31, 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	(Note 9)
REVENUE AND SUPPORT				
Contributions	\$ 21,494	\$ 3,777	\$ 25,271	\$ 33,368
Investment income	10,236	-	10,236	6,420
Special event	-	170,202	170,202	1,499
Donation from 1st Marine Division Assoc, (Note 7)	-	-	-	523,378
Temporarily restricted assets released from restrictions:				
Satisfaction of program restrictions	<u>211,543</u>	<u>(211,543)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>243,273</u>	<u>(37,564)</u>	<u>205,709</u>	<u>564,665</u>
EXPENSES AND LOSSES				
Program expenses				
Scholarships and grants	42,250	-	42,250	38,750
Supporting services				
Management and general	14,595	-	14,595	7,512
Fundraising	<u>3,800</u>	<u>-</u>	<u>3,800</u>	<u>580</u>
Total program and supporting services	60,645	-	60,645	46,842
Special events	<u>169,293</u>	<u>-</u>	<u>169,293</u>	<u>-</u>
Total expenses	<u>229,938</u>	<u>-</u>	<u>229,938</u>	<u>46,842</u>
TOTAL CHANGE IN NET ASSETS	13,335	(37,564)	(24,229)	517,823
NET ASSETS AT BEGINNING OF YEAR	<u>(173)</u>	<u>517,996</u>	<u>517,823</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 13,162</u>	<u>\$ 480,432</u>	<u>\$ 493,594</u>	<u>\$ 517,823</u>

FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

(With Summarized Financial Information for December 31, 2008)

	<u>2009</u>	<u>2008</u> (Note 9)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (24,229)	517,823
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized gain on investment	692	1,937
(Increase) decrease in accounts receivable	195	(245)
Increase (decrease) in accounts payable	<u>(94)</u>	<u>94</u>
Net cash (used in) provided by operating activities	<u>(23,436)</u>	<u>519,609</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	653,000	-
Purchases of investments	<u>(613,927)</u>	<u>(496,735)</u>
Net cash provided by (used by) investing activities	<u>39,073</u>	<u>(496,735)</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	15,637	22,874
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>22,874</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 38,511</u>	<u>\$ 22,874</u>

FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization – The First Marine Division Association Scholarship Fund, Inc. 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 First Marine Division and attached supporting units, who are deceased, missing in action, or fully disabled.

Method of Accounting – The financial statements of the Organization 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 Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. At December 31, 2009, 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 Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments – Marketable securities are carried at fair value. Realized and unrealized gains and losses are included in the statement of activities as increases or decreases in unrestricted net assets.

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 Organization 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 Organization'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 Organization has evaluated subsequent events through April 9, 2010, which is the date the financial statements are available for issuance, and concluded that there were no events or transaction that needed to be disclosed.

FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements – The Financial Accounting Standards Board issued a Fair Value Measurements standard. The standard defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumption based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The standard does not change existing guidance as to whether or not an instrument is carried at fair value.

The Organization's Statement of Financial Position includes investments, which have been considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

NOTE 2. INVESTMENTS

Investments at December 31, 2009 consist of the following:

Fixed income	\$ 171,082
Short term money market funds	<u>283,951</u>
	<u>\$ 455,033</u>

Investments consist primarily of temporarily restricted funds representing future amounts to be disbursed in support of the scholarship program. For the year ended December 31, 2009, the Organization received \$9,544 in dividends and interest and had an unrealized gain on investments of \$692.

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent contributions and other inflows received by the Organization, 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 Marines Division and/or members attached to or in support of the Division, as defined. At December 31, 2009, temporarily restricted net assets related to the scholarship fund totaled \$480,432.

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets released from their restrictions at December 31, 2009 consist of the following:

Honor Run	\$ 169,293
Scholarships	41,250
Fisher House	<u>1,000</u>
	<u>\$ 211,543</u>

FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 5. INCOME TAX STATUS

The Organization, 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 Organization adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainties in Income Taxes (FIN 48)*. FIN 48 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 Organization reviewed its positions for all open tax years and has determined that no provision for uncertain tax positions under FIN 48 is required.

NOTE 6. CONTRIBUTED SERVICES

The Organization receives benefit 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 7. DONATION FROM 1st MARINE DIVISION ASSOCIATION, INC. (FMDA, Inc.)

During the Year Ended December 31, 2008, the Organization was established by authority of the Board of Directors and the membership of the FMDA, Inc., to broaden the appeal for public and corporate funding of scholarships and to qualify the scholarship fund for participation in the Combined Federal Campaign. The scholarship fund has been operated by the FMDA, Inc., a 501(c)(19) War Veterans Organization, for many years, however, corporate and public funding has not been made available because of the reluctance of the public and corporate entities to donate tax-deductible funds to a 501(c)(19) tax-exempt/non-profit membership corporation. Most corporate giving is limited by internal policy to 501(c)(3) organizations, therefore, in order to shift the funding of FMDA scholarships from members to the public and corporations, the Organization, was established as a 501(c) (3) public charity to qualify it for public and corporate tax-deductible donations and to also qualify the scholarship fund for participation in the Combined Federal Campaign.

NOTE 8. ADMINISTRATIVE SERVICE CONTRACT

The Organization entered into an arm's length service agreement with the First Marine Division Association, Inc. to provide administrative and financial support services to the Organization. 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, 2009 were \$12,658.

NOTE 9. DECEMBER 31, 2008 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 Association's financial statements for the year ended December 31, 2008, from which the summarized information was derived.