

FINANCIAL REPORT



FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

December 31, 2010



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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, 2010, 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 Association's 2009 financial statements, and in our report dated April 9, 2010, 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, 2010, 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
September 22, 2011

FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2010

(With Summarized Financial Information for December 31, 2009)

	2010	2009 (Note 7)
ASSETS		
Cash and cash equivalents	\$ 445,219	\$ 38,511
Investments	-	455,033
Accounts receivable	-	50
Prepaid expenses	10,192	-
Total assets	<u>\$ 455,411</u>	<u>\$ 493,594</u>
 Commitments (Note 6)		
 Net assets:		
Unrestricted	15,287	13,162
Temporarily restricted (Note 2)	<u>440,124</u>	<u>480,432</u>
Total net assets	<u>455,411</u>	<u>493,594</u>
Total liabilities and net assets	<u>\$ 455,411</u>	<u>\$ 493,594</u>

FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

(With Summarized Financial Information for December 31, 2009)

	2010			2009 (Note 7)
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT				
Contributions	\$ 19,011	\$ 8,817	\$ 27,828	\$ 25,271
Investment income	601	-	601	10,236
Special event	-	-	-	170,202
Temporarily restricted assets released from restrictions:				
Satisfaction of program restrictions	49,125	(49,125)	-	-
Total revenue and support	<u>68,737</u>	<u>(40,308)</u>	<u>28,429</u>	<u>205,709</u>
EXPENSES AND LOSSES				
Program expenses				
Scholarships and grants	49,125	-	49,125	42,250
Supporting services				
Management and general	17,321	-	17,321	14,595
Fundraising	<u>166</u>	<u>-</u>	<u>166</u>	<u>3,800</u>
Total program and supporting services	66,612	-	66,612	60,645
Special events	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,293</u>
Total expenses	<u>66,612</u>	<u>-</u>	<u>66,612</u>	<u>229,938</u>
TOTAL CHANGE IN NET ASSETS	2,125	(40,308)	(38,183)	(24,229)
NET ASSETS AT BEGINNING OF YEAR	<u>13,162</u>	<u>480,432</u>	<u>493,594</u>	<u>517,823</u>
NET ASSETS AT END OF YEAR	<u>\$ 15,287</u>	<u>\$ 440,124</u>	<u>\$ 455,411</u>	<u>\$ 493,594</u>

FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

(With Summarized Financial Information for December 31, 2009)

	2010	2009 (Note 7)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) in net assets	\$ (38,183)	(24,229)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized gain on investment	-	692
Decrease in accounts receivable	50	195
(Increase) in prepaid expenses	(10,192)	-
(Decrease) in accounts payable	-	(94)
Net cash (used in) operating activities	<u>(48,325)</u>	<u>(23,436)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/transfer of investments	455,033	653,000
Purchases of investments	-	(613,927)
Net cash provided by investing activities	<u>455,033</u>	<u>39,073</u>
INCREASE IN CASH AND CASH EQUIVALENTS	406,708	15,637
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>38,511</u>	<u>22,874</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 445,219</u>	<u>\$ 38,511</u>

FIRST MARINE DIVISION ASSOCIATION SCHOLARSHIP FUND, INC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 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, 2010, 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.

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. As of December 31, 2010, all investment account balances have been transferred to cash or cash equivalent accounts.

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 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 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 September 22, 2011, 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, 2010**

NOTE 2. 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 Marines Division and/or members attached to or in support of the Division, as defined. At December 31, 2010, temporarily restricted net assets related to the scholarship fund totaled \$440,124.

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets released from their restrictions at December 31, 2010 consist of \$49,125 from the Scholarship Fund.

NOTE 4. 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 (formerly FASB Interpretation No. 48), *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 5. CONTRIBUTED SERVICES

The Scholarship Fund 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 6. ADMINISTRATIVE SERVICE CONTRACT

The Scholarship Fund entered into an arm's length service agreement with the First 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, 2010 was \$10,051.

NOTE 7. DECEMBER 31, 2009 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, 2009, from which the summarized information was derived.