

LOS ALAMITOS EDUCATION FOUNDATION

Report on Reviewed Financial Statements

Year Ended December 31, 2012

LOS ALAMITOS EDUCATION FOUNDATION

Table of Contents

Report on Reviewed Financial Statements

Year Ended December 31, 2012

	<u>Page</u>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Los Alamitos Education Foundation
Los Alamitos, California

We have reviewed the accompanying statement of financial position of Los Alamitos Education Foundation (a California Non-profit Organization) as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our reviews were made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



James G. Davidson, CPA, CGFM, CFE
Westminster, California
February 27, 2014

LOS ALAMITOS EDUCATION FOUNDATION

Statement of Financial Position

December 31, 2012

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 47,462	\$ 6,889	\$ 54,351
Supplies on hand	209	-	209
Prepaid insurance	5,348	-	5,348
Total Current Assets	53,019	6,889	59,908
Property and Equipment:			
Computer equipment	1,456	-	1,456
Total Property and Equipment	1,456	-	1,456
Accumulated depreciation	(216)	-	(216)
Net Property and Equipment	1,240	-	1,240
Total Assets	\$ 54,259	\$ 6,889	\$ 61,148
LIABILITIES AND NET ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Liabilities:			
Deferred revenue	\$ 16,569	-	\$ 16,569
Accrued salaries and vacation payable	8,761	-	8,761
Credit card account payable	1,889	-	1,889
Use tax payable	60	-	60
Total Current Liabilities	27,279	-	27,279
Net Assets:			
Unrestricted net assets	26,980	-	26,980
Temporarily restricted net assets	-	\$ 6,889	6,889
Total Net Assets	26,980	6,889	33,869
Total Liabilities and Net Assets	\$ 54,259	\$ 6,889	\$ 61,148

See accompanying independent accountant's review report and notes to financial statements.

LOS ALAMITOS EDUCATION FOUNDATION

Statement of Activities

Year Ended December 31, 2012

REVENUES	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Program fees	\$ 345,765	-	\$ 345,765
Contributions from individuals	96,877	\$ 1,389	98,266
Contributions from foundations	9,601	3,000	12,601
Contributions from corporations	2,774	-	2,774
Contributions from other organizations	7,699	6,000	13,699
Ticket sales from theater workshops	4,170	-	4,170
Other miscellaneous sources of revenue	1,750	-	1,750
Total Revenues and Other Support	<u>468,636</u>	<u>10,389</u>	<u>479,025</u>
 Net assets released from restrictions	 <u>8,139</u>	 <u>(8,139)</u>	 <u>-</u>
 Total Revenues and Support After Restrictions	 476,775	 2,250	 479,025
 EXPENSES			
Functional Expenses:			
Program services	397,070	-	397,070
Supporting services / management and general	66,734	-	66,734
Supporting services / fund-raising	24,503	-	24,503
Total Functional Expenses	<u>488,307</u>	<u>-</u>	<u>488,307</u>
 CHANGE IN NET ASSETS			
Net decrease in unrestricted net assets	(11,532)	-	(11,532)
Net increase in temporarily restricted net assets	-	2,250	2,250
Total Increase (Decrease) in Net Assets	<u>(11,532)</u>	<u>2,250</u>	<u>(9,282)</u>
 Net assets, as of December 31, 2011	 <u>38,512</u>	 <u>4,639</u>	 <u>43,151</u>
 Net assets, as of December 31, 2012	 <u>\$ 26,980</u>	 <u>\$ 6,889</u>	 <u>\$ 33,869</u>

See accompanying independent accountant's review report and notes to financial statements.

LOS ALAMITOS EDUCATION FOUNDATION

Statement of Functional Expenses

Year Ended December 31, 2012

<u>EXPENSES BY FUNCTION</u>	PROGRAM		SUPPORTING SERVICES		<u>Totals</u>
	<u>SERVICES</u>				
	Educational Programs	Management and General	Fund-raising		
Advertising	-	\$ 456	-	\$ 456	
Bank fees	\$ 28	715	\$ 738	1,481	
Classroom facility expenses	58,315	-	-	58,315	
Contract services	14,624	-	-	14,624	
Depreciation on equipment	-	216	-	216	
Dues and memberships	-	250	-	250	
Filing fees	-	75	-	75	
Financial aid and scholarships	2,928	-	-	2,928	
Grants to Los Alamitos Unified School District	100,575	-	-	100,575	
Insurance - liability	579	6,481	-	7,060	
Insurance - workers' compensation	3,216	-	-	3,216	
Marketing	-	1,288	-	1,288	
Mileage and meeting expenses	401	-	-	401	
Miscellaneous expense	487	-	-	487	
Payroll processing fees	447	-	-	447	
Payroll taxes	17,285	3,026	240	20,551	
Postage	3,746	-	-	3,746	
Printing and reproduction	12,753	-	-	12,753	
Professional fees - productions	17,283	10,802	285	28,370	
Professional fees - program	17,859	1,694	12,073	31,626	
Salaries - administrative	49,958	32,065	8,700	90,723	
Salaries - clerical	-	4,485	2,467	6,952	
Salaries - teachers	84,947	-	-	84,947	
Storage	1,294	114	-	1,408	
Supplies - office	-	991	-	991	
Supplies - program	7,269	1,478	-	8,747	
Telecommunications	575	1,240	-	1,815	
Training and development	1,655	-	-	1,655	
Transportation	846	-	-	846	
Website	-	1,358	-	1,358	
Total Expenses by Function	<u>\$ 397,070</u>	<u>\$ 66,734</u>	<u>\$ 24,503</u>	<u>\$ 488,307</u>	

See accompanying independent accountant's review report and notes to financial statements.

LOS ALAMITOS EDUCATION FOUNDATION

Statement of Cash Flows

Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from program services	\$ 347,981
Cash received from contributions	127,340
Cash received from ticket sales and other miscellaneous sources of revenue	5,920
Cash paid for program services, management and general expenses, and fund-raising	<u>(586,893)</u>
Net Cash Used for Operating Activities	<u>(105,652)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of computer equipment	<u>(1,456)</u>
Net Cash Used for Investing Activities	<u>(1,456)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net borrowings on credit card account	<u>1,479</u>
Net Cash Provided by Financing Activities	<u>1,479</u>

CHANGE IN CASH AND CASH EQUIVALENTS

Net decrease in cash and cash equivalents	(105,629)
Cash and cash equivalents, as of December 31, 2011	<u>159,980</u>
Cash and cash equivalents, as of December 31, 2012	<u><u>\$ 54,351</u></u>

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of decrease in net assets to net cash used for operating activities:	
Decrease in net assets	\$ (9,282)
Adjustments to reconcile decrease in net assets to net cash used for operating activities	
Depreciation on equipment	216
Decrease in accounts receivable	2,216
Increase in supplies on hand	(209)
Increase in prepaid insurance	(1,636)
Decrease in accounts payable	(122,347)
Increase in deferred revenue	16,569
Increase in accrued salaries and vacation payable	8,761
Increase in use tax payable	60
Net Cash Used for Operating Activities	<u><u>\$ (105,652)</u></u>

See accompanying independent accountant's review report and notes to financial statements.

LOS ALAMITOS EDUCATION FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2012

NOTE 1 – NATURE OF ORGANIZATION

The Los Alamitos Education Foundation (LAEF) is an independent, non-profit organization providing enrichment classes and educational experiences that benefit every student, at every level, in every school in the Los Alamitos Unified School District. As the sole non-profit partner of Los Alamitos USD, LAEF's vision is to measurably improve student achievement results by providing significant funding to the district in critical areas impacting all students, and educational enrichment opportunities for every student. LAEF's mission is to build durable relationships that help fund the vision, share the knowledge, and prepare every child in the district for college and beyond. LAEF works alongside Los Alamitos USD to connect children with the four A's; academics, athletics, activities, and the arts.

LAEF believes that every child deserves a champion and that those champions often take the form of teachers. Through after-school K-12 programs, enrichment classes take place on campus immediately following the end of the school day. Teachers spend one hour per week enriching students in subjects including Mandarin, Spanish, robotics, art, dance, science, technology, video editing, guitar, driver education, college essay preparation, and drama.

Summer Enrichment Institute (SEI) offers four weeks of education to students to offset the "summer learning loss". Small class sizes of 17 students maximum provide a jumpstart to the student's next year of learning for elementary, middle, and high school students. SEI features all research-supported measures, differentiated instruction, small working groups, high-quality instruction, aligned school year and summer curricula, engaging and rigorous content, and maximized participation and attendance. For-credit classes are offered to high school students, both on campus and online, in the areas of government, health, physical education and fine arts.

LAEF also brings the Young Americans performing arts weekend workshop to the community annually. The workshop is open to 3rd through 12th graders and is aimed at providing an experience that brings every student enjoyment and benefit. The first two days are filled with classes, staging and rehearsal exercises. On the third day, the students perform with the Young Americans on stage in a concert for the community, featuring the students and their personalities, talents, and newly discovered abilities.

LAEF generates sustainable, significant resources that can be allocated to support the goals of the Los Alamitos Unified School District. Targeted Teachers have been the primary purpose of grants that LAEF has given to the district. These teachers are utilized by principals to provide additional support to students in reading and math. Tremendous results have been experienced through this additional instruction, such as student increasing two reading grade levels in the span of several months.

LAEF believes in audacious goals and our current programs are just the beginning. As LAEF grows, the success of students and the greater community will grow. We are always looking to offer more specialized classes to stay ahead of the curve on enriching minds and inspiring success. LAEF is continuing to raise funds for the district to use as needs are constantly evolving; whether it continues to be Targeting Teachers, or a new program foreseen by district administration, staff or parents.

LOS ALAMITOS EDUCATION FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Topic 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

- a) Unrestricted net assets are those currently available for use in the operations of the organization under the direction of the Board.
- b) Temporarily restricted net assets are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment, or those not currently available for use until commitments regarding their use have been fulfilled.
- c) Permanently restricted net assets are those stipulated by donors that the corpus be invested in perpetuity and only the income be made available for the program operations in accordance with donor restrictions.

Cash and Cash Equivalents - The Foundation defines cash equivalents as cash and checks available for deposit, and cash in checking accounts, along with all highly liquid investments with original maturities of three months or less.

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

Fair Value of Financial Instruments - Carrying amounts of financial instruments, approximated fair value as of December 31, 2012, because of the relatively short maturity of these instruments.

Property and Equipment – Property and equipment are capitalized at historical cost or fair market value at the date of donation, if donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Foundation purchased two computers during 2012. These assets are depreciated over their estimated useful lives using a straight-line method. Estimated useful lives of computer equipment is three years.

Donated Materials and Services - If materials or other noncash contributions are received through donation, their value is reflected in the accompanying statements at their estimated fair market value at the date of receipt. Contribution of services are recognized if the services received, create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

LOS ALAMITOS EDUCATION FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation - The expenses of the Foundation have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain expenses have been allocated among the program and supporting services benefited.

Restricted and Unrestricted Revenue and Support - In accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

A donor-imposed restriction specifies a use that is more specific than the broad limits associated with the nature of the Foundation. A donor-imposed condition specifies a future and uncertain event whose occurrence or failure to occur gives the donor a right to the return of the assets provided. Amounts received (or promised) that are conditioned upon such future and uncertain events are recorded as a liability until the condition that entitles the Foundation to keep the funds is met. When and if that event occurs, the amounts received are recognized as a contribution at that time.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 and reported in the Statement of Activities as net assets released from restrictions.

Grants represent contributions if the resource provider receives no value in exchange for the assets transferred, or if the value received is incidental to the potential public benefit to be provided by using the assets. Grants represent an exchange transaction if the potential public benefit to be derived is secondary to the potential benefit received by the resource provider.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Receipts subsequent to the financial statement date, from contributions previously subject to conditions that have been substantially met as of the financial statement date and grants not considered exchange transactions in which conditions have been substantially met as of the financial statement date, are considered receivables and earned revenue as of that date.

Income Taxes - The Foundation is a tax-exempt organization (“other than a private foundation”) under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

LOS ALAMITOS EDUCATION FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASC topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax positions exist for the Foundation as of December 31, 2012. Tax years 2011 and 2012 remain subject to examination by taxing authorities.

NOTE 3 – EXPENSE CATEGORIES UNIQUE TO THE FOUNDATION

“Classroom Facility Expenses” represents payments for obligations resulting from rental of classrooms provided by the Los Alamitos Unified School District based on a combination of time used and site used. “Program Professional Fees” represents payments to teachers who provide instruction services as independent contractors and not as employees. “Contract Services” represents an allocated portion of district expenses for the Principal, Supervisors, Clerical, and Custodian salaries and wages, payroll taxes, and benefits.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are those assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation 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. When a restriction expires in the same year as the contribution, it is reported as unrestricted. As of December 31, 2012, temporarily restricted amounts totaled \$6,889 and represented resources specifically available for the Summer Enrichment Institute (SEI), and the After School Programs (ASP). Net assets for scholarships totaling \$8,139 were released from restrictions.

NOTE 5 – RELATED PARTY

As discussed in NOTE 1, the Los Alamitos Education Foundation was established for the benefit of students and families of the Los Alamitos Unified School District.

NOTE 6 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

No payments were made during the year ended December 31, 2012, for interest or for income taxes.

LOS ALAMITOS EDUCATION FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2012

NOTE 7 – SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 27, 2014, the date which the financial statements were available to be issued.

Subsequent to the Statement of Financial Position date of December 31, 2012, the Foundation and the Los Alamitos Unified School District negotiated a Memorandum of Understanding for the fiscal year July 2013 through June 2014. The degree to which the Foundation will be obligated to reimburse the district for the usage of facilities was established at an amount of \$72,000 payable in four equal payments of \$18,000 each. The agreed-upon dates of payment for that fiscal year are July 15th, October 15th, February 15th, and May 15th. All payments were made timely through the date of this report.