

LOS ALAMITOS EDUCATION FOUNDATION

Report on Audited Financial Statements

Year Ended December 31, 2014

LOS ALAMITOS EDUCATION FOUNDATION

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Report on Audited Financial Statements

Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Los Alamitos Education Foundation (a California non-profit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Alamitos Education Foundation, as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

James G. Davidson, CPA, CGFM, CFE
J G Davidson and Company
Westminster, California
July 10, 2015

LOS ALAMITOS EDUCATION FOUNDATION

Statement of Financial Position

December 31, 2014

| ASSETS | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|------------------|
| Current Assets: | | | |
| Cash and cash equivalents | \$ 78,605 | \$ 5,001 | \$ 83,606 |
| Accounts receivable | 180 | - | 180 |
| Accrued revenue | 1,575 | - | 1,575 |
| Prepaid insurance | 7,264 | - | 7,264 |
| Other prepaid expenses | 3,106 | - | 3,106 |
| Total Current Assets | 90,730 | 5,001 | 95,731 |
| Property and Equipment: | | | |
| Computer equipment | 1,456 | - | 1,456 |
| Total Property and Equipment | 1,456 | - | 1,456 |
| Accumulated depreciation | (1,187) | - | (1,187) |
| Net Property and Equipment | 269 | - | 269 |
| Total Assets | \$ 90,999 | \$ 5,001 | \$ 96,000 |
| | | | |
| LIABILITIES AND NET ASSETS | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| Current Liabilities: | | | |
| Accounts payable | \$ 17,073 | - | \$ 17,073 |
| Deferred revenue | 50,750 | - | 50,750 |
| Accrued salaries and vacation payable | 10,868 | - | 10,868 |
| Other accrued expenses | 15,264 | - | 15,264 |
| Total Current Liabilities | 93,955 | - | 93,955 |
| Net Assets: | | | |
| Unrestricted net assets (deficit) | (2,956) | - | (2,956) |
| Temporarily restricted net assets | - | \$ 5,001 | 5,001 |
| Total Net Assets (Deficit) | (2,956) | 5,001 | 2,045 |
| Total Liabilities and Net Assets | \$ 90,999 | \$ 5,001 | \$ 96,000 |

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

LOS ALAMITOS EDUCATION FOUNDATION

Statement of Activities

Year Ended December 31, 2014

| REVENUES | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------|
| Revenues and Other Support: | | | |
| Program fees | \$ 535,076 | - | \$ 535,076 |
| Contributions from individuals | 27,737 | \$ 70 | 27,807 |
| Contributions from corporations | 12,062 | - | 12,062 |
| Contributions from foundations | 16,370 | 5,300 | 21,670 |
| Contributions from other organizations | 886 | 6,200 | 7,086 |
| Special events, net of costs of \$2,865 | 4,640 | - | 4,640 |
| Other miscellaneous sources of revenue | 1,615 | - | 1,615 |
| Total Revenues and Other Support | <u>598,386</u> | <u>11,570</u> | <u>609,956</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | |
| Temporarily Restricted Released to Unrestricted | <u>7,948</u> | <u>(7,948)</u> | <u>-</u> |
| Total Revenues | 606,334 | 3,622 | 609,956 |
| EXPENSES | | | |
| Functional Expenses: | | | |
| Program services | 535,039 | - | 535,039 |
| Supporting services / management and general | 57,136 | - | 57,136 |
| Supporting services / fund-raising | 16,447 | - | 16,447 |
| Total Functional Expenses | <u>608,622</u> | <u>-</u> | <u>608,622</u> |
| CHANGE IN NET ASSETS | | | |
| Net increase (decrease) in net assets | (2,288) | 3,622 | 1,334 |
| Net assets (deficit), as of the beginning of the year | <u>(668)</u> | <u>1,379</u> | <u>711</u> |
| Net assets (deficit), as of the end of the year | <u>\$ (2,956)</u> | <u>\$ 5,001</u> | <u>\$ 2,045</u> |

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

LOS ALAMITOS EDUCATION FOUNDATION

Statement of Functional Expenses

Year Ended December 31, 2014

| <u>EXPENSES BY FUNCTION</u> | PROGRAM | | SUPPORTING SERVICES | | <u>Totals</u> |
|------------------------------------|-------------------------|-------------------|----------------------------|-------------------|---------------|
| | <u>SERVICES</u> | <u>Management</u> | | | |
| | Educational Programs | and General | Fund-raising | | |
| Advertising | \$ 46 | \$ 20 | \$ 4 | \$ 70 | |
| Bank fees | 10,514 | 332 | 165 | 11,011 | |
| Classroom facility expenses | 72,000 | - | - | 72,000 | |
| Depreciation on equipment | - | 486 | - | 486 | |
| Donations | - | 250 | - | 250 | |
| Dues and memberships | 2,404 | 15 | 5 | 2,424 | |
| Employee benefits | 8,988 | 2,768 | 873 | 12,629 | |
| Financial aid and scholarships | 7,948 | - | - | 7,948 | |
| Insurance - liability | 6,932 | 2,058 | 603 | 9,593 | |
| Insurance - workers' compensation | 3,902 | 1,008 | 365 | 5,275 | |
| Marketing | 2,424 | 892 | 857 | 4,173 | |
| Mileage and meeting expenses | 87 | 31 | - | 118 | |
| Miscellaneous expense | 1,020 | 310 | - | 1,330 | |
| Payroll processing fees | 130 | 39 | 12 | 181 | |
| Payroll taxes | 18,754 | 3,317 | 907 | 22,978 | |
| Postage | 1,796 | 551 | 174 | 2,521 | |
| Printing and reproduction | 5,233 | 1,253 | 238 | 6,724 | |
| Professional fees - administrative | 17,767 | 5,471 | 1,727 | 24,965 | |
| Professional fees - program | 168,417 | - | - | 168,417 | |
| Salaries - administrative | 96,016 | 37,353 | 10,216 | 143,585 | |
| Salaries - teachers | 85,543 | - | - | 85,543 | |
| Software | 1,811 | - | - | 1,811 | |
| Supplies - office | 529 | 189 | 51 | 769 | |
| Supplies - program | 20,204 | - | - | 20,204 | |
| Telecommunications | 1,495 | 461 | 145 | 2,101 | |
| Training and development | 1,079 | 332 | 105 | 1,516 | |
| Total Expenses by Function | <u>\$ 535,039</u> | <u>\$ 57,136</u> | <u>\$ 16,447</u> | <u>\$ 608,622</u> | |

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

LOS ALAMITOS EDUCATION FOUNDATION

Statement of Cash Flows

Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|----------------|
| Cash received from program services | \$ 558,274 |
| Cash received from contributions | 68,625 |
| Cash received from special events | 7,505 |
| Cash received from other sources of revenue | 1,615 |
| Cash paid for program services, management and general expenses, and fund-raising | (594,918) |
| Cash paid for special events | <u>(2,865)</u> |
| Net Cash Provided by Operating Activities | 38,236 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|------------------------------------|----------|
| None | - |
| Net Cash from Investing Activities | <u>-</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--|--------------|
| Payment on credit card | <u>(330)</u> |
| Net Cash Used for Financing Activities | (330) |

CHANGE IN CASH AND CASH EQUIVALENTS

| | |
|--|-------------------------|
| Net increase in cash and cash equivalents | 37,906 |
| Cash and cash equivalents, as of December 31, 2013 | <u>45,700</u> |
| Cash and cash equivalents, as of December 31, 2014 | <u><u>\$ 83,606</u></u> |

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|-------------------------|
| Reconciliation of increase in net assets to net cash provided by operating activities: | |
| Increase in net assets | \$ 1,334 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation on equipment | 486 |
| Decrease in accounts receivable | 835 |
| Increase in accrued revenue | (1,575) |
| Increase in prepaid insurance | (1,291) |
| Increase in other prepaid expenses | (3,106) |
| Decrease in accounts payable | (2,259) |
| Increase in deferred revenue | 23,938 |
| Increase in accrued salaries and vacation payable | 4,610 |
| Increase in other accrued expenses | <u>15,264</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 38,236</u></u> |

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

LOS ALAMITOS EDUCATION FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2014

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 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 also brings summer sports camps and summer camps in the arts to the community. Los Alamitos Unified School District coaches and directors team up with LAEF to provide camps for children from grades K-12. Camps vary in length from one week to seven weeks and take place on district campuses. Sports camps include basketball, lacrosse, volleyball, track and field, and wrestling. Camps in the arts include show choir and band.

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, 2014

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, 2014, 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 estimated useful life of computer equipment, as stated on the statement of financial position, 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, 2014

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, 2014

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, 2014. Tax years 2012 through 2014 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, site used, and an allocated portion of district expenses for the Principal, Supervisors, Clerical and Custodian salaries and wages, payroll taxes, and benefits. “Professional Fees - Administrative” represents monthly bookkeeping and accounting services. “Professional Fees - Program” represents payments to teachers who provide instruction services as independent contractors and not as employees.

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, 2014, temporarily restricted amounts totaled \$5,001 and represented resources specifically available for the Summer Enrichment Institute (SEI), and the After School Programs (ASP).

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. Subsequent to the statement of financial position date of December 31, 2013, the Foundation and the Los Alamitos Unified School District negotiated a Memorandum of Understanding for the fiscal year July 2014 through June 2015. 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 were July 15th, October 15th, February 15th, and May 15th. All payments were made timely through the date of this report.

NOTE 6 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

No payments were made during the year ended December 31, 2014, for interest or for income taxes.

LOS ALAMITOS EDUCATION FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2014

NOTE 7 – UNCOMPENSATED ABSENCES

The Foundation fully adheres to the Family and Medical Leave Act of 1993 (FMLA) which provides for unpaid leave of absence for eligible employees required to care for an ill family member. Eligible employees must be employed by LAEF for at least twelve months or have worked at least 1,250 hours during that period. Under FMLA an employee may take an unpaid leave of absence for up to twelve weeks in any twelve month period.

NOTE 8 – COMPENSATED ABSENCES

The Foundation observes the same holiday schedule as classified employees working for the Los Alamitos Unified School District. All full-time regular employees are eligible for holiday pay immediately upon their employment. Regular part-time employees are eligible for holiday pay on a pro-rated basis.

The Foundation has also implemented a vacation pay policy. Regular full-time employees, those that work 32 hours per week or more, earn 12 days of vacation annually and are eligible to use previously earned vacation days after three months of employment. Employees may carry vacation days forward into a new calendar year, but may not carry in excess of 150 paid vacation hours. Regular part-time employees earn up to six vacation days annually and are eligible to use previously earned vacation days after three months of employment. Part-time regular employees may carry forward vacation days into a new calendar year, but may not carry in excess of 75 paid vacation hours.

In addition to the adherence to the Family and Medical Leave Act as discussed in NOTE 7 above, the Foundation has implemented a sick pay policy that expands on that regulation. Regular full-time employees, those that work 32 hours per week or more, earn 12 days of sick pay annually. Regular part-time employees earn up to six days of sick pay annually. Sick days cannot be paid in lieu of taking time off and do not carry over from year to year. Employees are not compensated for unused sick time in the event of separation from LAEF, for any reason.

NOTE 9 – 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 July 10, 2015, the date which the financial statements were available to be issued.