

LOS ALAMITOS EDUCATION FOUNDATION

FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7 – 11

Guzman & Gray

Certified Public Accountants

4510 East Pacific Coast Highway, Suite 270
Long Beach, California 90804
(562) 498-0997 Fax: (562) 597-7359

Mark Gray, C.P.A.
Patrick S. Guzman, C.P.A.

INDEPENDENT AUDITORS' REPORT

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, 2018, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating 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.

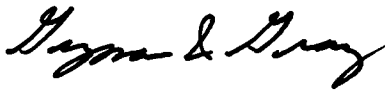
INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility (Continued)

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, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Guzman & Gray CPAs
Long Beach, CA
October 17, 2019

LOS ALAMITOS EDUCATION FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Resriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	285,369	\$ 70,560	\$ 355,929
Investment in certificates of deposit	101,323		101,323
Prepaid insurance	8,222		8,222
Other prepaid expenses	10,932		10,932
Total Current Assets	<u>405,846</u>	<u>70,560</u>	<u>476,406</u>
Property and Equipment:			
Program equipment	10,623		10,623
Computer equipment	2,468		2,468
Total Property and Equipment	<u>13,091</u>	-	<u>13,091</u>
Accumulated depreciation	(11,257)		(11,257)
Net Property and Equipment	<u>1,834</u>	-	<u>1,834</u>
Total Assets	<u>\$ 407,680</u>	<u>\$ 70,560</u>	<u>\$ 478,240</u>
 LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 11,035		\$ 11,035
Deferred revenue	169,569		169,569
Accrued salaries and vacation payable	24,377		24,377
Health insurance deduction payable	9		9
	<u>204,990</u>	-	<u>204,990</u>
Net Assets:			
Net assets without restriction	202,690		202,690
Net assets with restriction	-	\$ 70,560	70,560
Total Net Assets	<u>202,690</u>	<u>70,560</u>	<u>273,250</u>
Total Liabilities and Net Assets	<u>\$ 407,680</u>	<u>\$ 70,560</u>	<u>\$ 478,240</u>

See independent auditors' report and notes to financial statements

LOS ALAMITOS EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues			
Revenues and Other Support			
Program fees	\$ 990,851		\$ 990,851
Contributions from individuals	68,829		68,829
Contributions from corporations	10,057	\$ 5,500	15,557
Contributions from foundations	5,500	136,881	142,381
Contributions from other organizations	1,644		1,644
Special events, net of costs of \$41,295	165,943		165,943
Interest earned	873		873
Other Income	1,382		1,382
Total Revenues and Other Support	1,245,079	142,381	1,387,460
 NET ASSETS RELEASED FROM RESTRICTION			
Temporarily Restricted Released to Unrestricted	117,989	(117,989)	-
Total Revenues	1,363,068	24,392	1,387,460
 EXPENSES			
Functional Expenses:			
Program services	1,036,321		1,036,321
Supporting services			
Management and general	238,225		238,225
Fundraising	53,162		53,162
Total Functional Expenses	1,327,708	-	1,327,708
 CHANGE IN NET ASSETS			
Net increase in net assets	35,360	24,392	59,752
Net assets, as of the beginning of the year	167,330	46,168	213,498
Net assets, as of the end of the year	\$ 202,690	\$ 70,560	\$ 273,250

See independent auditors' report and notes to financial statements

Los Alamitos Education Foundation
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 59,752
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	2,881
Unrealized (gain) loss on investments	(843)
(Increase) decrease in	
Increase in prepaid expenses	(2,713)
Decrease in prepaid insurance	3,384
Increase (decrease) in	
Decrease in accounts payable	(4,602)
Increase in accrued expenses	6,993
Increase in deferred revenue	<u>33,718</u>
Net cash used by operating activities	<u>98,570</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	98,570
BEGINNING CASH AND CASH EQUIVALENTS	<u>257,359</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 355,929</u></u>
 SUPPLEMENTAL CASH FLOW DISCLOSURES	
Interest paid	<u>NONE</u>
Income taxes paid	<u>NONE</u>

LOS ALAMITOS EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
EXPENSES BY FUNCTION				
Background and fingerprinting	\$ 1,203			\$ 1,203
Bank and merchant fees	33,024	\$ 1,094	\$ 3,282	37,400
Classroom facility expenses	98,650	6,350		105,000
Depreciation on equipment	2,323	316	242	2,881
Donations to district	20,000	97,500		117,500
Dues and memberships	1,417	54	41	1,512
Employee benefits	7,905	938	826	9,669
Filing fees		170		170
Financial aid and scholarships	29,727	25,050		54,777
Insurance - liability	12,364	1,195	799	14,358
Insurance - workers' compensation	6,068	832	628	7,528
Marketing and promotion		1,064	388	1,452
Mileage and meeting expenses		174	167	341
Miscellaneous expenses		6		6
Payroll processing fees	2,901	396	299	3,596
Payroll taxes	34,545	2,774	3,043	40,362
Postage	719	98	1,719	2,536
Printing and reproduction			1,871	1,871
Professional fees - administrative	14,766	1,896	1,533	18,195
Professional fees - program	387,601			387,601
Promotion and printing	2,369	3		2,372
Salaries - administrative	50,095	34,689	33,579	118,363
Salaries - program manager and coordinator	98,041		4,406	102,447
Salaries - teachers	190,794	62,292		253,086
Software	5,868			5,868
Special event expense			41,295	41,295
Supplies - office	417	766	70	1,253
Supplies - program	33,050			33,050
Telecommunications	1,116	152	114	1,382
Training and development	1,358	416	155	1,929
Subtotal Expenses	<u>1,036,321</u>	<u>238,225</u>	<u>94,457</u>	<u>1,369,003</u>
Less:				
Direct donor benefit			<u>(41,295)</u>	<u>(41,295)</u>
TOTAL EXPENSES	<u><u>\$ 1,036,321</u></u>	<u><u>\$ 238,225</u></u>	<u><u>\$ 53,162</u></u>	<u><u>\$ 1,327,708</u></u>

See independent auditors' report and notes to financial statements

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 – 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, 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 on line to high school students in the areas of government, health, economics, 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 baseball, basketball, cross country, lacrosse, soccer, tennis, track and field, volleyball, water polo and wrestling. Camps in the arts include show choir, band and dance.

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 – ORGANIZATION (Continued)

LAEF generates sustainable, significant resources that can be allocated to support the goals of the Los Alamitos Unified School District. Targeting Teachers plus Science, Technology, Engineering, the Arts and Math (STEAM) programs 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. STEAM classes and fairs take place on all nine campuses.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles accepted in the United States of America. Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets are classified and reported as:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor imposed restrictions that will be satisfied by action of the Organization or by the passage of time.

The Foundation has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

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.

The Foundation has three certificates of deposits with a 1 year, 6 months, and 6 months term respectively. The total of these certificates of deposits is \$101,323.

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.

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments - Carrying amounts of financial instruments, approximated fair value as of December 31, 2018, 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 lives, of program equipment and computer equipment, are four years and three years, respectively.

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.

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.

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.

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, 2018. Tax years 2016 through 2018 remain subject to examination by taxing authorities.

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 3 – FIXED ASSETS

Property and equipment consist of the following:

Program Equipment	\$ 10,623
Computer Equipment	2,468
Total Property and Equipment	<u>13,091</u>
Accumulated Depreciation	(11,257)
Net Property and Equipment	<u>\$ 1,834</u>

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lived of the properties. Costs that increase the life of an asset are capitalized and depreciated. Normal repairs and maintenance are expenses in the year they are incurred.

Depreciation expense for the year ended December 31, 2018 amounted to \$2,881.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions 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, net assets with donor restriction are reclassified to net assets without donor restrictions 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, 2018, net assets with donor restriction amounts totaled \$70,560 and represented resources specifically available for Scholarships, Arts, STEM and Robotics.

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. On June 29, 2018, the Foundation and the Los Alamitos Unified School District negotiated a Memorandum of Understanding for the fiscal year July 2018 through June 2019. The degree to which the Foundation will be obligated to reimburse the district for the usage of facilities was established at an amount of \$110,000 payable in four equal payments of \$27,500 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 –SUBSEQUENT EVENTS

Management evaluated 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 October 17, 2019, the date which the financial statements were available to be issued.

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 7 – LIQUIDITY AND AVAILABILITY

The Organization maintains and manages adequate operating funds per policies set by the board of directors.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 355,929
Less Cash Held With Restriction	<u>(70,560)</u>
Total	<u>\$ 285,369</u>

NOTE 8 – CONCENTRATION

Credit Risk

Cash held in bank account is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, the Foundation's uninsured cash balance was \$105,929.

Program Risk

The Foundation is the sole partner of the Los Alamitos USD and as such draws a large amount of income from the programs associated with the LAUSD. If the Foundation would lose this partnership it would need to reduce the scope of their operating activities. The Foundation's program income is \$990,851 or 71.4% of total income as of December 31, 2018