

LOS ALAMITOS EDUCATION FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Los Alamitos Education Foundation
Los Alamitos, California

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, 2019, 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 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 from material misstatement.

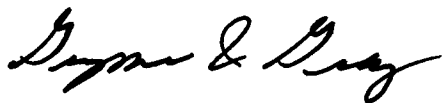
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, we 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.

INDEPENDENT AUDITORS' REPORT (Continued)

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, 2019, 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.



Guzman & Gray CPAs
Long Beach, CA
June 11, 2020

LOS ALAMITOS EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 405,015	\$ 92,704	\$ 497,719
Investment in share certificates	102,960	-	102,960
Prepaid insurance	9,776	-	9,776
Other prepaid expenses	9,624	-	9,624
Total Current Assets	<u>527,375</u>	<u>92,704</u>	<u>620,079</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>-</u>	<u>13,091</u>
Accumulated depreciation	<u>(13,091)</u>	<u>-</u>	<u>(13,091)</u>
Net Property and Equipment	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 527,375</u></u>	<u><u>\$ 92,704</u></u>	<u><u>\$ 620,079</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 25,521	\$ -	\$ 25,521
Accrued salaries and vacation payable	15,766	-	15,766
Deferred revenue	199,859	-	199,859
Total Current Liabilities	<u>241,146</u>	<u>-</u>	<u>241,146</u>
Net Assets:			
Net assets without restrictions	286,229	-	286,229
Net assets with restrictions	-	92,704	92,704
Total Net Assets	<u>286,229</u>	<u>92,704</u>	<u>378,933</u>
Total Liabilities and Net Assets	<u><u>\$ 527,375</u></u>	<u><u>\$ 92,704</u></u>	<u><u>\$ 620,079</u></u>

See independent auditors' report and notes to financial statements.

LOS ALAMITOS EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Revenues and Other Support			
Program fees	\$ 1,063,402	\$ -	\$ 1,063,402
Contributions from individuals	88,648	-	88,648
Contributions from corporations	30,801	2,000	32,801
Contributions from foundations	-	131,499	131,499
Contributions from other organizations	125	-	125
Interest earned	1,707	-	1,707
Other income	264	-	264
Gross special events revenue	\$ 196,326	-	-
Less cost of direct benefits to donors	<u>(35,201)</u>	-	-
Net special events revenue	<u>161,125</u>	<u>-</u>	<u>161,125</u>
Total revenues and other support	1,346,072	133,499	1,479,571
Net assets released from restrictions	<u>111,355</u>	<u>(111,355)</u>	<u>-</u>
Total Revenues	<u>1,457,427</u>	<u>22,144</u>	<u>1,479,571</u>
EXPENSES			
Program services	1,178,067	-	1,178,067
Support services			
Management and general	134,206	-	134,206
Fundraising	<u>61,615</u>	<u>-</u>	<u>61,615</u>
Total Expenses	<u>1,373,888</u>	<u>-</u>	<u>1,373,888</u>
Increase in Net Assets	83,539	22,144	105,683
Net Assets, Beginning of Year	<u>202,690</u>	<u>70,560</u>	<u>273,250</u>
Net Assets, End of Year	<u>\$ 286,229</u>	<u>\$ 92,704</u>	<u>\$ 378,933</u>

See independent auditors' report and notes to financial statements.

LOS ALAMITOS EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Cost of Goods Sold	Total Expenses
Background and fingerprinting	\$ 908	\$ -	\$ -	\$ -	\$ 908
Bank and merchant fees	32,655	1,866	4,981	-	39,502
Classroom facility expenses	102,300	7,700	-	-	110,000
Cost of direct benefits to donors	-	-	-	35,201	35,201
Depreciation	1,432	253	149	-	1,834
Donations to district	111,202	-	-	-	111,202
Dues and memberships	1,070	300	421	-	1,791
Employee benefits	7,777	1,267	806	-	9,850
Filing fees	-	150	-	-	150
Financial aid, scholarships, and tuition waiver	49,909	-	-	-	49,909
Insurance - liability	10,937	1,521	990	-	13,448
Insurance - workers' compensation	4,742	642	421	-	5,805
Marketing and promotion	-	432	1,466	-	1,898
Mileage and meeting expenses	-	177	2,188	-	2,365
Payroll processing fees	2,921	515	310	-	3,746
Payroll taxes	38,649	3,004	3,201	-	44,854
Postage	680	120	1,949	-	2,749
Printing and reproduction	-	19	3,271	-	3,290
Professional fees - administrative	15,598	4,309	1,606	-	21,513
Professional fees - program	392,199	-	-	-	392,199
Promotion and printing	2,203	-	-	-	2,203
Salaries - administrative	54,878	36,624	34,970	-	126,472
Salaries - program manager and coordinator	98,993	-	4,500	-	103,493
Salaries - teachers	202,647	73,695	-	-	276,342
Software	6,508	-	-	-	6,508
Supplies - office	433	322	214	-	969
Supplies - program	37,753	996	-	-	38,749
Telecommunications	1,147	201	118	-	1,466
Training and development	526	93	54	-	673
Total expenses by function	1,178,067	134,206	61,615	35,201	1,409,089
Less expenses included with revenues on the statement of activities:					
Cost of direct benefits to donors	-	-	-	(35,201)	(35,201)
Total expenses included in the expense section on the statement of activities	\$ 1,178,067	\$ 134,206	\$ 61,615	\$ -	\$ 1,373,888

See independent auditors' report and notes to financial statements.

LOS ALAMITOS EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 105,683
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,834
Unrealized gain on investments	(1,637)
(Increase) decrease in:	
Prepaid insurance	(1,554)
Other prepaid expenses	1,308
Increase (decrease) in:	
Accounts payable and accrued expenses	14,486
Accrued salaries and vacation payable	(8,611)
Deferred revenue	30,290
Health insurance deduction payable	(9)
	141,790
Net cash provided by operating activities	141,790
Increase in Cash and Cash Equivalents	141,790
Cash and Cash Equivalents, Beginning of Year	355,929
Cash and Cash Equivalents, End of Year	\$ 497,719

SUPPLEMENTAL CASH FLOW DISCLOSURES

Interest paid	None
Income taxes paid	None

See independent auditors' report and notes to financial statements.

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 Unified School District, 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 Unified School District 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 world languages, robotics, art, dance, science, technology, driver education, college essay preparation, drama, and more.

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, and economics.

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.

LAEF generates sustainable, significant resources that can be allocated to support the goals of the Los Alamitos Unified School District. Mental Health counselors, Science, Technology, Engineering, the Arts and Math (STEAM) programs, and free elementary world language classes have been the primary purpose of grants that LAEF has given to the District. Tremendous results have been experienced through this additional instruction and support. STEAM classes and fairs take place on all nine campuses, and the district-wide STEAM showcase brings the whole community together.

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 1 – ORGANIZATION (Continued)

LAEF believes in audacious goals and its current programs are just the beginning. As LAEF grows, the success of students and the greater community will grow. LAEF is 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 STEAM and Mental health, 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 LAEF are prepared on the accrual basis of accounting in accordance with accounting principles accepted in the United States of America. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has discretionary control over these resources. Board-designated amounts represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net Assets Released from Donor Restrictions – Net assets are released by incurring expenses satisfying the restriction or by occurrence of other events specified by donors.

Cash and Cash Equivalents

LAEF 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.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash or other assets or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The carrying amounts of financial instruments, approximated fair value at December 31, 2019, because of the relatively short maturity of these instruments.

Property and Equipment

LAEF capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Property and equipment are capitalized at cost or at fair value at the date of donation, if donated. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from three years for computer equipment to four years for program equipment.

Donated Materials and Services

If materials or other noncash contributions are received through donation, their value is reflected in the accompanying statement of activities 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.

Functional Allocation of Expenses

The costs of program and support services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and support services benefited.

Income Taxes

LAEF is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Therefore, no provision has been made for income taxes.

LAEF evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more likely than not would be sustained upon examination. Management does not believe LAEF has any uncertain tax positions requiring accrual or disclosure. LAEF is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through June 11, 2020, the date the financial statements were available to be issued.

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state, and local authorities resulting in an overall decline in economic activity. Even though the COVID-19 outbreak has not created any significant financial impact on LAEF at this time, any future cancellation of major fundraising events and unforeseen business interruptions caused by the outbreak could have an adverse effect on LAEF's operations and cash flow.

NOTE 3 – INVESTMENT IN SHARE CERTIFICATES

LAEF has three share certificates with a 1 year, 6 months, and 6 months term, respectively. The total of these certificates of deposits is \$102,960 at December 31, 2019.

NOTE 4 – FIXED ASSETS

Property and equipment consists of the following at December 31, 2019:

Property equipment	\$ 10,623
Computer equipment	2,468
	<u>13,091</u>
Less: Accumulated depreciation	(13,091)
Net property and equipment	<u>\$ -</u>

Depreciation expense for the year ended December 31, 2019, totaled \$1,834.

NOTE 5 – DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2019:

Tuition fees received in advance for the Spring 2020 school term	\$ 183,904
Monies received for fundraising events that will take place in 2020	15,955
	<u>\$ 199,859</u>

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 6 – RELATED PARTY

As discussed in Note 1, LAEF was established for the benefit of students and families of the Los Alamitos Unified School District. On June 21, 2019, LAEF and the Los Alamitos Unified School District negotiated a Memorandum of Understanding for the fiscal year 2019-2020. The degree to which LAEF 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 15, 2019; October 15, 2019; February 15, 2020; and May 15, 2020. All payments were made timely through the date of this report.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019:

Amy Davidson Scholarship Fund	\$	19,587
Cindy Vega Scholarship Fund		350
Cory Brody Memorial Scholarship Fund		970
Council of British Societies		300
Cross Family Scholarship		4,173
Dr. Robert Briggerman Memorial Scholarship		2,485
Erik Bowman Memorial Fund		3,350
Friends of Rossmoor School		12,965
Mehta Family Compassion Scholarship		1,000
Project SEEK		22,438
Residents for Excellent Schools		12,356
Roosters Fdn of Orange County		2,000
Stephanie Davidson Scholarship Fund		8,730
Virgin Orbit		2,000
	\$	<u>92,704</u>

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31, 2019:

Amy Davidson Scholarship Fund	\$	3,000
Cindy Vega Scholarship Fund		500
Council of British Societies		350
Cross Family Scholarship		500
Diversity Excellence Scholarship		2,000
Dr. Robert Briggerman Memorial Scholarship		100
Dr. Robert Briggerman World Language Fund		1,000
Epson America		1,896
Erik Bowman Memorial Fund		200
Friends of Rossmoor School		37,642
Grant Turner Memorial Scholarship		1,000
Griffin Football Foundation		4,000
Jusdeep Sethi Legacy Scholarship		5,000
LAUSD		2,150
Mehta Family Compassion Scholarship		1,000
Miller Foundation		2,000
Principal's Leadership & Character Award		500
Project SEEK		34,923
Residents for Excellent Schools		3,344
Run Seal Beach		3,750
Stephanie Davidson Scholarship Fund		4,000
Wells Fargo		2,500
		<u>\$ 111,355</u>

LOS ALAMITOS EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 8 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions, limiting their use, within one year of December 31, 2019, comprise the following:

Total financial assets:	
Cash and cash equivalents	\$ 497,719
Investments in certificates of deposit	102,960
Financial assets, at year end	<u>600,679</u>
Less:	
Deferred revenue	(199,859)
Donor-imposed restrictions	<u>(92,704)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 308,116</u>

LAEF maintains a policy of structuring its financial assets to be available as general expenditures, liabilities, and other obligations come due.

In addition to financial assets available to meet general expenditures over the next 12 months, LAEF operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-imposed restrictions.

NOTE 9 – CONCENTRATION OF CREDIT AND PROGRAM RISKS

Credit Risk

Cash held in bank account is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, LAEF's uninsured cash balance was \$244,503.

Program Risk

LAEF is the sole partner of the Los Alamitos Unified School District (LAUSD) and as such draws a large amount of income from the programs associated with the LAUSD. If LAEF were to lose this partnership, LAEF would need to reduce the scope of its operating activities. LAEF's program income is \$1,063,402 which is 72% of total income for the year ended December 31, 2019.