



FOUNDATION ONLY
FINANCIAL STATEMENTS
(EXCLUDES LA PROMISE CHARTER SCHOOLS)

AS OF JUNE 30, 2018
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2017)

LA PROMISE FUND FOUNDATION

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Governing Board
LA Promise Fund Foundation
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of LA Promise Fund Foundation, which is comprised of the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses 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 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 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 LA Promise Fund Foundation'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 LA Promise Fund Foundation'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LA Promise Fund Foundation as of June 30, 2018, 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.

Report on Summarized Comparative Information

The previously audited LA Promise Fund Foundation's financial statements have been derived from the Foundation's financial statement report dated September 17, 2017, which expressed an unmodified opinion. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Vannink, Tui, Day & Co., LLP

Rancho Cucamonga, California
September 27, 2018

FINANCIAL SECTION

LA PROMISE FUND FOUNDATION

STATEMENT OF FINANCIAL POSITION

(With summarized totals at June 30, 2017)

JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 863,767	\$ 1,423,023
Accounts receivable	1,132,500	780,070
Related party receivables	254,946	5,079
Loan receivable - related party, current portion	50,000	-
Prepaid expenses and other assets	64,767	50,006
Total Current Assets	<u>2,365,980</u>	<u>2,258,178</u>
Non-Current Assets		
Loan receivable - related party, non current portion	125,000	-
Security deposits	41,947	41,947
Fixed assets	325,232	319,674
Less: accumulated depreciation	(280,613)	(262,637)
Total Non-Current Assets	<u>211,566</u>	<u>98,984</u>
Total Assets	<u>\$ 2,577,546</u>	<u>\$ 2,357,162</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 348,028	\$ 511,985
Current portion of long-term obligations	7,823	7,554
Total Current Liabilities	<u>355,851</u>	<u>519,539</u>
Long-Term Obligations		
Capital Lease	10,173	17,996
Total Liabilities	<u>366,024</u>	<u>537,535</u>
NET ASSETS		
Unrestricted	243,151	33,246
Temporarily restricted	1,968,371	1,786,381
Total Net Assets	<u>2,211,522</u>	<u>1,819,627</u>
Total Liabilities and Net Assets	<u>\$ 2,577,546</u>	<u>\$ 2,357,162</u>

The accompanying notes are an integral part of these financial statements.

LA PROMISE FUND FOUNDATION

STATEMENT OF ACTIVITIES

(With summarized totals at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total	
			2018	2017
Revenues and Support				
Contributions	\$ 1,587,301	\$ 1,280,000	\$ 2,867,301	\$ 2,188,866
Federal revenue	-	-	-	111,135
Special events income net of \$30,574 and \$85,161 of direct costs In 2018 and 2017	1,722,438	-	1,722,438	1,222,314
Investments income gain, net	-	-	-	2,731
Other income	105,169	-	105,169	573
Net assets released from restrictions	1,098,010	(1,098,010)	-	-
Total Revenues and Support	<u>4,512,918</u>	<u>181,990</u>	<u>4,694,908</u>	<u>3,525,619</u>
Functional Expenses				
Program services	3,455,210	-	3,455,210	3,724,157
Management and general	245,853	-	245,853	374,498
Fundraising	401,864	-	401,864	329,223
Total Functional Expenses	<u>4,102,927</u>	<u>-</u>	<u>4,102,927</u>	<u>4,427,878</u>
Change in Net Assets				
Before Extraordinary Item	409,991	181,990	591,981	(902,259)
Extraordinary item - transfer of net assets	(200,086)	-	(200,086)	-
Change in Net Assets	<u>209,905</u>	<u>181,990</u>	<u>391,895</u>	<u>(902,259)</u>
Net Assets, Beginning of Year	<u>33,246</u>	<u>1,786,381</u>	<u>1,819,627</u>	<u>2,721,886</u>
Net Assets, End of Year	<u>\$ 243,151</u>	<u>\$ 1,968,371</u>	<u>\$ 2,211,522</u>	<u>\$ 1,819,627</u>

The accompanying notes are an integral part of these financial statements.

LA PROMISE FUND FOUNDATION

STATEMENT OF CASH FLOWS

(With summarized totals at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
Cash Flows From Operating Activities		
Change in Net Assets	\$ 391,895	\$ (902,259)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	17,976	28,655
(Increase) decrease in operating assets:		
Pledge receivables	(352,430)	651,987
Related party receivables	(249,867)	3,135
Note receivable - related party	(175,000)	-
Prepaid expenses and other assets	(14,761)	(56,677)
Increase (decrease) in operating liabilities:		
Accounts payable	(163,957)	69,414
Net Cash Used by Operating Activities	<u>(546,144)</u>	<u>(205,745)</u>
Cash Flows From Investing Activities		
Cash paid for purchases of property and equipment	<u>(5,558)</u>	<u>(26,427)</u>
Cash Flows From Financing Activities		
Principal payments on lease obligations	<u>(7,554)</u>	<u>(7,295)</u>
Net Cash Provided/Used by Financing Activities	<u>(7,554)</u>	<u>(7,295)</u>
Net Change in Cash and Cash Equivalents	(559,256)	(239,467)
Cash and Cash Equivalents, Beginning of Year	1,423,023	1,662,490
Cash and Cash Equivalents, End of Year	<u>\$ 863,767</u>	<u>\$ 1,423,023</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ 403</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

LA PROMISE FUND FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

(With comparative total at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018				2017			
	Program Services	General and Administration	Fundraising	Total	Program Services	General and Administration	Fundraising	Total
Functional Expenses								
Personnel								
Salaries	\$ 1,764,774	\$ 101,455	\$ 256,651	\$ 2,122,880	\$ 1,323,315	\$ 300,022	\$ 180,897	\$ 1,804,234
Health insurance	88,033	17,239	14,679	119,951	117,480	7,735	14,988	140,203
Retirement plan	37,325	8,654	6,300	52,279	34,835	5,061	4,006	43,902
Payroll taxes	130,552	13,924	18,846	163,322	122,030	3,922	14,432	140,384
Total personnel	<u>2,020,684</u>	<u>141,272</u>	<u>296,476</u>	<u>2,458,432</u>	<u>1,597,660</u>	<u>316,740</u>	<u>214,323</u>	<u>2,128,723</u>
Operating								
Bank charges	-	3,276	-	3,276	-	2,232	-	2,232
Office supplies	44,421	940	6,109	51,470	62,755	1,199	1,467	65,421
Occupancy	88,939	21,056	15,571	125,566	122,220	8,412	11,642	142,274
Telephone	25,193	2,779	3,375	31,347	32,041	1,816	2,484	36,341
Printing	1,545	107	172	1,824	11,933	270	771	12,974
Professional services	64,465	10,103	8,575	83,143	313,880	8,218	18,948	341,046
Outside services	433,654	11,805	39,042	484,501	327,595	3,849	41,152	372,596
Equipment rent and maintenance	6,369	1,693	1,557	9,619	60,005	1,515	1,258	62,778
Licenses	899	18	-	917	-	1,342	-	1,342
Dues & subscriptions	11,929	251	4,378	16,558	14,825	229	734	15,788
Development	-	-	-	-	1	-	-	1
Postage	3,075	438	416	3,929	3,164	118	346	3,628
Travel	1,990	181	559	2,730	9,109	215	1,848	11,172
Mileage	6,365	477	685	7,527	8,494	201	1,848	10,543
Conferences and meetings	14,393	568	793	15,754	26,889	6,798	1,373	35,060
Food and catering	205,938	9,902	2,072	217,912	167,904	9,021	15,662	192,587
School expenses	8,393	-	-	8,393	328,470	865	-	329,335
Insurance	105,647	18,285	15,509	139,441	47,787	7,156	5,231	60,174
Software and small equipment	11,451	2,218	3,280	16,949	39,064	405	8,240	47,709
Grants	129,027	15,857	-	144,884	95,695	2,500	-	98,195
Scholarships	104,227	-	-	104,227	218,760	-	-	218,760
Teacher stipends	58,600	-	-	58,600	62,258	-	-	62,258
Student/teacher transportation	92,937	-	704	93,641	105,813	39	-	105,852
Miscellaneous	15,069	4,224	2,591	21,884	67,835	1,358	1,896	71,089
Total operating	<u>1,434,526</u>	<u>104,581</u>	<u>105,388</u>	<u>1,644,495</u>	<u>2,126,497</u>	<u>57,758</u>	<u>114,900</u>	<u>2,299,155</u>
Total Functional Expenses	<u>\$ 3,455,210</u>	<u>\$ 245,853</u>	<u>\$ 401,864</u>	<u>\$ 4,102,927</u>	<u>\$ 3,724,157</u>	<u>\$ 374,498</u>	<u>\$ 329,223</u>	<u>\$ 4,427,878</u>

The accompanying notes are an integral part of these financial statements.

LA PROMISE FUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - ORGANIZATION AND MISSION

LA Promise Fund (the Foundation), formerly known as LA's Promise, is a California nonprofit public benefit corporation whose mission is to prepare Los Angeles students for success in college, career and life. The Los Angeles Promise Fund is a unique hybrid, operating programs in partnership with Los Angeles Unified School District at two traditional, comprehensive high schools and a middle school, as well as operating two charter schools in South LA. Further amplifying its impact, the Foundation runs high profile, far-reaching programs and engagement opportunities available to students and teachers across Los Angeles County. This structure allows for both high touch, intensive supports on school sites, inside and outside of the traditional district system, while also serving students through high profile, innovative programs that are available to students countywide.

As of June 30, 2016, LA's Promise acquired the assets and assumed the liabilities of the Los Angeles Fund for Public Education ("LA Fund") to create an organization with even more reach and depth. Together, the entity will empower students and reach beyond the borders of the original LA's Promise schools to hundreds of thousands of students throughout Los Angeles County. Effective June 30, 2016, LA's Promise is now named LA Promise Fund.

The Foundation's vision is to ensure that students growing up in poverty receive an excellent education through vibrant school community hubs that graduate all students college and career ready, thereby radically improving the future of an entire community.

The Foundation works within SLATE-Z, a federally designated Promise Zone, that includes two large South LA traditional high schools (Manual Arts and West Adams Prep) and one middle school (John Muir) operated by LAPF in a first-of-its-kind performance contract with LAUSD as well as manages its own public schools LA's Promise Charter Middle School #1 (LAPCMS#1) and LA's Promise Charter High School #1 (LAPCHS#1).

Over the coming years, the Foundation's goal is to adopt feeder schools to build a K-12 educational pipeline serving over 6,000 children.

On August 30, 2016, the Foundation opened its first charter school (LAPCMS#1) and LA Promise Fund has now opened its first high school (LAPCHS#1) on August 15, 2017.

Consolidated financial statement of the Foundation and both charter schools can be obtained from the business office.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Funding

The Foundation is funded primarily from contributions from the public, grant awards, and special.

Principles of Financial Statements

The accompanying financial statements include the accounts of the Foundation. These financial statements also include financial activities and accounts related to LAPCHS#1 incubating with the Foundation prior to being transfer in 2018 (see Extraordinary Item – Transfer of Net Assets).

LA PROMISE FUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Financial Statement Presentation

The financial statements are presented utilizing the accrual basis of accounting. The Foundation recognizes contributions, including unconditional promises to give, as revenue in the period in which they are received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Temporarily restricted net assets - The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 purpose or time restrictions. LA Promise Fund Foundation had \$1,968,371 of temporarily restricted net assets at June 30, 2018.

Permanently restricted net assets - These net assets are from donors who stipulate that resources are to be maintained permanently, but permit the Foundation to expend part of the income (or other economic benefits) derived from the donated assets. The Foundation has no permanently restricted net assets at June 30, 2018.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2018 approximates its fair value.

The Foundation maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contributions and Pledges Receivable

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received. The Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Discounts for pledges (pledges due over one year) are recorded as reductions to contribution revenue and pledges receivable. Discounts increase contribution revenue when the pledge is received.

At June 30, 2018, the Foundation evaluated the collectability of pledges receivable and no allowance for uncollectible pledges was considered necessary. All pledges receivable at June 30, 2018, are expected to be collected within one year.

LA PROMISE FUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than two years. The estimated useful lives are as follows:

Furniture and Equipment: 3-7 years
Leasehold Improvements: 3 years

Long-Lived Assets

Long-lived assets such as property and equipment are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. Further, long-lived assets held for sale are to be stated at the lower cost or fair market value less costs to sell. The Foundation has determined that no events occurred during the years ended June 30, 2018 that would give rise to impairment of its long-lived assets.

Related Party Loan Receivables

Related party notes receivable results from loans provided by the Foundation to LAPCMS#1 and LAPCHS#1.

Contributed Goods and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no contributed services recognized by the Foundation during the year ended June 30, 2018.

Functional Allocation of Expenses

The costs of providing programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Foundation uses salary dollars to allocate indirect costs.

Extraordinary Item – Transfer of Net Assets

During the 2017-2018 fiscal year, there was a one-time transfer of net assets from the Foundation to LAPCHS#1. Net assets transferred from the Foundation to LAPCHS#1 consisted of unrestricted net assets and amounted to \$200,086. The net asset transfer was related to the LAPCHS#1's financial activity recorded within the Foundation.

LA PROMISE FUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Income Taxes

The Foundation, which operates LAPCMS#1 and LAPCHS#1, is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, the Foundation is not aware of any such actions at this time.

The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported changes in net assets.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases (see Note 9).

LA PROMISE FUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - ACCOUNTS RECEIVABLE

At June 30, 2018, accounts receivable consisted of the following:

Pledge receivables	<u>\$ 1,132,500</u>
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NOTE 4 - PROPERTY AND EQUIPMENT

At June 30, 2018, property and equipment consisted of the following:

Furniture and equipment	\$ 279,664
Leasehold improvements	<u>45,568</u>
Subtotal	325,232
Less accumulated depreciation	<u>(280,613)</u>
Total Property and Equipment	<u>\$ 44,619</u>

During the year ended June 30, 2018, \$17,976 was charged to depreciation expense.

LA PROMISE FUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

At June 30, 2018, prepaid expenses and other assets consisted of the following:

Rent	\$ 8,487
Insurance and benefits	54,410
Miscellaneous vendors	1,870
Total Prepaid Expense and Other Assets	<u>\$ 64,767</u>

NOTE 6 - LOAN RECEIVABLE – RELATED PARTY

In 2016-2017, the Foundation granted LAPCMS#1 a non-interest bearing revolving line of credit of \$250,000 for general operating expenses and to cover any cash flow gaps. As of June 30, 2018, the outstanding revolving line of credit due from LAPCMS#1 is \$50,000.

Fiscal Year Ending June 30, <hr/> 2019	<u>\$ 50,000</u>
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In 2017-2018, the Foundation granted LAPCHS#1 a non-interest bearing revolving line of credit of \$305,000 to be used to cover cash flow gaps and to repay the Foundation for expense it has made on behalf of the high school. As of June 30, 2018, the outstanding revolving line of credit due from LAPCHS #1 is \$125,000.

Fiscal Year Ending June 30, <hr/> 2019	\$ -
2020	125,000
Total	<u>\$ 125,000</u>

NOTE 7 - ACCOUNTS PAYABLE

At June 30, 2018, accounts payable consisted of the following:

Salaries and benefits	\$ 2,853
Compensated absences	91,753
Vendor payables	174,165
Scholarship payables	79,257
Total Accounts Payable	<u>\$ 348,028</u>

LA PROMISE FUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Restricted for LA Promise Fund Programs	\$ 1,412,500	\$ 1,380,471
Restricted for LA Fund Programs	555,871	405,910
Total Temporarily Restricted Net Assets	<u>\$ 1,968,371</u>	<u>\$ 1,786,381</u>

Amounts were released from restriction during the year due to the passage of time restrictions for the temporarily restricted support.

NOTE 9 - OPERATING LEASES

The Foundation rents office space under a lease agreement, which expires in September 2019. Future minimum payments are as follows:

Fiscal Year Ending <u>June 30,</u>	
2019	\$ 103,637
2020	43,716
Total	<u>\$ 147,353</u>

Rent expense under facility operating leases and other rental expenses for the year ended June 30, 2018, was \$100,619, which is included in occupancy in the statement of functional expenses.

NOTE 10 - LONG-TERM OBLIGATIONS

Capital Lease

The Foundation entered into an agreement with Ricoh USA, Inc. to lease a copier. Such agreement is, in substance, purchases (capital lease) and is reported as a capital lease obligation with an implicit interest rate of 3.5 percent. As of June 30, 2018, the balance on the capital lease obligation is \$17,996.

LA PROMISE FUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Future payments are as follows:

Fiscal Year Ending June 30,	
2019	\$ 8,328
2020	8,328
2021	2,082
Total minimum lease payments	18,738
Less amount representing interest	(742)
Present value of minimum lease payments	<u>\$ 17,996</u>

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

The Foundation has a defined contribution plan (the Plan) currently covering all the Foundation's employees. The Foundation makes a matching contribution equal to participants' contributions to the Plan of a match rate of 100% for the first 3% and 50% on the next 2% of participant's salary contributed. Total expense for the year ended June 30, 2018, was \$52,404.

NOTE 12 - COLLABORATIVE AGREEMENT WITH LOS ANGELES UNIFIED SCHOOL DISTRICT

In October of 2008, the Foundation and Los Angeles Unified School District (LAUSD) entered into a comprehensive collaborative educational services and performance agreement whereby the Foundation and the LAUSD agreed to create a new model for delivery of LAUSD educational services in the City of Los Angeles, to improve schools and school communities, develop best practices and share them throughout the LAUSD. LAUSD will utilize these educational services. On October 9, 2012, LAUSD approved a five-year extension covering the period July 1, 2013, through June 30, 2018.

NOTE 13 - RELATED ENTITY TRANSACTIONS

The Foundation has incurred various costs that were identified as expenditures of LAPCMS#1 and LAPCHS#1 during 2017-2018 fiscal year. As of June 30, 2018, the outstanding balance not reimbursed to the Foundation was \$254,946.

NOTE 14 - RELATED ENTITY TRANSACTIONS

Litigation

The Foundation is not currently a party to any legal proceedings.

LA PROMISE FUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 15 - SUBSEQUENT EVENTS

The Foundation evaluated their June 30, 2018 financial statements for subsequent events through September 27, 2018, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events, other than those noted below, which would require recognition of disclosure in the accompanying financial statements.

LAPCMS#1 and LAPCHS#1 added grades 8 and 10, respectively, in 2018-2019.

The Foundation continued the collaborative agreement with LAUSD covering the periods July 1, 2018 through June 30, 2023.