



Financial Statements  
Foundation Only  
(Excludes LA's Promise Charter Schools)  
as of June 30, 2019  
(With Comparative Financial Information as of June 30, 2018)



# LA PROMISE FUND FOUNDATION

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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 (the Foundation) (A California Nonprofit Public Benefit Corporation), which is comprised of the statement of financial position as of June 30, 2019, 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 the 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 the 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 respective financial position of the Foundation as of June 30, 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.

## **Other Matter**

The financial statements of the Foundation as of and for the year ended June 30, 2018, were audited by Vavrinek, Trine, Day & Company LLP, who joined Eide Bailly LLP on July 22, 2019, and whose report dated September 27, 2018 expressed an unmodified opinion on those financial statements.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
September 13, 2019



## **FINANCIAL SECTION**

# LA PROMISE FUND FOUNDATION

## STATEMENT OF FINANCIAL POSITION

**JUNE 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,755,804	\$ 863,767
Promises to give	680,173	1,132,500
Intracompany receivables	529,342	254,946
Intracompany loan receivables, current portion	50,000	50,000
Prepaid expenses and other assets	69,944	64,767
Total Current Assets	<u>3,085,263</u>	<u>2,365,980</u>
Non-Current Assets		
Intracompany loan receivables, non-current portion	125,000	125,000
Security deposits	41,947	41,947
Property and equipment	291,591	325,232
Less: accumulated depreciation	(254,566)	(280,613)
Total Non-Current Assets	<u>203,972</u>	<u>211,566</u>
Total Assets	<u><u>\$ 3,289,235</u></u>	<u><u>\$ 2,577,546</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,024,459	\$ 348,028
Current portion of long-term obligations	8,101	7,823
Total Current Liabilities	<u>1,032,560</u>	<u>355,851</u>
Long-Term Obligations		
Capital lease	2,072	10,173
Total Liabilities	<u>1,034,632</u>	<u>366,024</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,201,121	243,151
With donor restrictions	1,053,482	1,968,371
Total Net Assets	<u>2,254,603</u>	<u>2,211,522</u>
Total Liabilities and Net Assets	<u><u>\$ 3,289,235</u></u>	<u><u>\$ 2,577,546</u></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, 2018)

### FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>Revenues and Support</b>				
Contributions	\$ 2,799,993	\$ 613,037	\$ 3,413,030	\$ 2,867,301
Federal revenue	174,046	-	174,046	-
Special events income net of \$47,300 and \$30,574 of direct costs in 2019 and 2018	933,635	-	933,635	1,722,438
Other income	224,948	-	224,948	105,169
Net assets released from restrictions	1,527,926	(1,527,926)	-	-
Total Revenues and Support	<u>5,660,548</u>	<u>(914,889)</u>	<u>4,745,659</u>	<u>4,694,908</u>
<b>Functional Expenses</b>				
Program services	3,945,941	-	3,945,941	3,455,210
Management and general	286,726	-	286,726	245,853
Fundraising	469,911	-	469,911	401,864
Total Functional Expenses	<u>4,702,578</u>	<u>-</u>	<u>4,702,578</u>	<u>4,102,927</u>
<b>Change in Net Assets</b>				
<b>Before Extraordinary Item</b>	957,970	(914,889)	43,081	591,981
Extraordinary item - transfer of net assets	-	-	-	(200,086)
<b>Change in Net Assets</b>	<u>957,970</u>	<u>(914,889)</u>	<u>43,081</u>	<u>391,895</u>
<b>Net Assets, Beginning of Year</b>	<u>243,151</u>	<u>1,968,371</u>	<u>2,211,522</u>	<u>1,819,627</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,201,121</u>	<u>\$ 1,053,482</u>	<u>\$ 2,254,603</u>	<u>\$ 2,211,522</u>

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

# LA PROMISE FUND FOUNDATION

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED JUNE 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 43,081	\$ 391,895
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	19,521	17,976
(Increase) decrease in operating assets:		
Contribution receivables	452,327	(352,430)
Intracompany receivables	(274,396)	(249,867)
Intracompany loan receivables	-	(175,000)
Prepaid expenses and other assets	(5,177)	(14,761)
Increase (decrease) in operating liabilities:		
Accounts payable	676,431	(163,957)
Net Cash Provided by (Used in) Operating Activities	<u>911,787</u>	<u>(546,144)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	<u>(11,927)</u>	<u>(5,558)</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on lease obligations	<u>(7,823)</u>	<u>(7,554)</u>
Net Change in Cash and Cash Equivalents	892,037	(559,256)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>863,767</u>	<u>1,423,023</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,755,804</u>	<u>\$ 863,767</u>
<b>Supplemental cash flow disclosure:</b>		
Cash paid during the period for interest	<u>\$ 1,282</u>	<u>\$ 403</u>

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



**LA PROMISE FUND FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2019 and 2018**

	2019				2018			
	Program Services	General and Administration	Fundraising	Total	Program Services	General and Administration	Fundraising	Total
<b>Functional Expenses</b>								
Personnel								
Salaries	\$ 1,940,366	\$ 83,924	\$ 281,110	\$ 2,305,400	\$ 1,764,774	\$ 101,455	\$ 256,651	\$ 2,122,880
Health insurance	110,033	17,408	17,617	145,058	88,033	17,239	14,679	119,951
Retirement plan	49,311	8,147	7,916	65,374	37,325	8,654	6,300	52,279
Payroll taxes	139,759	11,975	21,155	172,889	130,552	13,924	18,846	163,322
Total personnel	<u>2,239,469</u>	<u>121,454</u>	<u>327,798</u>	<u>2,688,721</u>	<u>2,020,684</u>	<u>141,272</u>	<u>296,476</u>	<u>2,458,432</u>
Operating								
Bank charges	12	1,226	-	1,238	-	3,276	-	3,276
Office supplies	74,606	1,372	6,628	82,606	44,421	940	6,109	51,470
Occupancy	106,047	17,470	17,431	140,948	88,939	21,056	15,571	125,566
Telephone	24,529	1,815	4,362	30,706	25,193	2,779	3,375	31,347
Printing	11,986	38	1,836	13,860	1,545	107	172	1,824
Professional services	261,970	5,605	17,417	284,992	64,465	10,103	8,575	83,143
Outside services	375,283	104,195	66,648	546,126	433,654	11,805	39,042	484,501
Equipment rent and maintenance	11,266	1,661	1,400	14,327	6,369	1,693	1,557	9,619
Licenses	3,580	660	-	4,240	899	18	-	917
Dues & subscriptions	9,802	433	1,483	11,718	11,929	251	4,378	16,558
Development	-	-	770	770	-	-	-	-
Postage	2,610	141	314	3,065	3,075	438	416	3,929
Travel	4,940	69	1,342	6,351	1,990	181	559	2,730
Mileage	8,158	540	2,559	11,257	6,365	477	685	7,527
Conferences and meetings	17,610	3,293	2,430	23,333	14,393	568	793	15,754
Food and catering	134,869	7,590	3,178	145,637	205,938	9,902	2,072	217,912
School expenses	11,195	-	285	11,480	8,393	-	-	8,393
Interest expense	-	1,282	-	1,282	-	-	-	-
Insurance	55,411	8,249	8,754	72,414	105,647	18,285	15,509	139,441
Software and small equipment	17,005	1,861	2,307	21,173	11,451	2,218	3,280	16,949
Grants	220,184	-	-	220,184	129,027	15,857	-	144,884
Scholarships	147,244	-	-	147,244	104,227	-	-	104,227
Teacher stipends	79,400	-	-	79,400	58,600	-	-	58,600
Student/teacher transportation	111,627	-	131	111,758	92,937	-	704	93,641
Miscellaneous	17,138	7,772	2,838	27,748	15,069	4,627	2,591	22,287
Total operating	<u>1,706,472</u>	<u>165,272</u>	<u>142,113</u>	<u>2,013,857</u>	<u>1,434,526</u>	<u>104,581</u>	<u>105,388</u>	<u>1,644,495</u>
Total Functional Expenses	<u>\$ 3,945,941</u>	<u>\$ 286,726</u>	<u>\$ 469,911</u>	<u>\$ 4,702,578</u>	<u>\$ 3,455,210</u>	<u>\$ 245,853</u>	<u>\$ 401,864</u>	<u>\$ 4,102,927</u>

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

# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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### *NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES*

#### **Organization**

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 the Foundation 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 statements of the Foundation and both charter schools can be obtained from the business office.

#### **Comparative Financial Information**

The accompanying 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 (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ending June 30, 2018, from which summarized information was derived.

# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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### **Cash and Cash Equivalents**

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

### **Promises to Give**

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2019, the Foundation evaluated the collectability of promises to give and no allowance for uncollectible pledges was considered necessary.

### **Property and Equipment**

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

### **Intracompany Receivables**

Intracompany receivables result from costs incurred by the Foundation that were identified as expenditures of LAPCMS#1 and LAPCHS#1 not reimbursed to the Foundation.

### **Intracompany Loan Receivables**

Intracompany loan receivables result from loans provided by the Foundation to LAPCMS#1 and LAPCHS#1.

# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution income for the difference.

### Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

### Functional Allocation of Expenses

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

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

### **Income Taxes**

The Foundation, which operates LAPCMS#1 and LAPCHS#1, is a California 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. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Income tax returns for 2015 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.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

### **Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Foundation's mission.

# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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### Recent Accounting Pronouncements

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

The ASU is effective for the Foundation for the year ended June 30, 2020. Management is evaluating the impact of the adoption of this standard.

### Change in Accounting Principle

As of July 1, 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Foundation's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Foundation's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Foundation's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Foundation has elected not to present comparative information for these amendments.

The Foundation has adopted this standard as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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### Adjustments Resulting from Change in Accounting Policy

As disclosed above, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of June 30, 2019. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Foundation's June 30, 2018 net assets.

The effect on the Foundation's statement of activities as of June 30, 2018 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Net Assets, Beginning of Year			
Unrestricted	\$ 33,246	\$ (33,246)	\$ -
Temporarily restricted net assets	1,786,381	(1,786,381)	-
Net assets without donor restrictions	-	33,246	33,246
Net assets with donor restrictions	-	1,786,381	1,786,381
	<u>\$ 1,819,627</u>	<u>\$ -</u>	<u>\$ 1,819,627</u>
Net Assets, End of Year			
Unrestricted	\$ 243,151	\$ (243,151)	\$ -
Temporarily restricted net assets	1,968,371	(1,968,371)	-
Net assets without donor restrictions	-	243,151	243,151
Net assets with donor restrictions	-	1,968,371	1,968,371
	<u>\$ 2,211,522</u>	<u>\$ -</u>	<u>\$ 2,211,522</u>

# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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### NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use within one year of the statement of financial position, comprise of the following:

Financial Assets:

Cash and cash equivalents	\$ 1,755,804
Promises to give and other assets	750,117
Intracompany receivable	529,342
Intracompany loan receivable current portion	<u>50,000</u>
Financial Assets, at year-end	<u>3,085,263</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restrictions by donor with purpose restrictions	(370,148)
Restrictions by donor with time restrictions	<u>(383,333)</u>
	<u>(753,481)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,331,782</u></u>

### NOTE 3 – CASH AND CASH EQUIVALENTS

	Reported Amount	Bank Balance
Cash on hand and in banks	<u>\$ 1,755,804</u>	<u>\$ 1,744,964</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Foundation maintains its cash in bank deposit accounts that at times may exceed insured limits. The Foundation has not experienced any losses in such accounts. At June 30, 2019, the Foundation had a balance of \$1,489,778 in excess of FDIC insured limits. Management believes that the Foundation is not exposed to any significant risk related to cash.

### NOTE 4 – PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30, 2019 and 2018:

	2019	2018
Within one year	<u>\$ 680,173</u>	<u>\$ 1,132,500</u>

At June 30, 2019 and 2018, two donors accounted for 74 percent and 71 percent of total promises to give, respectively. Two contributors accounted for approximately 34 percent and 38 percent of total contribution revenue for the years ended June 30, 2019 and 2018, respectively.



# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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### *NOTE 5 – INTRACOMPANY RECEIVABLES*

Intracompany receivables consist of the following at June 30, 2019 and 2018:

	2019	2018
Due from LAPMS#1	\$ 389,809	\$ 144,488
Due from LAPHS#1	139,533	110,458
Total Intracompany Receivables	<u>\$ 529,342</u>	<u>\$ 254,946</u>

### *NOTE 6 - PROPERTY AND EQUIPMENT*

Property and equipment consists of the following at June 30, 2019 and 2018:

	2019	2018
Computer and equipment	\$ 291,591	\$ 279,664
Leasehold improvements	-	45,568
Subtotal	291,591	325,232
Less accumulated depreciation	(254,566)	(280,613)
Total Property and Equipment	<u>\$ 37,025</u>	<u>\$ 44,619</u>

### *NOTE 7 - PREPAID EXPENSES AND OTHER ASSETS*

Prepaid expenses and other assets consists of the following at June 30, 2019 and 2018:

	2019	2018
Insurance and benefits	\$ 67,274	\$ 54,410
Rent	-	8,487
Miscellaneous vendors	2,670	1,870
Total Prepaid Expenses and Other Assets	<u>\$ 69,944</u>	<u>\$ 64,767</u>

# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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### *NOTE 8 – INTRACOMPANY LOAN RECEIVABLE*

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, 2019, the outstanding revolving line of credit due from LAPCMS#1 is \$50,000.

Fiscal Year Ending	
June 30,	
<u>2020</u>	<u>\$ 50,000</u>

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, 2019, the outstanding revolving line of credit due from LAPCHS #1 is \$125,000.

Fiscal Year Ending		
June 30,		
<u>2020</u>		\$ -
2021		125,000
Total		<u>\$ 125,000</u>

### *NOTE 9 - ACCOUNTS PAYABLE*

Accounts payable consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Salaries and benefits	\$ 111,663	\$ 2,853
Compensated absences	119,350	91,753
Vendor payables	762,946	174,165
Scholarship payables	30,500	79,257
Total Accounts Payable	<u>\$ 1,024,459</u>	<u>\$ 348,028</u>

# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Health and wellness program	\$ 2,000	\$ -
SLATE-Z college access program	368,148	-
Volleyball and marathon program	-	20,833
LA Fund program	-	555,871
Total subject to expenditure for specified purpose:	<u>370,148</u>	<u>576,704</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, by which are unavailable for expenditure until due	<u>683,334</u>	<u>1,391,667</u>
Total net assets with donor restrictions	<u>\$ 1,053,482</u>	<u>\$ 1,968,371</u>

Net assets were release from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions	\$ 708,333	\$ 1,068,843
Satisfaction of purpose restrictions		
LA Fund program	555,871	-
Volleyball and marathon program	20,833	29,167
Health and wellness program	22,000	-
SLATE-Z college access program	220,889	-
Total net assets released from donor restrictions	<u>\$ 1,527,926</u>	<u>\$ 1,098,010</u>

### NOTE 11 - OPERATING LEASES

The Foundation rents office space under a lease agreement, which expires on November 30, 2019. Future minimum payments are as follows:

Fiscal Year Ending	
<u>June 30,</u>	
2020	<u>\$ 43,716</u>

Rent expense under facility operating leases and other rental expenses for the year ended June 30, 2019, was \$103,637, which is included in occupancy in the statement of functional expenses.

# LA PROMISE FUND FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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### *NOTE 12 - 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, 2019, the balance on the capital lease obligation is \$10,173.

Future payments are as follows:

Fiscal Year Ending June 30,	
2020	\$ 8,328
2021	2,084
Total minimum lease payments	10,412
Less amount representing interest	(239)
Present value of minimum lease payments	<u>\$ 10,173</u>

### *NOTE 13 - 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, 2019, was \$204,311.

### *NOTE 14 - 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. In 2018-2019, LAUSD approved a five-year extension covering the period July 1, 2018, through June 30, 2023.

### *NOTE 15 - CONTINGENCIES*

#### **Litigation**

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

**LA PROMISE FUND FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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*NOTE 16 - SUBSEQUENT EVENTS*

The Foundation evaluated their June 30, 2019 financial statements for subsequent events through September 13, 2019, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.