

HIGH SCHOOL INC. ACADEMIES FOUNDATION
FINANCIAL STATEMENTS

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
High School Inc. Academies Foundation
Costa Mesa, CA

We have audited the accompanying financial statements of High School Inc. Academies Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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 High School Inc. Academies 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.



GUZMAN & GRAY, CPAs

Long Beach, CA
January 23, 2019

HIGH SCHOOL INC. ACADEMIES FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 235,998
Other receivable	50
Prepaid expenses	21,500
Total Current Assets	<u>257,548</u>

TOTAL ASSETS

\$ 257,548

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 2,525
Accrued expenses	5,744
Total Current Liabilities	<u>8,269</u>

NET ASSETS

Unrestricted net assets	145,549
Temporarily restricted net assets	103,730
Total Net Assets	<u>249,279</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 257,548

See accompanying Notes to Financial Statements and Independent Auditors' Report

HIGH SCHOOL INC. ACADEMIES FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 199,524	\$ 124,141	\$ 323,665
Other income	957		957
	<u>200,481</u>	<u>124,141</u>	<u>324,622</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>146,627</u>	<u>(146,627)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>347,108</u>	<u>(22,486)</u>	<u>324,622</u>
EXPENSES			
Programs	233,050		233,050
Management and General	33,931		33,931
Fund Raising	42,274		42,274
	<u>309,255</u>		<u>309,255</u>
CHANGE IN NET ASSETS	37,853	(22,486)	15,367
BEGINNING NET ASSETS	<u>107,696</u>	<u>126,216</u>	<u>233,912</u>
ENDING NET ASSETS	<u>\$ 145,549</u>	<u>\$ 103,730</u>	<u>\$ 249,279</u>

See accompanying Notes to Financial Statements and Independent Auditors' Report

HIGH SCHOOL INC. ACADEMIES FOUNDATION
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR YEAR ENDED JUNE 30, 2018

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL
Salaries and wages	\$ 79,774	\$ 8,864		\$ 88,638
Employment taxes	7,088	788		7,876
Workers compensation	7,515	835		8,350
Insurance		3,818		3,818
Program	70,893			70,893
Accounting and bookkeeping		6,625		6,625
Professional services			\$ 37,859	37,859
Fund development		633	4,415	5,048
Service charges		662		662
Licenses and fees		75		75
Meals and entertainment	6,646	943		7,589
Travel	22,706	4,660		27,366
Conferences				-
Equipment	36,729	4,374		41,103
Office supplies	227	1,044		1,271
Telephone	1,472	368		1,840
Other		242		242
TOTAL EXPENSES	\$ 233,050	\$ 33,931	\$ 42,274	\$ 309,255

See accompanying Notes to Financial Statements and Independent Auditors' Report

HIGH SCHOOL INC. ACADEMIES FOUNDATION
STATEMENT OF CASH FLOW
FOR YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 15,367
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in other receivable	(50)
(Increase) decrease in prepaid expenses	(21,500)
Increase (decrease) in accounts payable	38
Increase (decrease) in accrued expenses	4,729
Increase (decrease) in deferred revenue	<u>(25,000)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(26,416)</u>
 NET INCREASE IN CASH	 (26,416)
 CASH AT BEGINNING OF YEAR	 <u>262,414</u>
 CASH AT THE END OF YEAR	 <u><u>\$ 235,998</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest Paid	<u><u>NONE</u></u>
Income Taxes	<u><u>NONE</u></u>

See accompanying Notes to Financial Statements and Independent Auditors' Report

HIGH SCHOOL INC. ACADEMIES FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

High School Inc. Academies Foundation is a non-profit Organization formed to support business-supported school programs at Valley High School known as “High School Inc. Academies at Valley High School” (which is a program run at a public high school operated by the governmental entity known as the Santa Ana Unified School District, which is a program operated in partnership with the Santa Ana Chamber of Commerce), and to carry on other charitable and education activities associated with this goal, but only to the extent that such activities are in furtherance of charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, or the corresponding provision of any future internal revenue law.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the categories of net assets is as follows:

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor imposed restrictions and that may be expendable for any purpose in performing the Organization’s primary objectives. The Organization considers unrestricted net assets as all other revenue not categorized as temporarily restricted or permanently restricted.

Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets subject to donor-imposed restrictions that limit the use of funds either by the purpose or passage of time. Temporarily restricted resources whose restrictions are met in the same reporting period are recorded as unrestricted.

Permanently Restricted Net Assets

Permanently restricted net assets are utilized to record resources received that are permanently restricted as to use by the donor or grantor. The Organization considers all contributions which are not expendable by the Foundation. Typically this consists of endowment funds. The Organization has no permanently restricted net assets as of June 30, 2018.

HIGH SCHOOL INC. ACADEMIES FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reported period. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Deferred Revenue

Deferred revenue consist of funds collected in advance for the Organization's programs.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or the nature of any donor restrictions. Restrictions met in the same reporting period are reported as unrestricted support

Functional Allocation of Expenses

The costs of providing the Organization's program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

Income Tax Status

The Organization is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. The Internal Revenue Service has classified the Organization as a public charity. Income for certain activities not directly related the Organization's tax-exempt purpose is subject to taxation as unrelated business income. No provision for income taxes has been made in the accompanying financial statements, since there is no unrelated business activity.

HIGH SCHOOL INC. ACADEMIES FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – NET ASSETS

Temporarily restricted net assets at June 30, 2018 are restricted for the following purposes:

Program support	<u>\$ 103,730</u>
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Temporarily restricted net assets released from restrictions totaled \$146,627 for the year ended June 30, 2018.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization operates in Costa Mesa, California, and is dependent upon the local economy.

NOTE 4 – SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to June 30, 2018, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 23, 2019, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Organization hosted an event at a business location owned by a member of the board. The amount paid to rent out the venue was \$3,475. The board reviewed and approved this amount which was below fair market value.