

HIGH SCHOOL INC. ACADEMIES FOUNDATION
FINANCIAL STATEMENTS

JUNE 30, 2019

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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, 2019, 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, 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

February 10, 2020

HIGH SCHOOL INC. ACADEMIES FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 203,893
Other receivable	108
Prepaid expenses	1,125
Total Current Assets	<u>205,126</u>

TOTAL ASSETS

\$ 205,126

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,250
Accrued expenses	6,435
Total Current Liabilities	<u>7,685</u>

NET ASSETS

Without donor restriction	154,207
With donor restriction	43,234
Total Net Assets	<u>197,441</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 205,126

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, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 112,857	\$ 197,594	\$ 310,451
Grant revenue	45,948		45,948
Special event revenue, net	7,460		7,460
In-kind revenue	27,567		27,567
Interest revenue	128		128
Other revenue	2,965		2,965
	<u>196,925</u>	<u>197,594</u>	<u>394,519</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>258,090</u>	<u>(258,090)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>455,015</u>	<u>(60,496)</u>	<u>394,519</u>
EXPENSES			
Programs	348,823		348,823
Management and General	61,279		61,279
Fund Raising	36,255		36,255
	<u>446,357</u>		<u>446,357</u>
TOTAL EXPENSES	<u>446,357</u>		<u>446,357</u>
CHANGE IN NET ASSETS	8,658	(60,496)	(51,838)
BEGINNING NET ASSETS	<u>145,549</u>	<u>103,730</u>	<u>249,279</u>
ENDING NET ASSETS	<u>\$ 154,207</u>	<u>\$ 43,234</u>	<u>\$ 197,441</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, 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL
Executive Director	\$ 61,225	\$ 13,209	\$ 3,875	78,309
Program Director	60,000	721		60,721
Employment taxes		11,471		11,471
Workers compensation		16,800		16,800
Insurance		3,746		3,746
Program	126,782			126,782
Accounting and bookkeeping		4,875		4,875
Professional services			\$ 33,000	33,000
Fund development			2,065	2,065
Service charges		522		522
Licenses and fees		75		75
Meals and entertainment		284		284
Travel		51		51
Conferences	3,700			3,700
Equipment	77,416			77,416
Office supplies		1,354		1,354
Printing and postage		251		251
Telephone		1,175		1,175
Dues and subscriptions		1,845		1,845
Other		4,900		4,900
Employee development	16,367			16,367
Advertising	3,333			3,333
Subtotal	<u>\$ 348,823</u>	<u>\$ 61,279</u>	<u>\$ 38,940</u>	<u>\$ 449,042</u>
Less:				
Direct donor benefit expense			(2,685)	
TOTAL EXPENSES	<u><u>\$ 348,823</u></u>	<u><u>\$ 61,279</u></u>	<u><u>\$ 36,255</u></u>	<u><u>\$ 446,357</u></u>

See accompanying Notes to Financial Statements and Independent Auditors' Report

HIGH SCHOOL INC. ACADEMIES FOUNDATION
STATEMENT OF CASH FLOW
FOR YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (51,838)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
(Increase) decrease in:	
Other receivable	(58)
Prepaid expenses	20,375
Increase (decrease) in:	
Accounts payable	(1,275)
Accrued expenses	691
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(32,105)</u>
NET CHANGE IN CASH	(32,105)
CASH AT BEGINNING OF YEAR	<u>235,998</u>
CASH AT THE END OF YEAR	<u><u>\$ 203,893</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, 2019

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.

Financial Statement Presentation

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

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

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

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

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.

HIGH SCHOOL INC. ACADEMIES FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3 – NET ASSETS

Temporarily restricted net assets at June 30, 2019 are restricted for the following purposes:

Program support	<u>\$ 43,234</u>
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Temporarily restricted net assets released from restrictions totaled \$258,090 for the year ended June 30, 2019.

HIGH SCHOOL INC. ACADEMIES FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 - CONCENTRATION OF CREDIT RISK

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

NOTE 5 – SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to June 30, 2019, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through February 10, 2020, the date these financial statements were available to be issued.

Due to the Global Outbreak of the coronavirus, and the subsequent measures taken by local, state, and federal government, the Organization is unable to accurately predict how the coronavirus will affect the results of its operation because the disease's severity and the duration of the outbreak are uncertain at this time.

NOTE 6 – 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.

NOTE 7 – LIQUIDTY AND AVAILABILITY

The Organization maintains and manages adequate operating funds per policies set by the board of directors. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 203,893
Less: Donor restrictions	<u>(43,234)</u>
Total	<u>\$ 160,659</u>