

HIGH SCHOOL INC. ACADEMIES FOUNDATION  
FINANCIAL STATEMENTS

JUNE 30, 2020

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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, 2020, 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, 2020, 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

April 30, 2021

HIGH SCHOOL INC. ACADEMIES FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020

ASSETS

CURRENT ASSETS	
Cash	\$ 404,702
Other receivable	7,534
Prepaid expenses	1,785
Total Current Assets	<u>414,021</u>
TOTAL ASSETS	<u>\$ 414,021</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 4,200
Pledge payable	10,000
Accrued expenses	4,295
Payroll liabilities	4,257
Total Current Liabilities	<u>22,752</u>
NET ASSETS	
Without donor restriction	276,103
With donor restriction	115,166
Total Net Assets	<u>391,269</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 414,021</u>

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, 2020

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE			
Contributions	\$ 255,747	\$ 172,424	\$ 428,171
Grant revenue	8,406		8,406
Gross special events revenue	147,691		
Less cost of direct benefits to donors	33,586		
Net special evenets revenue	114,105		114,105
In-kind revenue	68,997		68,997
Interest revenue	175		175
Other revenue	7,445		7,445
	454,875	172,424	627,299
NET ASSETS RELEASED FROM RESTRICTIONS	100,492	(100,492)	-
TOTAL REVENUE AND SUPPORT	555,367	71,932	627,299
EXPENSES			
Programs	334,374		334,374
Management and General	52,781		52,781
Fund Raising	46,316		46,316
TOTAL EXPENSES	433,471		433,471
CHANGE IN NET ASSETS	121,896	71,932	193,828
BEGINNING NET ASSETS	154,207	43,234	197,441
ENDING NET ASSETS	\$ 276,103	\$ 115,166	\$ 391,269

See accompanying Notes to Financial Statements and Independent Auditors' Report

HIGH SCHOOL INC. ACADEMIES FOUNDATION  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR YEAR ENDED JUNE 30, 2020

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	Costs of Direct Benefit to Donor	TOTAL
Executive Director	\$ 63,232	\$ 16,808			80,040
Program Director	63,093				63,093
Employment taxes	9,675	2,572			12,247
Workers compensation	13,727	3,073			16,800
Insurance	3,459	920			4,379
Program	130,790				130,790
Accounting and bookkeeping		22,519			22,519
Professional services			\$ 39,156		39,156
Fund development			7,160		7,160
Service charges		525			525
Licenses and fees		160			160
Meals and entertainment		171			171
Travel		147			147
Conferences	1,361				1,361
Equipment	9,188				9,188
Office supplies	853	853			1,706
Printing and postage	104	104			208
Telephone	535	535			1,070
Dues and subscriptions	2,972	2,972			5,944
Other	10,000	1,422			11,422
Advertising	25,385				25,385
Special Events				33,586	33,586
Subtotal	<u>\$ 334,374</u>	<u>\$ 52,781</u>	<u>\$ 46,316</u>	<u>\$ 33,586</u>	<u>\$ 467,057</u>
Less:					
Direct donor benefit expense				(33,586)	(33,586)
<b>TOTAL EXPENSES</b>	<u><u>\$ 334,374</u></u>	<u><u>\$ 52,781</u></u>	<u><u>\$ 46,316</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 433,471</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 193,828
Change in Net Assets	\$ 193,828
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
(Increase) decrease in:	
Other receivable	(7,426)
Prepaid expenses	(660)
Increase (decrease) in:	
Accounts payable	2,950
Pledge payable	10,000
Accrued expenses	(2,140)
Payroll liabilities	4,257
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>200,809</u>
NET CHANGE IN CASH	200,809
CASH AT BEGINNING OF YEAR	<u>203,893</u>
CASH AT THE END OF YEAR	<u><u>\$ 404,702</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

See accompanying Notes to Financial Statements and Independent Auditors' Report



HIGH SCHOOL INC. ACADEMIES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2020

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.

Recently Adopted Accounting Pronouncements

For the year ended December 31, 2020, the Organization adopted the Financial Accounting Standards Board's 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, and has applied it prospectively. The provision provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant changes were made to prior year amounts during the adoption of the new standard.

HIGH SCHOOL INC. ACADEMIES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles of the United States when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2019. The Organization has adopted the new accounting standard for the current financial statements. No significant changes were made to prior year amounts during the adoption of the new standard.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

NOTE 2 – NET ASSETS

Temporarily restricted net assets at June 30, 2020 are restricted for the following purposes:

Program support	<u>\$ 115,166</u>
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Temporarily restricted net assets released from restrictions totaled \$100,492 for the year ended June 30, 2020.

NOTE 3 - CONCENTRATION OF CREDIT RISK

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

Due to the ongoing 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.

HIGH SCHOOL INC. ACADEMIES FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 3 - CONCENTRATION OF CREDIT RISK (Continued)

Cash deposits in financial institutions may exceed federally insured limits at times during the year. As of June 30, 2020, the cash balances held at financial institutions exceeded the amounts by \$159,986. Cash deposited in financial institutions differs from cash presented in the statement of financial position due to timing differences.

NOTE 4 – SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to June 30, 2020, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through April 30, 2021, the date these financial statements were available to be issued.

In August 2020, the U.S. Small Business Administration approved the Organization's application for a Paycheck Protection Program (PPP) loan which was for \$18,111.

NOTE 5 – 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	\$ 404,702
Less: Donor restrictions	<u>(115,166)</u>
Total	<u>\$ 289,536</u>