

IRVINE PUBLIC SCHOOLS FOUNDATION

Financial Statements

Years Ended June 30, 2016 and 2015

IRVINE PUBLIC SCHOOLS FOUNDATION

Financial Statements

Years Ended June 30, 2016 and 2015

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To the Board of Directors
Irvine Public Schools Foundation

We have audited the accompanying financial statements of Irvine Public Schools Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, statements of cash flows, and statements of functional expenses for the years 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 of 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 risk 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Irvine Public Schools Foundation as of June 30, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Stafford & Warren, LLP
Irvine, CA
January 3, 2017

IRVINE PUBLIC SCHOOLS FOUNDATION

Statements of Financial Position

June 30, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Cash (Note 4)	\$ 3,165,642	\$ 2,764,714
Investments (Note 5)	2,964,569	3,229,735
Grants receivable	1,289,395	1,970
Pledges and other receivables	16,700	44,550
Prepaid expenses	31,835	24,894
Security deposit	9,485	9,485
Equipment and furnishings, net of accumulated depreciation of \$704,834 and \$614,708, respectively (Note 6)	<u>304,545</u>	<u>311,709</u>
Total Assets	<u><u>\$ 7,782,171</u></u>	<u><u>\$ 6,387,057</u></u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 555,599	\$ 113,929
Accrued expenses	145,929	144,055
Accrued payable to Irvine Unified School District (IUSD)	1,553,000	241,500
Irvine Employee Emergency Fund payable	51,067	48,529
Deferred revenue (Note 7)	<u>1,274,882</u>	<u>1,665,852</u>
Total Liabilities	3,580,477	2,213,865
Net assets (Note 8):		
Unrestricted	3,774,529	3,797,650
Temporarily restricted	407,115	355,492
Permanently restricted	<u>20,050</u>	<u>20,050</u>
Total Net Assets	<u>4,201,694</u>	<u>4,173,192</u>
Total Liabilities and Net Assets	<u><u>\$ 7,782,171</u></u>	<u><u>\$ 6,387,057</u></u>

See accompanying notes and auditor's report

IRVINE PUBLIC SCHOOLS FOUNDATION

Statements of Activities

Years Ended June 30, 2016 and 2015

<u>Unrestricted Net Assets</u>	<u>2016</u>	<u>2015</u>
Support and revenues:		
Contributions (Note 9)	\$ 602,141	\$ 726,622
Donated facilities and In-Kind contributions (Note 1)	<u>493,166</u>	<u>216,341</u>
Total support	1,095,307	942,963
Program revenues:		
Educational programs	3,240,560	1,982,324
Educational support programs	<u>724,078</u>	<u>536,243</u>
Total program revenues	3,964,638	2,518,567
Fundraising Activity		
Fundraising revenue	715,852	713,525
Costs of direct benefit to donors	<u>(274,570)</u>	<u>(292,206)</u>
Net Fundraising Activity	441,282	421,319
Investment income	116,030	150,841
Unrealized Gain(Loss)	(257,259)	(164,170)
Realized Gain(Loss)	(34,421)	(51,798)
Miscellaneous	<u>323</u>	<u>374</u>
Subtotal support and revenues	5,325,900	3,818,096
Net assets released from restrictions:		
Satisfaction of program and donor restrictions	<u>1,631,056</u>	<u>1,536,279</u>
Total support and revenues	6,956,956	5,354,375
Expenses:		
Program services:		
Educational programs	3,937,911	2,974,747
Educational support programs	<u>2,051,943</u>	<u>1,629,444</u>
Total program services	5,989,854	4,604,191
Supporting services:		
Administration	402,259	387,857
Fundraising	<u>587,964</u>	<u>572,235</u>
Total supporting services	990,223	960,092
Total expenses	<u>6,980,077</u>	<u>5,564,283</u>
Increase (decrease) in unrestricted net assets	(23,121)	(209,908)

See accompanying notes and auditor's report

IRVINE PUBLIC SCHOOLS FOUNDATION

Statements of Activities

Years Ended June 30, 2016 and 2015

(Continued)

<u>Temporarily Restricted Net Assets</u>	<u>2016</u>	<u>2015</u>
Support and revenues:		
Contributions	1,682,517	1,589,102
Interest income	217	469
Unrealized gain (loss) on investment	209	(434)
Management fees on OCCF Endowment	(264)	(266)
Net assets released from restrictions	<u>(1,631,056)</u>	<u>(1,536,279)</u>
Increase (decrease) in temporarily restricted net assets	51,623	52,592
 <u>Permanently Restricted Net Assets</u>		
Support and revenues:		
Contributions	<u>-</u>	<u>-</u>
Increase (decrease) in permanently restricted net assets	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	28,502	(157,316)
Net assets at beginning of year	<u>4,173,192</u>	<u>4,330,508</u>
Net assets at end of year	<u>\$ 4,201,694</u>	<u>\$ 4,173,192</u>

See accompanying notes and auditor's report

IRVINE PUBLIC SCHOOLS FOUNDATION

Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services			Support Services			2016 Total
	Educational	Educational Support	Total Program Services	Admin-istration	Fund Raising	Total Supporting Services	
Salaries	\$ 1,018,919	\$ 527,906	\$ 1,546,825	\$ 241,737	\$ 437,543	\$ 679,280	\$ 2,226,105
Payroll Taxes	116,734	48,315	165,049	18,640	26,133	44,773	209,822
Payroll service fees	3,329	3,329	6,658	651	-	651	7,309
Non-salaried teachers	376,858	-	376,858	-	-	-	376,858
Consultants	472,266	17,487	489,753	2,825	8,000	10,825	500,578
Depreciation	-	80,740	80,740	6,646	2,740	9,386	90,126
Donation to IUSD	1,467,838	361,597	1,829,435	-	-	-	1,829,435
Information technology	3,101	47,527	50,628	7,263	4,104	11,367	61,995
Insurance	11,565	18,960	30,525	13,783	3,285	17,068	47,593
Legal & Professional	6,553	6,553	13,106	16,776	-	16,776	29,882
Office and supplies	153,218	214,348	367,566	17,929	14,618	32,547	400,113
Program expense	293,528	195,356	488,884	3,203	-	3,203	492,087
Repairs and maintenance	-	13,877	13,877	3,525	-	3,525	17,402
Licenses and taxes	-	-	-	185	-	185	185
Rent	-	57,359	57,359	38,239	-	38,239	95,598
Telephone	-	5,917	5,917	4,365	-	4,365	10,282
Fundraising (Note 10)	-	-	-	-	91,541	91,541	91,541
In-kind contributions	14,002	452,672	466,674	26,492	-	26,492	493,166
Total Expenses	\$ 3,937,911	\$ 2,051,943	\$ 5,989,854	\$ 402,259	\$ 587,964	\$ 990,223	\$ 6,980,077

See accompanying notes and auditor's report

IRVINE PUBLIC SCHOOLS FOUNDATION

Statement of Functional Expenses

Year Ended June 30, 2015

	Program Services			Support Services			2015 Total
	Educational	Educational Support	Total Program Services	Admin-istration	Fund Raising	Total Supporting Services	
Salaries	\$ 635,990	\$ 539,417	\$ 1,175,407	\$ 216,770	\$ 389,154	\$ 605,924	\$ 1,781,331
Payroll Taxes	75,111	46,274	121,385	17,244	26,753	43,997	165,382
Payroll service fees	2,585	2,585	5,170	652	-	652	5,822
Non-salaried teachers	367,385	-	367,385	-	-	-	367,385
Consultants	146,600	31,245	177,845	3,800	16,086	19,886	197,731
Depreciation	-	54,162	54,162	7,208	2,395	9,603	63,765
Donation to IUSD	1,414,688	370,049	1,784,737	-	-	-	1,784,737
Information technology	3,062	23,695	26,757	10,509	4,104	14,613	41,370
Insurance	9,539	25,789	35,328	15,789	2,605	18,394	53,722
Legal & Professional	7,295	7,295	14,590	17,647	-	17,647	32,237
Office and supplies	118,884	111,233	230,117	13,425	20,684	34,109	264,226
Program expense	193,608	161,311	354,919	22,306	-	22,306	377,225
Repairs and maintenance	-	9,831	9,831	2,725	-	2,725	12,556
Licenses and taxes	-	-	-	210	-	210	210
Rent	-	49,035	49,035	32,660	-	32,660	81,695
Telephone	-	5,216	5,216	5,053	-	5,053	10,269
Fundraising	-	-	-	-	108,279	108,279	108,279
In-kind contributions	-	192,307	192,307	21,859	2,175	24,034	216,341
Total Expenses	\$ 2,974,747	\$ 1,629,444	\$ 4,604,191	\$ 387,857	\$ -572,235	\$ 960,092	\$ 5,564,283

See accompanying notes and auditor's report

IRVINE PUBLIC SCHOOLS FOUNDATION

Statements of Cash Flows

Years Ended June 20, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from (to) operating activities:		
Cash collected from support and revenues	\$ 5,123,362	\$ 5,675,037
Cash collected from investment income	116,247	151,310
Cash paid for operating expenses	<u>(4,763,835)</u>	<u>(5,329,773)</u>
Net cash provided (used) by operating activities	475,774	496,574
Cash flows from (to) investing activities:		
Purchase of equipment	(82,962)	(190,546)
Purchase of investments	(1,107,071)	(773,536)
Proceeds from sale of investments	<u>1,115,187</u>	<u>877,510</u>
Net cash provided by investing activities	<u>(74,846)</u>	<u>(86,572)</u>
Increase in cash	400,928	410,002
Cash at beginning of year	<u>2,764,714</u>	<u>2,354,712</u>
Cash at end of year	<u>\$ 3,165,642</u>	<u>\$ 2,764,714</u>
Reconciliation:		
Increase (decrease) in net assets	\$ 28,502	\$ (157,316)
Adjustments:		
Depreciation	90,126	63,765
Unrealized (gains) losses	257,050	164,604
Decrease (increase) in grants receivable	(1,287,425)	11
(Decrease) increase in pledges and other receivables	27,850	(33,555)
(Decrease) increase in prepaid expenses	(6,941)	6,278
Increase (decrease) in accounts payable	441,670	36,875
Increase (decrease) in accrued expenses	1,874	26,838
Increase (decrease) in deferred revenue	(390,970)	388,314
Increase (decrease) in accrued payable to Irvine Unified School District	1,311,500	1,932
(Increase) decrease in Irvine Employee Emergency Fund payable	<u>2,538</u>	<u>(1,172)</u>
Total adjustments	<u>447,272</u>	<u>653,890</u>
Net cash provided (used) by operating activities	<u>\$ 475,774</u>	<u>\$ 496,574</u>
<u>Supplemental disclosures</u>		
Noncash transactions:		
Donated facilities and Inkind contributions	<u>\$ 650,309</u>	<u>\$ 392,466</u>

See accompanying notes and auditor's report

IRVINE PUBLIC SCHOOLS FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

(b) Financial Statement Presentation

Generally accepted accounting principles (GAAP) require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(c) Equipment and Furnishings

The Organization follows the practice of capitalizing, at cost, all expenditures for equipment, building and improvements. Donated assets are capitalized at the estimated fair value at date of donation. Depreciation is recorded on the straight line basis over the estimated life of three to seven years.

(d) Donated Facilities, Materials, and Services (In-kind contributions)

Donated facilities and other noncash contributions are reflected in the accompanying statements at their estimated market values at date of receipt. The Organization recognizes contribution revenues for certain services received at the fair value of those services. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements, as there is no objective basis of deriving their value. Donated services amounted to \$18,014 and \$7,653 for the years ended June 30, 2016 and 2015, respectively. Donated facilities and materials amounted to \$632,295 and \$384,813 for the years ended June 30, 2016 and 2015, respectively.

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

IRVINE PUBLIC SCHOOLS FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies (Continued)

(f) Restricted and Unrestricted Revenue and Support

In accordance with GAAP, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose 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 restrictions.

(g) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

(h) Reclassifications

Certain amounts in the prior year financial statements and related notes have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results of operations.

(2) Organization and Nature of Services

Irvine Public Schools Foundation was incorporated on October 16, 1996. The Organization is a tax exempt organization ("other than a private foundation") under Section 501(c)(3) of the Internal Revenue Code and Section 23701 (d) of the California Revenue and Taxation Code. It provides private, community and corporate funding in support of public education and manages supplemental educational programs. The sources of revenue are mainly from corporate and community donations, as well as educational programs.

IRVINE PUBLIC SCHOOLS FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

(2) Organization and Nature of Services (Continued)

The Organization provides services for the following programs areas:

Educational Programs

Educational Programs include Summer Enrichment Academy and extended school day classes, such as: Afterschool Classroom Enrichment (ACE), Science Little League, and Enrichment Day.

Educational Support Programs

Educational Support Programs include Instrument Rental, Honors Concert, Innovative Teaching Awards Program (ITAP), Innovative Counseling Awards Program (ICAP), Comprehensive K-12 Health and Wellness Initiative, Middle School – High School Initiative, Program to Advance Cultural Education (PACE), Science and Math Initiative, and Fine Arts Initiative.

(3) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an ordinary transaction between market participants on the measurement date. Investments are recorded at fair value in the statement of activities and changes in net assets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

<u>Level Input</u>	<u>Input Definition</u>
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs, other than quoted prices included in Level 1, which are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

(4) Cash

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

IRVINE PUBLIC SCHOOLS FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

(5) Investments

Investments are stated at market value and consist of publically traded securities. The fair values of investments that are measured on a recurring basis are listed below. The values presented are based on quoted prices in active markets (Level 1 inputs) as follows:

	<u>6/30/2016</u>	<u>6/30/2015</u>
Debt and Equity Securities	\$ 2,553,564	\$ 3,229,735
Alternative Investments and Securities	411,005	-
	<u> </u>	<u> </u>
Total	\$ 2,964,569	\$ 3,229,735

Investment income amounted to \$116,247 and \$151,310 for June 30, 2016 and 2015, respectively, and was classified as unrestricted net assets and temporarily restricted net assets in the statements of activities. There were realized gains (losses) on securities for fiscal years June 30, 2016 and June 30, 2015 in the amounts of \$(34,421) and \$(51,798), respectively. There were unrealized gains (losses) on securities for fiscal years June 30, 2016 and June 30, 2015 in the amounts of \$(257,050) and \$(164,604), respectively.

(6) Equipment and Furnishings

	<u>6/30/2016</u>	<u>6/30/2015</u>
Equipment and furnishings	\$ 1,009,379	\$ 926,417
Less accumulated depreciation	<u>(704,834)</u>	<u>(614,708)</u>
	<u> </u>	<u> </u>
Net equipment and furnishings	\$ 304,545	\$ 311,709

Depreciation expense for the years ended June 30, 2016 and 2015 was \$90,126 and \$63,765, respectively.

(7) Deferred Revenue

The Organization started collecting revenue in the fiscal years ended June 30, 2016 and 2015 for educational programs that were operated after year end. The Organization recorded these as deferred revenue.

The Organization hosted a Fundraising Gala and Poker Tournament and started collecting revenue in the fiscal years ended June 30, 2016 and 2015, but the events were not held until after year end. As a result, the Organization recorded all revenue from the events as deferred revenue as of June 30, 2016 and 2015.

IRVINE PUBLIC SCHOOLS FOUNDATION-

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

(8) Net Assets

The following is a summary of net assets at June 30, 2016 and 2015:

	<u>6/30/2016</u>	<u>6/30/2015</u>
Unrestricted net assets	\$ 3,774,529	\$ 3,797,650
Temporarily restricted net assets:		
Educational programs	388,979	338,556
Educational support programs	<u>18,136</u>	<u>16,936</u>
Total temporarily restricted net assets	407,115	355,492
Permanently restricted net assets	<u>20,050</u>	<u>20,050</u>
Total net assets	<u>\$ 4,201,694</u>	<u>\$ 4,173,192</u>

The Organization has an established endowment fund managed by the Orange County Community Foundation. The balance in this fund was \$24,731 and \$24,986 at June 30, 2016 and 2015, respectively. Investment income earned in the endowment fund is recorded as temporarily restricted on the statement of activities. In addition to the temporarily restricted net assets above, the Board of Trustees also designates a significant amount of program revenue for specific purposes including the Operating Reserve, and program specific funds, among others.

(9) Related Party Transactions

During the years ended June 30, 2016 and June 30, 2015 the Organization received \$70,870 and \$65,026, respectively, in contributions from its Board of Directors.

(10) Commitments and Contingencies

The Organization entered into a long-term operating lease agreement to lease its office space through May 31, 2019. The agreement calls for monthly payments ranging from \$7,596 to \$8,623 beginning on January 1, 2014. However, the agreement also states that months two through six will be free of base rent.

The Organization has also entered into multiple operating lease agreements to lease various office equipment. The lease agreements call for monthly lease payments that range from \$176 to \$410 through June 2021.

IRVINE PUBLIC SCHOOLS FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

(10) Commitments and Contingencies (Continued)

The annual lease commitments for each fiscal year end are as follows:

2017	\$ 103,820
2018	104,696
2019	98,537
2020	4,920
2021	<u>4,920</u>
Total	<u>\$ 316,893</u>

Rent expense for the years ended June 30, 2016 and June 30, 2015 was \$95,598 and \$81,695, respectively.

(11) Concentration of Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

The Organization holds various investments including both equity and fixed-income securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

(12) Subsequent Events

The Organization has entered into a memorandum of understanding with the Irvine Unified School District (IUSD) to provide funding up to an amount of \$1,332,045 for the June 30, 2017 fiscal year. The Organization receives funding through a grant from the City of Irvine to help fund the contribution to the IUSD. The contribution to IUSD is contingent upon obtaining the applicable grant from the City of Irvine and the Organization raising matching funds in compliance with the grant.

Management has evaluated subsequent events through January 3, 2017, the date which the financial statements were available to be issued. Other than the event listed above, there were no material subsequent events that required recognition or additional disclosure in these financial statements.