

**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Financial Statements**

**Years Ended June 30, 2015 and 2014**

**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Financial Statements**

**Years Ended June 30, 2015 and 2014**

**Table of Contents**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-14



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, 2015 and 2014, 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, 2015 and 2014, 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  
December 29, 2015

**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Statements of Financial Position**

**June 30, 2015 and 2014**

<u><b>Assets</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Cash (Note 4)	\$ 2,764,714	\$ 2,354,712
Investments (Note 5)	3,229,735	3,498,313
Grants receivable	1,970	1,981
Pledges and other receivables	44,550	10,995
Prepaid expenses	24,894	31,172
Security deposit	9,485	9,485
Equipment and furnishings, net of accumulated depreciation of \$614,708 and \$550,943, respectively (Note 6)	<u>311,709</u>	<u>184,928</u>
Total Assets	<u>\$ 6,387,057</u>	<u>\$ 6,091,586</u>
 <u><b>Liabilities and Net Assets</b></u>		
Liabilities:		
Accounts payable	\$ 355,429	\$ 316,622
Accrued expenses	144,055	117,217
Irvine Employee Emergency Fund payable	48,529	49,701
Deferred revenue (Note 7)	<u>1,665,852</u>	<u>1,277,538</u>
Total Liabilities	2,213,865	1,761,078
Net assets (Note 8):		
Unrestricted	3,797,650	4,007,558
Temporarily restricted	355,492	302,900
Permanently restricted	<u>20,050</u>	<u>20,050</u>
Total Net Assets	<u>4,173,192</u>	<u>4,330,508</u>
Total Liabilities and Net Assets	<u>\$ 6,387,057</u>	<u>\$ 6,091,586</u>

See accompanying notes and auditor's report

**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Statements of Activities**

**Years Ended June 30, 2015 and 2014**

<u>Unrestricted Net Assets</u>	<u>2015</u>	<u>2014</u>
Support and revenues:		
Contributions (Note 9)	\$ 726,622	\$ 570,990
Donated facilities and In-Kind contributions (Note 1)	214,166	168,723
	<hr/>	<hr/>
Total support	940,788	739,713
Program revenues:		
Educational programs	1,982,324	1,765,862
Educational support programs	536,243	465,812
	<hr/>	<hr/>
Total program revenues	2,518,567	2,231,674
Fundraising Activity		
Fundraising revenue	748,271	738,359
Costs of direct benefit to donors	(340,143)	(357,787)
	<hr/>	<hr/>
Net Fundraising Activity	408,128	380,572
Investment income	150,841	121,428
Unrealized Gain(Loss)	(164,170)	68,884
Realized Gain(Loss)	(51,798)	175,904
Miscellaneous	374	969
	<hr/>	<hr/>
Subtotal support and revenues	3,802,730	3,719,144
Net assets released from restrictions:		
Satisfaction of program and donor restrictions	1,536,279	1,137,171
	<hr/>	<hr/>
Total support and revenues	5,339,009	4,856,315
Expenses:		
Program services:		
Educational programs	2,974,747	2,401,776
Educational support programs	1,629,444	1,187,345
	<hr/>	<hr/>
Total program services	4,604,191	3,589,121
Supporting services:		
Administration	387,857	426,519
Fundraising	556,869	413,543
	<hr/>	<hr/>
Total supporting services	944,726	840,062
	<hr/>	<hr/>
Total expenses	5,548,917	4,429,183
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Increase (decrease) in unrestricted net assets	(209,908)	427,132

See accompanying notes and auditor's report

**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Statements of Activities**

**Years Ended June 30, 2015 and 2014**

**(Continued)**

<u><b>Temporarily Restricted Net Assets</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Support and revenues:		
Contributions	1,589,102	1,115,654
Interest income	469	458
Unrealized gain (loss) on investment	(434)	2,460
Management fees on OCCF Endowment	(266)	(239)
Net assets released from restrictions	<u>(1,536,279)</u>	<u>(1,137,171)</u>
Increase (decrease) in temporarily restricted net assets	52,592	(18,838)
 <u><b>Permanently Restricted Net Assets</b></u>		
Support and revenues:		
Contributions	<u>-</u>	<u>1,250</u>
Increase (decrease) in permanently restricted net assets	<u>-</u>	<u>1,250</u>
Increase (decrease) in net assets	(157,316)	409,544
Net assets at beginning of year	<u>4,330,508</u>	<u>3,920,964</u>
Net assets at end of year	<u><u>\$ 4,173,192</u></u>	<u><u>\$ 4,330,508</u></u>

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	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 (Note 10)	-	-	-	-	95,088	95,088	95,088
In-kind contributions	-	192,307	192,307	21,859	-	21,859	214,166
<b>Total Expenses</b>	<b>\$ 2,974,747</b>	<b>\$ 1,629,444</b>	<b>\$ 4,604,191</b>	<b>\$ 387,857</b>	<b>\$ 556,869</b>	<b>\$ 944,726</b>	<b>\$ 5,548,917</b>

See accompanying notes and auditor's report

IRVINE PUBLIC SCHOOLS FOUNDATION

Statement of Functional Expenses

Year Ended June 30, 2014

	Program Services			Support Services			2014 Total
	Educational	Educational Support	Program Services	Admin- istration	Fund Raising	Supporting Services	
Salaries	\$ 543,163	\$ 407,614	\$ 950,777	\$ 187,852	\$ 310,816	\$ 498,668	\$ 1,449,445
Payroll Taxes	69,464	37,984	107,448	15,425	22,306	37,731	145,179
Payroll service fees	2,142	2,142	4,284	477	-	477	4,761
Non-salaried teachers	352,254	-	352,254	-	-	-	352,254
Consultants	-	21,994	21,994	11,523	3,000	14,523	36,517
Depreciation	-	49,111	49,111	6,262	1,366	7,628	56,739
Donation to IUSD	1,103,251	168,482	1,271,733	-	-	-	1,271,733
Information technology	2,716	41,742	44,458	20,231	3,503	23,734	68,192
Insurance	7,792	19,651	27,443	18,433	2,118	20,551	47,994
Legal & Professional	7,200	7,200	14,400	15,600	-	15,600	30,000
Office and supplies	135,981	90,718	226,699	40,415	7,761	48,176	274,875
Program expense	157,663	122,497	280,160	24,724	-	24,724	304,884
Repairs and maintenance	-	7,410	7,410	1,804	-	1,804	9,214
Licenses and taxes	-	-	-	218	-	218	218
Rent	-	77,268	77,268	51,514	-	51,514	128,782
Telephone	-	9,022	9,022	7,978	-	7,978	17,000
Fundraising	-	-	-	-	62,673	62,673	62,673
In-kind contributions	20,150	124,510	144,660	24,063	-	24,063	168,723
<b>Total Expenses</b>	<b>\$ 2,401,776</b>	<b>\$ 1,187,345</b>	<b>\$ 3,589,121</b>	<b>\$ 426,519</b>	<b>\$ 413,543</b>	<b>\$ 840,062</b>	<b>\$ 4,429,183</b>

See accompanying notes and auditor's report



**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Statements of Cash Flows**

**Years Ended June 20, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from (to) operating activities:		
Cash collected from support and revenues	\$ 5,707,608	\$ 5,684,295
Cash collected from investment income	151,310	121,886
Cash paid for operating expenses	<u>(5,362,344)</u>	<u>(5,200,534)</u>
Net cash provided (used) by operating activities	496,574	605,647
Cash flows from (to) investing activities:		
Purchase of equipment	(190,546)	(112,672)
Purchase of investments	(773,536)	(2,512,554)
Proceeds from sale of investments	<u>877,510</u>	<u>2,082,557</u>
Net cash provided by investing activities	<u>(86,572)</u>	<u>(542,669)</u>
Increase in cash	410,002	62,978
Cash at beginning of year	<u>2,354,712</u>	<u>2,291,734</u>
Cash at end of year	<u>\$ 2,764,714</u>	<u>\$ 2,354,712</u>
Reconciliation:		
Increase (decrease) in net assets	\$ (157,316)	\$ 409,544
Adjustments:		
Depreciation	63,765	56,739
Unrealized (gains) losses	164,604	(71,344)
Decrease (increase) in grants receivable	11	868,160
Decrease (increase) in pledges and other receivables	(33,555)	(7,301)
Decrease (increase) in prepaid expenses	6,278	(329)
Decrease (increase) in security deposit	-	(9,485)
Increase (decrease) in accounts payable	38,807	37,399
Increase (decrease) in accrued expenses	26,838	28,957
Increase (decrease) in deferred revenue	388,314	160,937
Increase (decrease) in accrued payable to Irvine Unified School District	-	(870,000)
Increase (decrease) in Irvine Employee Emergency Fund payable	<u>(1,172)</u>	<u>2,370</u>
Total adjustments	<u>653,890</u>	<u>196,103</u>
Net cash provided (used) by operating activities	<u>\$ 496,574</u>	<u>\$ 605,647</u>
<u>Supplemental disclosures</u>		
Noncash transactions:		
Donated facilities and Inkind contributions	<u>\$ 392,466</u>	<u>\$ 341,024</u>

See accompanying notes and auditor's report

**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Notes to Financial Statements**

**Years Ended June 30, 2015 and 2014**

**(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 \$7,653 and \$7,653 for the years ended June 30, 2015 and 2014, respectively. Donated facilities and materials amounted to \$384,813 and \$333,371 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014**

**(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.

**(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 within the Irvine Unified School District. The sources of revenue are mainly from corporate and community donations, as well as educational programs.

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, IPSF Day at UCI, GATE Day, and IPSF Summer College at IVC.

IRVINE PUBLIC SCHOOLS FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

(2) Organization and Nature of Services (Continued)

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.

(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>6/30/2015</u>	<u>6/30/2014</u>
Debt and Equity Securities	<u>\$ 3,229,735</u>	<u>\$ 3,498,313</u>

**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Notes to Financial Statements**

**Years Ended June 30, 2015 and 2014**

**(5) Investments (Continued)**

Investment income amounted to \$151,310 and \$121,886 for June 30, 2015 and 2014, 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, 2015 and June 30, 2014 in the amounts of \$(51,798) and \$175,904, respectively. There were unrealized gains (losses) on securities for fiscal years June 30, 2015 and June 30, 2014 in the amounts of \$(164,604) and \$71,344, respectively.

**(6) Equipment and Furnishings**

	<u>6/30/2015</u>	<u>6/30/2014</u>
Equipment and furnishings	\$ 926,417	\$ 735,871
Less accumulated depreciation	<u>(614,708)</u>	<u>(550,943)</u>
Net equipment and furnishings	<u>\$ 311,709</u>	<u>\$ 184,928</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$63,765 and \$56,739, respectively.

**(7) Deferred Revenue**

The Organization started collecting revenue in the fiscal years ended June 30, 2015 and 2014 for educational programs that were operated after year end. The Organization recorded these as deferred revenue.

The Organization hosted a Fundraising Gala, Poker Tournament, and Carnival and started collecting revenue in the fiscal years ended June 30, 2015 and 2014, 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, 2015 and 2014.

**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Notes to Financial Statements**

**Years Ended June 30, 2015 and 2014**

**(8) Net Assets**

The following is a summary of net assets at June 30, 2015 and 2014:

	<u>6/30/2015</u>	<u>6/30/2014</u>
Unrestricted net assets	\$ 3,797,650	\$ 4,007,558
Temporarily restricted net assets:		
Educational programs	338,556	285,733
Educational support programs	<u>16,936</u>	<u>17,167</u>
Total temporarily restricted net assets	355,492	302,900
Permanently restricted net assets	<u>20,050</u>	<u>20,050</u>
Total net assets	<u>\$ 4,173,192</u>	<u>\$ 4,330,508</u>

The Organization has an established endowment fund managed by the Orange County Community Foundation. The balance in this fund was \$24,986 and \$25,217 at June 30, 2015 and 2014, 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, 2015 and June 30, 2014, the Organization received \$65,026 and \$29,477, 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 \$166 to \$274 through March 2017.

**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Notes to Financial Statements**

**Years Ended June 30, 2015 and 2015**

**(10) Commitments and Contingencies (Continued)**

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

2016	\$	99,037
2017		98,900
2018		99,776
2019		93,617
		<hr/>
Total	\$	391,329

Rent expense for the years ended June 30, 2015 and June 30, 2014 was \$81,695 and \$128,782, 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 \$1,297,500 for the June 30, 2016 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 December 29, 2015, 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.

**(13) Restatements**

As stated in Note 8, the Organization has an endowment fund. Originally, under the Organization's endowment policy, it was interpreted that the investment income was to be classified as permanently restricted until it had accumulated to an amount of \$1,000,000. After reaching this threshold, subsequent investment income earned was to be classified as temporarily restricted until it was used for its restricted purpose.

**IRVINE PUBLIC SCHOOLS FOUNDATION**

**Notes to Financial Statements**

**Years Ended June 30, 2015 and 2014**

**(13) Restatements (Continued)**

Upon review of the endowment policy, it is now interpreted to mean that all investment income earned by the endowment fund is to be classified as temporarily restricted without regard to reaching any threshold amounts. Therefore, these financial statements have been restated to reflect investment income earned by the endowment fund as temporarily restricted rather than permanently restricted.