

VITAL LINK EDUCATION- BUSINESS CONSORTIUM

Financial Statements and
Auditor's Report

SEPTEMBER 30, 2017



VITAL LINK EDUCATION-BUSINESS CONSORTIUM

SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Vital Link Education-Business Consortium

We have audited the accompanying financial statements of Vital Link Education-Business Consortium, a non-profit organization (the Organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows, and functional expenses 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 U.S. generally accepted accounting principles; 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

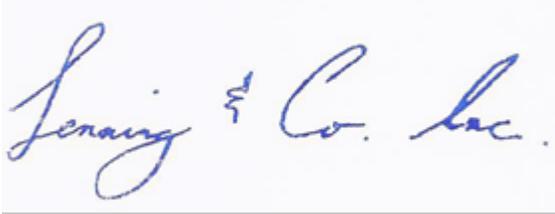
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vital Link Education-Business Consortium as of September 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in blue ink that reads "Lanning & Co. LLC". The signature is written in a cursive style with a small ampersand between "Lanning" and "Co.". The text is contained within a light blue rectangular box.

Seal Beach, CA
March 7, 2018

VITAL LINK EDUCATION-BUSINESS CONSORTIUM

Statement of Financial Position

As of September 30, 2017

ASSETS	
CURRENT ASSETS	
Cash in bank	\$ 20,309
Accounts receivable	257,470
Other current assets	<u>20,649</u>
Total current assets	298,428
Rent deposit	8,546
EQUIPMENT	
Office furniture/equipment	104,342
Less accumulated depreciation	<u>(93,243)</u>
Total equipment, net	<u>11,099</u>
Total Assets	<u><u>\$ 318,073</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 144,499
Accrued vacation pay	<u>8,674</u>
Total current liabilities	153,173
Line of Credit	51,750
NET ASSETS	
Unrestricted net assets	<u>113,150</u>
Total Net Assets	<u>113,150</u>
Total liabilities and net assets	<u><u>\$ 318,073</u></u>

See accompanying notes to the financial statement.

Vital Link Education-Business Consortium

Statements of Activities and Changes in Net Assets

For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Totals
SUPPORT AND REVENUE			
Donations	\$ 51,071	\$ 59,800	\$ 110,871
Government contracts and fees	806,088	-	806,088
Private contracts and fees	127,475	-	127,475
Events	55,159	-	55,159
Interest	2	-	2
Other	<u>5,176</u>	<u>-</u>	<u>5,176</u>
Total Support and Revenue	<u>1,044,971</u>	<u>59,800</u>	<u>1,104,771</u>
EXPENSES			
Program services	944,119	59,800	1,003,919
Supporting Services			
Management and general	95,467	-	95,467
Fundraising	<u>10,905</u>	<u>-</u>	<u>10,905</u>
Total supporting services	<u>106,372</u>	<u>-</u>	<u>106,372</u>
Total Expenses	<u>1,050,491</u>	<u>59,800</u>	<u>1,110,291</u>
Changed in net assets current period	(5,520)	-	(5,520)
Prior period adjustment	(12,340)	-	(12,340)
Net assets as of beginning of the year	<u>131,010</u>	<u>-</u>	<u>131,010</u>
Net assets as of end of year	<u>\$ 113,150</u>	<u>\$ -</u>	<u>\$ 113,150</u>

See accompanying notes to the financial statement.

VITAL LINK EDUCATION-BUSINESS CONSORTIUM

Statement of Cash Flows

For the Year Ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	(5,520)
Non-cash items included in revenue and expenses:		
Depreciation		4,690
Increase (decrease) in cash resulting from changes in:		
Accounts receivable		(57,882)
Other current assets		11,741
Accounts payable		7,794
Accrued vacation pay		1,770
Line of Credit		16,000
Net increase (decrease) in cash		(21,407)
Cash at beginning of year		<u>41,716</u>
Cash at end of year	\$	<u><u>20,309</u></u>

SUPPLEMENTARY DISCLOSURE:

Cash paid for income taxes	None
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See accompanying notes to the financial statement.

Vital Link Education-Business Consortium

Statements of Functional Expenses

For the Year Ended September 30, 2017

	Functional expenses			Total
	Program Services	Management and General	Fund-raising	
Equipment	\$ 35,055	\$ 4,382	\$ 4,382	\$ 43,819
Interest	9,361	4,012	-	13,373
Travel	5,693	-	-	5,693
Payroll	585,137	30,877	1,543	617,557
Rent	54,060	14,416	3,605	72,081
Outreach	7,442	-	-	7,442
Insurance	12,402	5,317	-	17,719
Professional fees	-	29,022	-	29,022
Depreciation	-	4,690	-	4,690
Other Direct expenses	250,478	-	-	250,478
Other Indirect expenses	40,341	-	-	40,341
General & Administrative	<u>3,950</u>	<u>2,751</u>	<u>1,375</u>	<u>8,076</u>
Total Expenses	<u>\$ 1,003,919</u>	<u>\$ 95,467</u>	<u>\$10,905</u>	<u>\$ 1,110,291</u>

See accompanying notes to the financial statement.

VITAL LINK EDUCATION-BUSINESS CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Vital Link Education-Business Consortium is presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity.

Organization – Vital Link Education-Business Consortium is a private-not-for profit organization incorporated in the State of California in 1989. The Organization is governed by a volunteer board of directors, and its principal function is to create a link between business and education to prepare students for a successful transition to meaningful employment.

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 amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounting and Reporting Policies – The accounting and reporting policies of the Organization are in accordance with generally accepted accounting principles.

Financial Statements Presentation – Under generally accepted accounting principles, the Organization is required 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. In addition, the Organization is required to present a statement of cash flows. At September 30, 2017, the Organization had no restricted net assets and the balance of unrestricted net assets at the end of the year was \$113,150.

Cash and cash equivalents – For purposes of the statement of cash flows, the Organization considers all short-term securities purchased with a maturity of three months or less to be cash equivalents.

Concentration of credit risk – Accounts receivable arise from the providing of services to various agencies and organizations. They are deemed to be collectible and no allowance has been provided.

The Organization primarily provides services to educational institutions within the physical area of Orange County, California.

Office furniture and equipment – Furniture and equipment are recorded at cost. Depreciation is computed on estimated useful lives using the straight-line method. Estimated useful life in computing depreciation ranges from 3 to 10 years. Expenditures for furniture and equipment in excess of \$2,500 are capitalized all other expenditures are expensed in the period incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is recognized in income for the period.

Income taxes – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes in these financial statements.

Support-in-kind – Gift-in-kind revenue is recognized as revenue in circumstances in which the Organization has sufficient discretion over the use and disposition of the items to recognize a contribution. Accordingly, the recognition of gifts-in-kind revenue is limited to circumstances in which the Organization takes constructive possession of the gifts-in-kind and Vital Link Education-Business Consortium is the recipient of the gift, rather than an agent or intermediary. These in-kind contributions are recorded at the estimated fair value at the date of receipt by the Organization.

VITAL LINK EDUCATION-BUSINESS CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Support-in-kind (continued) – A number of unpaid volunteers have made significant contributions of their time to develop the Organization’s programs and meet its objectives. The value of this contributed time is not reflected in these statements since it is not subject to the objective measurement or valuation.

Functional allocation – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services. The allocation of specific costs has been summarized in the Statement of Functional Expenses.

NOTE 2 – OFFICE FURNITURE AND EQUIPMENT

Office furniture	\$ 54,255
Office equipment	22,844
Program equipment	<u>27,243</u>
	104,342
Less: accumulated depreciation	<u>(93,243)</u>
	<u>\$ 11,099</u>

The beginning balance in the accumulated depreciation was adjusted for additional depreciation calculated relating to prior period depreciation. A prior period adjustment of \$5,436 was made to the beginning net assets, see note 4.

The depreciation expense for the fiscal year ending September 30, 2017 was \$4,690.

NOTE 3 – ACCRUED VACATION PAY

The Organization has accrued vacation pay earned by employees but unpaid as of September 30, 2017. The Organization’s policy limits the amount of vacation pay accrued not to exceed one and one half times an employee’s current annual entitlement. At the end of employment, eligible employees will be paid for the balance of their accrued but unused vacation pay earned. The amount accrued at September 30, 2017 was \$8,674.

NOTE 4 – LINE OF CREDIT

On April 1, 2014, the organization entered into a Line of Credit Agreement supported by a Promissory Note from an individual supporter on terms in which the organization is able to borrow up to the \$85,000 for operating cash flow purposes as needed at an interest rate of zero percent. The expiration date on the line of credit is April 30, 2024. California Bank and Trust is the administrator for the line of credit and the balance as of September 30, 2017 was \$51,750.

NOTE 5 – OPERATING LEASE

The Organization currently leases office space in Tustin California at a monthly rental of \$4,928 (Base rent of \$3,872 and common area charges of \$1,056) with a security deposit of \$8,546. A lease extension for 36 months was signed February 1, 2017 for the period March 1, 2017 through February 28, 2020.

Rent expense for the current year was approximately \$72,000 which includes approximately \$30,000 of support in kind of exhibition space for an annual education event.

**VITAL LINK EDUCATION-BUSINESS CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 – OPERATING LEASE (continued)

The minimum lease payments for the next three years ending:

September 30,		
2018		\$ 60,122
2019		62,058
2020		<u>26,224</u>
		<u>\$148,404</u>

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

The beginning net asset balance is adjusted for the following items:

Depreciation expense recorded in error in prior years:		
2013	\$(626)	
2014	1,877	
2015	1,877	
2016	<u>2,308</u>	
Total depreciation adjustment		\$5,436
Accrued vacation pay for 2016		6,904
Total prior period adjustment		<u>\$12,340</u>

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 7, 2018 the date of which the financial statements were available to be issued noting that no event occurred that would have had significant impact to the financial statements as of September 30, 2017.