

**NEWPORT HARBOR  
EDUCATIONAL FOUNDATION**

***AUDITED FINANCIAL STATEMENTS***

**JUNE 30, 2014**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Newport Harbor Educational Foundation  
Newport Beach, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Newport Harbor Educational Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities 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 auditor's 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 Newport Harbor Educational Foundation as of June 30, 2014, 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.

*Bentson, Vuona & Westersten, LLP*

**BENTSON, VUONA & WESTERSTEN, LLP**

Irvine, California

September 2, 2014

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**NEWPORT HARBOR EDUCATIONAL FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**

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**ASSETS**

Cash and cash equivalents	\$	873,365
Prepaid expenses		3,512
Fixed assets, net		<u>227</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>877,104</u></b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$	<u>97</u>
Net Assets		
Unrestricted		745,871
Temporarily Restricted		122,053
Permanently Restricted		<u>9,083</u>
<b>TOTAL NET ASSETS</b>		<b><u>877,007</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>877,104</u></b>

**NEWPORT HARBOR EDUCATIONAL FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>				
General contributions - NHEF	\$ 382,392	\$ -	\$ -	\$ 382,392
General contributions - Ensign	57,615	-	-	57,615
NHEF benefit	127,605	-	-	127,605
Home and garden tour	164,769	-	-	164,769
Restricted donations for school programs	-	226,386	-	226,386
NMUSD carryover for school programs	32,078	-	-	32,078
Student / Family directory	412	-	-	412
Grandparent program	-	-	-	-
Other NHEF fundraisers	15,798	-	-	15,798
Ensign fundraising revenue	53,786	1,641	-	55,427
Interest income	-	-	9	9
Net assets released from restrictions	250,293	(250,293)	-	-
<b>Total revenue</b>	<b>1,084,748</b>	<b>(22,266)</b>	<b>9</b>	<b>1,062,491</b>
<b>EXPENSES</b>				
School programs	679,702	-	-	679,702
General and administrative	48,226	-	-	48,226
Fundraising	197,250	-	-	197,250
<b>Total expenses</b>	<b>925,178</b>	<b>-</b>	<b>-</b>	<b>925,178</b>
<b>CHANGE IN NET ASSETS</b>	<b>159,570</b>	<b>(22,266)</b>	<b>9</b>	<b>137,313</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>586,301</b>	<b>144,319</b>	<b>9,074</b>	<b>739,694</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 745,871</b>	<b>\$ 122,053</b>	<b>\$ 9,083</b>	<b>\$ 877,007</b>

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**NEWPORT HARBOR EDUCATIONAL FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 137,313
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	227
Decrease in prepaid expenses	190
Decrease in accounts payable	(433)
	<hr/>
Net cash provided by operating activities	137,297

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	<hr/> -
Net cash used by investing activities	<hr/> -

**NET DECREASE IN CASH AND CASH EQUIVALENTS** 137,297

**CASH, JUNE 30, 2013** 

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736,068

**CASH, JUNE 30, 2014** 

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\$ 873,365

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**NEWPORT HARBOR EDUCATIONAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 1. NATURE OF ORGANIZATION**

Newport Harbor Educational Foundation (the “Foundation”) was incorporated in 1995 as a California nonprofit public benefit corporation. The purpose of the Foundation is to promote academic excellence and enhance educational opportunities for all students at Newport Harbor High School and Ensign Intermediate School through a variety of programs.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

The organization uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**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. Accordingly, actual results could differ from those estimates.

**Basis of presentation**

The net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

*Unrestricted net assets* – Net assets are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organizations pursuant to those stipulations or that expire by the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that funds be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

**Cash and Cash Equivalents**

For purposes of reporting cash flows the Foundation considers highly liquid investments with maturities of three months or less to be cash equivalents. Amounts up to \$250,000 are insured by the FDIC.

**Property and Equipment**

Property and equipment are carried at cost, while donated equipment is stated at the fair value at the date donated. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which range from five to seven years.



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**NEWPORT HARBOR EDUCATIONAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Taxes**

The Foundation is exempt from Federal income tax under section 501c(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Contributions to the Foundation are deductible by the donor.

**In-kind donations**

During the year ended June 30, 2014, the Foundation received contributions of professional goods and services with an estimated fair value of \$43,423. These are not included as revenues or expenses on these financial statements.

**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

Furniture, fixtures and office equipment	\$ 13,908
Less accumulated depreciation	<u>(13,681)</u>
	<u><u>\$ 227</u></u>

Depreciation expense for the year ended June 30, 2014 was \$227.

**NOTE 4. RESTRICTED NET ASSETS**

*Temporarily restricted net assets* – As of June 30, 2014, the Foundation has temporarily restricted net assets of \$122,053. Such restrictions relate primarily to specific purpose usage of funds or to the passage of time.

*Permanently restricted net assets* – As of June 30, 2014 the Foundation had permanently restricted net assets of \$9,083.

**NOTE 5. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events for purposes of recognition or disclosure in the financial statements through September 2, 2014 which is the date these financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.