

**NEWPORT HARBOR
EDUCATIONAL FOUNDATION**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2016

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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, 2016, 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, 2016, 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

October 19, 2016

NEWPORT HARBOR EDUCATIONAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Cash and cash equivalents	\$	886,564
Prepaid expenses		2,947
Fixed assets, net		<u>-</u>
TOTAL ASSETS	\$	<u>889,511</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	<u>-</u>
Net Assets		
Unrestricted		802,486
Temporarily Restricted		77,926
Permanently Restricted		<u>9,099</u>
TOTAL NET ASSETS		<u>889,511</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>889,511</u>

NEWPORT HARBOR EDUCATIONAL FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
General contributions - NHEF	\$ 357,258	\$ -	\$ -	\$ 357,258
General contributions - Ensign	65,575	-	-	65,575
NHEF benefit	180,066	-	-	180,066
Home and garden tour	189,412	-	-	189,412
Restricted donations for school programs	-	105,982	-	105,982
NMUSD carryover for school programs	-	-	-	-
Student / Family directory	499	-	-	499
Other NHEF fundraisers	10,048	-	-	10,048
Ensign fundraising revenue	40,194	4,324	-	44,518
Interest income	-	-	7	7
Net assets released from restrictions	110,059	(110,059)	-	-
Total revenue	953,111	247	7	953,365
EXPENSES				
School programs	687,405	-	-	687,405
General and administrative	51,751	-	-	51,751
Fundraising	259,056	-	-	259,056
Total expenses	998,212	-	-	998,212
CHANGE IN NET ASSETS	(45,101)	247	7	(44,847)
NET ASSETS, BEGINNING OF YEAR	847,587	77,679	9,092	934,358
NET ASSETS, END OF YEAR	\$ 802,486	\$ 77,926	\$ 9,099	\$ 889,511

NEWPORT HARBOR EDUCATIONAL FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (44,847)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Decrease in prepaid expenses	<u>561</u>
Net cash used by operating activities	<u>(44,286)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(44,286)
CASH, JUNE 30, 2015	<u>930,850</u>
CASH, JUNE 30, 2016	<u><u>\$ 886,564</u></u>

NEWPORT HARBOR EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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.

NEWPORT HARBOR EDUCATIONAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, the Foundation received contributions of professional goods and services with an estimated fair value of \$57,450. 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>(13,908)</u>
	<u><u>\$ -</u></u>

Depreciation expense for the year ended June 30, 2016 was \$0.

NOTE 4. RESTRICTED NET ASSETS

Temporarily restricted net assets – As of June 30, 2016, the Foundation has temporarily restricted net assets of \$77,926. Such restrictions relate primarily to specific purpose usage of funds or to the passage of time.

Permanently restricted net assets – As of June 30, 2016 the Foundation had permanently restricted net assets of \$9,099.

NOTE 5. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for purposes of recognition or disclosure in the financial statements through October 19, 2016 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.