

LACER AFTERSCHOOL PROGRAMS
(a nonprofit organization)

FINANCIAL STATEMENTS

with

Independent Auditor's Report

For the Year Ended December 31, 2018

LACER AFTERSCHOOL PROGRAMS
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LACER Afterschool Programs
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of LACER Afterschool Programs (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 LACER Afterschool Programs as of December 31, 2018, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019 on our consideration of LACER Afterschool Programs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LACER Afterschool Programs's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACER Afterschool Programs' internal control over financial reporting and compliance.

Willing and Moser, An Accountancy Corporation

Los Angeles, California
October 21, 2019

LACER AFTERSCHOOL PROGRAMS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSET

CURRENT ASSETS

Cash, Note 1		\$ 323,261
Grants receivable		236,452
Prepaid expenses		<u>3,583</u>
Total current assets		563,296

FIXED ASSETS

Property and equipment, net, Note 1 & 2		<u>50,889</u>
Total Property and equipment		50,889

OTHER ASSETS

		<u>48,600</u>
Total assets		<u>\$ 662,785</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses		<u>14,368</u>
Total liabilities		14,368

NET ASSETS, Note 1 & 3

Without Donor Restrictions		239,772
With Donor Restrictions, Note 1 & 3		<u>408,645</u>
Total net assets		<u>648,417</u>
Total liabilities and net assets		<u>\$ 662,785</u>

See accompanying notes to financial statements and independent auditor's report.

LACER AFTERSCHOOL PROGRAMS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

REVENUE:	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Federal and other government grants, Note 1	\$ 992,408	\$ -0-	\$ 992,408
Foundations and corporate donors	159,254	120,341	279,595
Individual donors	1,427	43,700	45,127
Endowment	2,109	-0-	2,109
Special events	104,915	-0-	104,915
Other revenues	27,341	-0-	27,341
Donated service, Note 1	367,658	-0-	367,658
Interest and investment income	622	-0-	622
Net assets released from restrictions, Note 3	<u>317,814</u>	<u>(317,814)</u>	<u>-0-</u>
Total Revenue and Other Support	<u>\$1,973,548</u>	<u>\$ (153,773)</u>	<u>\$1,819,775</u>
EXPENSES:			
After-school programs	1,516,852	-0-	1,516,852
General and administrative expenses	257,779	-0-	257,779
Fund-raising	<u>63,776</u>	<u>-0-</u>	<u>63,776</u>
Total expenses	<u>1,838,407</u>	<u>-0-</u>	<u>1,838,407</u>
 Increase (decrease) in net assets	 135,141	 (153,773)	 (18,632)
Net assets, beginning of year	<u>104,631</u>	<u>562,418</u>	<u>667,049</u>
Net assets, end of year	<u>\$ 239,772</u>	<u>\$ 408,645</u>	<u>\$ 648,417</u>

See accompanying notes to financial statements and independent auditor's report.

LACER AFTERSCHOOL PROGRAMS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

INCREASE (DECREASE) IN NET ASSETS	\$	(18,632)
Items not affecting cash		
Depreciation		15,086
Decrease (increase) in:		
Grants receivable		54,248
Prepaid expenses		11,601
Other Asset		(48,600)
Increase (decrease) in:		
Accounts payable and accrued expenses		(16,405)
Other current liabilities		<u>(12,342)</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		<u>(15,044)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net cash used by investing activities		<u>-0-</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash used by financing activities		<u>-0-</u>
DECREASE IN CASH		<u>(15,044)</u>
Cash and cash equivalents, beginning of period		<u>338,305</u>
Cash and cash equivalents, ending of period	\$	<u><u>323,261</u></u>

See accompanying notes to financial statements and independent auditor's report.

LACER AFTERSCHOOL PROGRAMS
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>After-School Programs</u>	<u>General and Administrative</u>	<u>Fund-raising</u>	<u>Total</u>
Compensation	\$ 874,035	\$ 191,010	\$ -	\$ 1,065,045
Payroll service cost	-	476	-	476
Payroll taxes	80,520	18,887	-	99,407
Workers compensation insurance	17,374	-	-	17,374
Employee benefits	43,057	15,925	-	58,982
Insurance expenses	16,261	3,569	-	19,830
In-kind Program Cost	367,658	-	-	367,658
Vehicle expense	1,608	24	-	1,632
Educational supplies & Program Costs	69,868	2,536	1,470	73,874
Field trips (Note 1)	6,124	-	-	6,124
Fundraising Expenses	183	180	17,811	18,174
License and subscription	1,921	344	602	2,867
Professional fees	2,740	5,500	42,291	50,531
Office supplies	7,623	3,689	-	11,312
Computer repairs and software	1,804	1,733	-	3,537
Bank charges	-	484	1,309	1,793
Rent	7,458	12,011	-	19,469
Telephone	3,369	1,346	279	4,994
Printing	163	65	14	242
	<u>1,501,766</u>	<u>257,779</u>	<u>63,776</u>	<u>1,823,321</u>
Depreciation expense	15,086	-	-	15,086
	<u>\$ 1,516,852</u>	<u>\$ 257,779</u>	<u>\$ 63,776</u>	<u>\$ 1,838,407</u>

See accompanying notes to financial statements and independent auditor's report.

LACER AFTERSCHOOL PROGRAMS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

LACER Afterschool Programs (the "Organization") is a California public benefit corporation organized in 1984. In 2004, the Organization changed its name from Los Angeles Center for Education Research. The Organization's primary activity is providing after-school literacy and arts based programs at four public middle schools and two public high schools in the Los Angeles Unified School District.

Basic of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purpose from time to time.

Net Assets With Donor Restriction - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Organization considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

LACER AFTERSCHOOL PROGRAMS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Property, Equipment and Depreciation

Property and equipment are carried at cost. Depreciation is provided using straight-line methods over estimated useful lives of the respective assets. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of repairs and maintenance is charged to operations as incurred while significant improvements and betterments are capitalized. Estimated useful lives for vehicle and equipment are five years.

Revenue Recognition

Revenue on attendance based contracts is recognized as earned under the contract terms. Grant revenues received in advance are deferred and recognized when earned. All other grants and donations are recognized at the net realizable value at the time the right to the donation becomes unconditional.

Promises to Give

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

Income Taxes

The Organization has been granted tax exemption status as provided under Section 501(c)(3) of the Internal Revenue Code. The Organization has also received a ruling that it is not a private foundation.

The organization's Federal Exempt Organization Business Income Tax Return (Form 990) for the tax year ended December 31, 2013 and later are subject to examination by the taxing authorities.

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

LACER AFTERSCHOOL PROGRAMS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Donated Property and Services

The Organization records donated property and equipment at estimated fair market value on the date donated. Services donated by volunteers are recorded as revenues and expense if the services require specialized skills and would otherwise be purchased by the Organization. Donated services recognized in the year ended December 31, 2018, were, \$11,040 for computer expenses; \$350,118 for program cost; and \$6,500 for legal fees. During the year ended December 31, 2018, a couple of volunteers provided services that are essential to the operation of the organization but which are not recognizable under generally accepted accounting principles.

The Los Angeles Unified School District provides the use of school facilities without charge. The value of services have not been recognized in the financial statements.

Functional Expenses

Expenses have been charged directly to program or general and administrative categories based on specific identification. Indirect expenses have been allocated among the programs and supporting services benefitted.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and Effort
Occupancy	Square Footage
Education	Time and effort
Professional Services	Full Time Equivalent
Depreciation	Full Time Equivalent
In-Kind Program Expense	Time and Effort
Other	Time and Effort

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (topic 958)-Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Lacer Afterschool Programs has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

LACER AFTERSCHOOL PROGRAMS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2-PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Office and program equipment	\$ 231,302
Vehicles	<u>44,139</u>
	275,441
Accumulated depreciation	<u>(224,552)</u>
	<u>\$ 50,889</u>

The depreciation expense for the year ended December 31, 2018, is \$15,086.

NOTE 3-TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2018 net assets with donor restriction consists primarily of funds earmarked for various programs. The restrictions should be released in 2019 as expenses are incurred for the various programs.

Net assets with donor restrictions are available for the following purpose:

Adams Mostrovich Family Foundation	9,122
Brian Rosenstein	1,000
Barbara Ross	5,000
Clippers 18-19	6,000
College & Health Career Planning 18-19	11,000
Daddario Foundation	2,000
Dee May	75,000
Dick Seymour Arts Fund	2,190
Disney 17-18	6,275
Dwight Stuart Youth 17	4,059
Ferrel Paulin Fam Foundation	4,356
Global Sports 18-19	10,000
Individual Donation	15,822
Just Keep Living Foundation	7,054
King Drill	2,621
LA Times Foundation 17-18	10,269
Leron Event	2,969
May 17-18 Fund Arts	11,619
May Arts Stars 2018	51,575
Nyla Arslanian	150
Sports 4 Life 17-18	4,898
Sports 4 Life 18-19	3,992
Student Stores	4,625
Thad Art	285
Thelma Pearl 2017	10,524
Thelma Pearl 2018-19	25,000
Tod Shiffman	12,500
United Way 17-18	5,947
US Bank 2018	4,258

LACER AFTERSCHOOL PROGRAMS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Weingart	50,000
Sustainer-Endowment	<u>48,535</u>
Total temporarily restricted net assets	<u>\$408,645</u>

Net assets were released from time restrictions specified by donors as follows:

Time restrictions expired

Afterschool Program	\$317,814
Total restrictions released	<u>\$317,814</u>

NOTE 4-LINE OF CREDIT

The Organization has a line of credit account with U.S. Bank. The line bears interest at 5.25% and the maximum that can be borrowed under the line is \$100,000. The line is unsecured and had a balance of \$0 as of December 31, 2018.

NOTE 5-CONCENTRATION OF REVENUE SOURCES

The Organization receives a substantial portion of its grant support from a small number of governmental agencies and a substantial portion of its special event income from a single event.

NOTE 6-CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in one financial institution located in Los Angeles, California. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018, the Organization had no uninsured cash balances.

Note 7-LIQUIDITY

Lacer Afterschool Programs's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 323,261
Grants Receivable	236,452
Prepaid Expenses	3,583
Other Assets	<u>48,600</u>
	<u>\$ 611,896</u>

LACER Afterschool financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date. At December 31, 2018 there were no assets not available within one year.

LACER AFTERSCHOOL PROGRAMS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8-SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 21, 2019, the date on which the financial statements were available to be issued.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
LACER Afterschool Programs
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of LACER Afterschool Programs (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LACER Afterschool Programs' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACER Afterschool Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of LACER Afterschool Programs' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACER Afterschool Programs' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Willing and Moser, An Accountancy Corporation
Los Angeles, California
October 21, 2019