



 **Culver City Education Foundation**

AUDIT REPORT

**For the Year Ended
August 31, 2016**

San Diego

Los Angeles

**San Francisco
Bay Area**



christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

CULVER CITY EDUCATION FOUNDATION
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Culver City Education Foundation
Culver City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Culver City Education Foundation (the "Foundation") which comprise the statement of financial position as of August 31, 2016, 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. 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 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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Culver City Education Foundation as of August 31, 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.

Christy White Associates

San Diego, California
March 10, 2017

CULVER CITY EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016

ASSETS

Cash and cash equivalents	\$	130,345
Investments		<u>156,885</u>
Total Assets	\$	<u>287,230</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	1,924
Grants payable		<u>7,003</u>
Total liabilities		<u>8,927</u>

Net assets

Unrestricted		170,398
Temporarily restricted		54,833
Permanently restricted		<u>53,072</u>
Total net assets		<u>278,303</u>
Total Liabilities and Net Assets	\$	<u>287,230</u>

The notes to the financial statements are an integral part of this statement.

**CULVER CITY EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Grants and donations	\$ -	\$ 176,699	\$ -	\$ 176,699
Program service fees	13,491	-	-	13,491
Special events, net	53,180	-	-	53,180
Other fundraising efforts	109,543	-	-	109,543
Net investment income	(3,346)	(822)	-	(4,168)
Net assets released from restrictions	160,935	(160,935)	-	-
Total Support and Revenues	333,803	14,942	-	348,745
EXPENSES				
Program services	269,474	-	-	269,474
Supporting services				
Management and general	54,036	-	-	54,036
Fundraising	67,381	-	-	67,381
Total Expenses	390,891	-	-	390,891
CHANGE IN NET ASSETS	(57,088)	14,942	-	(42,146)
Net Assets - Beginning	227,486	39,891	53,072	320,449
Net Assets - Ending	\$ 170,398	\$ 54,833	\$ 53,072	\$ 278,303

The notes to the financial statements are an integral part of this statement.

**CULVER CITY EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016**

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Personnel expenses	\$ 46,057	\$ 15,764	\$ 44,778	\$ 106,599
Grants and assistance	218,810	-	-	218,810
Fees for service	4,480	26,810	2,373	33,663
Advertising	-	-	2,514	2,514
Office expenses	81	5,781	175	6,037
Information technology	-	759	4,223	4,982
Conferences and meetings	-	349	615	964
Printing and postage	-	1,170	11,558	12,728
Insurance	-	3,403	-	3,403
Miscellaneous	46	-	1,145	1,191
Total Expenses	\$ 269,474	\$ 54,036	\$ 67,381	\$ 390,891

The notes to the financial statements are an integral part of this statement.

**CULVER CITY EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (42,146)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Increase (decrease) in operating liabilities	
Accounts payable	(13)
Grants payable	(54,778)
Net cash provided by (used in) operating activities	<u>(96,937)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net loss on investment earnings	4,548
Contributions or transfers to investments	(612)
Appropriated use of investments	7,874
Net cash provided by (used in) investing activities	<u>11,810</u>
NET INCREASE (DECREASE) IN CASH	(85,127)
Cash and cash equivalents - Beginning	<u>215,472</u>
Cash and cash equivalents - Ending	<u>\$ 130,345</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CULVER CITY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Culver City Education Foundation (the “Foundation”) was formed as a nonprofit public benefit corporation on July 2, 1981 for the purpose of raising funds to support and enhance a quality education for every student in the Culver City Unified School District (the “District”). Funding sources primarily consist of grants and donations from the public as well as funds raised from special events within the community.

B. 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, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

C. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management’s estimates.

D. Basis of Accounting

The Foundation’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

E. Financial Statement Presentation

Culver City Education Foundation 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. Unrestricted net assets include all resources available for use by the Board of Directors and management’s discretion in carrying out the activities of the organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. 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. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support operations. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Foundation’s financial statement presentation.

CULVER CITY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, *continued*
AUGUST 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

G. Cash and Cash Equivalents

Culver City Education Foundation considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

H. Investments

The Foundation's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. At August 31, 2016, an allowance for doubtful accounts was not considered necessary as there were no accounts receivable balance.

J. Capital Assets

Culver City Education Foundation has not yet adopted a policy to capitalize asset purchases as the Foundation does not currently hold any property, plant or equipment with a useful life expanding well over one fiscal year.

K. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

CULVER CITY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, *continued*
AUGUST 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

L. **Income Taxes**

Culver City Education Foundation is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Foundation is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a public benefit organization, the Foundation is required to register with the California Attorney General as a charity.

The Foundation's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Foundation's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

M. **Fair Value Measurements**

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

CULVER CITY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
AUGUST 31, 2016

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of August 31, 2016, consist of the following:

Cash in banks, interest bearing	\$ 191,555
Cash in banks, non-interest bearing	(66,750)
Cash on hand, petty cash	5,540
Total Cash and Cash Equivalents	<u>\$ 130,345</u>

Deficit Cash

At August 31, 2016, the Foundation held a negative book balance of \$66,750 within its main operating checking account due to uncleared checks for payments issued to the Culver City Unified School District. The bank balance did not indicate a deficit cash balance as the Foundation held a bank balance of \$36,016 as of August 31, 2016.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Culver City Education Foundation does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor on accounts per insured bank. As of August 31, 2016, \$22,430 of Culver City Education Foundation’s total bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at California United Bank.

NOTE 3 – INVESTMENTS

Investments as of August 31, 2016, consist of the following:

Endowment funds	\$ 155,761
Other investment accounts	1,124
Total Investments	<u>\$ 156,885</u>

The fair value measurement classifications for the above assets are as follows:

	Level 1	Level 2	Level 3	Total
Cash, money market and deposit accounts	\$ 10,201	\$ -	\$ -	\$ 10,201
Pooled mutual fund accounts	-	146,684	-	146,684
Total Investments	<u>\$ 10,201</u>	<u>\$ 146,684</u>	<u>\$ -</u>	<u>\$ 156,885</u>

CULVER CITY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
AUGUST 31, 2016

NOTE 4 – ENDOWMENTS

The Foundation currently maintains three (3) named donor-restricted endowments and one (1) board-designated endowment. The Foundation is charged with the responsibility for management of the endowed assets. The Foundation's endowed funds, by net asset classification, as of August 31, 2016, are as follows:

	Donor-Restricted Endowments				Board-	Total
	Unrestricted	Temporarily	Permanently	Total	Designated	
		Restricted	Restricted		Endowment	
					Unrestricted	Endowments
Balance, beginning of year	\$ 3,796	\$12,205	\$ 53,072	\$ 69,073	\$ 98,622	\$ 167,695
Contributions and transfers in	-	-	-	-	512	512
Net investment gain/(loss)	3	(822)	-	(819)	(3,729)	(4,548)
Grants or scholarships	-	(5,000)	-	(5,000)	-	(5,000)
Other program expenses or transfers out	(1,000)	(680)	-	(1,680)	-	(1,680)
Administrative expenses	(30)	(188)	-	(218)	(1,000)	(1,218)
Total changes	(1,027)	(6,690)	-	(7,717)	(4,217)	(11,934)
Balance, end of year	\$ 2,769	\$ 5,515	\$ 53,072	\$ 61,356	\$ 94,405	\$ 155,761

NOTE 5 – NET ASSETS

Net assets for the year ended August 31, 2016 are as follows:

	Unrestricted	Temporarily	Permanently	Total
		Restricted	Restricted	
Endowment funds				
Donor designated funds	\$ 2,769	\$ 5,515	\$ 53,072	\$ 61,356
Board designated funds	94,405	-	-	94,405
Total endowment funds	97,174	5,515	53,072	155,761
Donor designated grants				
School year 2015-16 grants	-	33,568	-	33,568
School year 2016-17 grants	-	15,750	-	15,750
Total donor designated grants	-	49,318	-	49,318
Undesignated	73,224	-	-	73,224
Total Net Assets	\$ 170,398	\$ 54,833	\$ 53,072	\$ 278,303

CULVER CITY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
AUGUST 31, 2016

NOTE 6 – SPECIAL EVENTS

During the fiscal year ended August 31, 2016, the Foundation conducted several fundraising efforts. A summary of the net revenue generated from special events consisted of the following major fundraising events:

SPECIAL EVENTS	Tribute to the Stars	Sip For Our Schools	Total
Gross receipts			
Contributions	\$ 52,554	\$ -	\$ 52,554
Sponsorship	66,524	-	66,524
Ticket sales	24,376	6,471	30,847
Raffle	3,523	1,684	5,207
Other income	8,722	-	8,722
Total gross receipts	<u>155,699</u>	<u>8,155</u>	<u>163,854</u>
Event expenses			
Awards and prizes	16,513	-	16,513
Facilities	60,226	-	60,226
Entertainment	1,193	-	1,193
Other direct expenses	28,834	3,908	32,742
Total event expenses	<u>106,766</u>	<u>3,908</u>	<u>110,674</u>
Special Events, net	<u>\$ 48,933</u>	<u>\$ 4,247</u>	<u>\$ 53,180</u>

NOTE 7 – DONATED GOODS AND SERVICES

During the fiscal year, many individuals donate significant amounts of time and services to the Culver City Education Foundation in an effort to advance the programs and objectives of the Foundation. These services have not been recorded in the financial statements because they do not meet the criteria required under generally accepted accounting principles.

The Foundation is permitted to use office space in the facilities owned by the Culver City Unified School District’s business office and is given access to school sites rent free. The District considers the Foundation to be a valuable asset for the teachers and students of the Culver City Unified School District, thus the free usage of facilities has been considered a reasonable investment. The value of the facilities usage has been deemed immaterial by management and is not reflected in the financial statements.

Donated goods and materials as well as other non-cash contributions are typically recorded at fair value at the date of contribution. In the case of donated goods for special events, the Foundation values the donation as a contribution based on the exit price received during auction. During the fiscal year ended August 31, 2016, the Foundation received \$8,722 from auction as well as an additional \$36,815 in other non-cash donations as part of the Foundation’s “Tribute to the Stars” fundraising event. The \$36,815 is comprised of \$21,970 in discounted or donated facility usage fees and the remaining \$14,845 consisted of items received and given as non-cash prizes to event participants.

CULVER CITY EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
AUGUST 31, 2016

NOTE 8 – RELATED PARTY TRANSACTIONS

Culver City Unified School District

As described in Note 1A, the Foundation's purpose is to support the students and programs of the Culver City Unified School District; therefore, transactions between the Foundation and the District are expected. For the year ended August 31, 2016, the Foundation paid \$225,472 in program costs to the District and an additional \$1,706 to reimburse for administrative costs of paper and postage.

Governing Board

During the fiscal year, the Board President served as a paid consultant providing bookkeeping services to the Foundation.

NOTE 9 – SUBSEQUENT EVENTS

Culver City Education Foundation has evaluated subsequent events for the period from August 31, 2016 through March 10, 2017, the date the financial statements were available to be issued. In December 2016, the Foundation was made aware that it was a recipient of a qualified charitable distribution amounting to \$626,107. The one-time unrestricted donation will be reflected in the subsequent fiscal year. Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.