

**NEW VISIONS FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

**NEW VISIONS FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
New Visions Foundation

We have audited the accompanying statement of financial position of New Visions Foundation (a nonprofit organization) as of June 30, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of New Visions Foundation. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2010 financial statements of New Visions Foundation, and in our report dated December 9, 2010, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Visions Foundation as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Green Hasson & Janks LLP*

October 11, 2011  
Los Angeles, California

## NEW VISIONS FOUNDATION

### STATEMENT OF FINANCIAL POSITION

June 30, 2011

With Summarized Totals at June 30, 2010

ASSETS	2011			2010
	Unrestricted	Temporarily Restricted	Total	
Cash and Cash Equivalents	\$ 2,467,387	\$ 453,244	\$ 2,920,631	\$ 2,858,218
Investments	-	-	-	3,473,311
Accounts and Other Receivables	56,188	-	56,188	202,857
Pledges Receivable	-	200,000	200,000	50,000
Prepaid Expenses and Other Assets	21,165	-	21,165	16,846
Note Receivable (Net)	4,707,094	-	4,707,094	4,798,038
Investment in Joint Venture (Note 3)	-	-	-	15,709,759
<b>TOTAL ASSETS</b>	<b>\$ 7,251,834</b>	<b>\$ 653,244</b>	<b>\$ 7,905,078</b>	<b>\$ 27,109,029</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 28,856	\$ -	\$ 28,856	\$ 115,122
Accrued Liabilities	59,510	-	59,510	93,643
Note Payable	50,000	-	50,000	550,000
<b>TOTAL LIABILITIES</b>	<b>138,366</b>	<b>-</b>	<b>138,366</b>	<b>758,765</b>
<b>NET ASSETS:</b>				
Unrestricted	7,113,468	-	7,113,468	23,926,263
Temporarily Restricted	-	653,244	653,244	2,424,001
<b>TOTAL NET ASSETS</b>	<b>7,113,468</b>	<b>653,244</b>	<b>7,766,712</b>	<b>26,350,264</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,251,834</b>	<b>\$ 653,244</b>	<b>\$ 7,905,078</b>	<b>\$ 27,109,029</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# NEW VISIONS FOUNDATION

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

With Summarized Totals for the Year Ended June 30, 2010

	2011			2010 Total
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUE AND PUBLIC SUPPORT:</b>				
Contributions	\$ 197,868	\$ 1,843,160	\$ 2,041,028	\$ 786,452
Contract Revenue	335,751	-	335,751	328,043
Consulting Fees	25,002	-	25,002	81,986
License Fees	41,667	-	41,667	100,000
Investment Income	16,955	-	16,955	33,501
Amortization of Note Receivable				
Discount	209,056	-	209,056	212,960
In-Kind Contributions	45,000	-	45,000	85,009
Loss on Investment in Joint Venture	-	-	-	(54,326)
Net Assets Released from Purpose Restrictions	3,613,917	(3,613,917)	-	-
<b>TOTAL REVENUE AND PUBLIC SUPPORT</b>	4,485,216	(1,770,757)	2,714,459	1,573,625
<b>EXPENSES:</b>				
Program Services	20,761,027	-	20,761,027	1,676,147
Management and General	316,976	-	316,976	311,653
Fundraising	220,008	-	220,008	209,706
<b>TOTAL EXPENSES</b>	21,298,011	-	21,298,011	2,197,506
<b>CHANGE IN NET ASSETS</b>	(16,812,795)	(1,770,757)	(18,583,552)	(623,881)
Net Assets - Beginning of Year	23,926,263	2,424,001	26,350,264	26,974,145
<b>NET ASSETS - END OF YEAR</b>	\$ 7,113,468	\$ 653,244	\$ 7,766,712	\$ 26,350,264

The Accompanying Notes are an Integral Part of These Financial Statements

**NEW VISIONS FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2011

With Summarized Totals for the Year Ended June 30, 2010

Program Services	Supporting Services			2011 Total	2010 Total
	Management and General	Fundraising	Total		
Salaries	\$ 509,178	\$ 90,925	\$ 148,040	\$ 238,965	\$ 748,143
Employee Benefits	133,731	16,807	35,577	52,384	186,115
<b>TOTAL PERSONNEL COSTS</b>	642,909	107,732	183,617	291,349	934,258
Contributions (Note 3)	19,392,213	-	-	-	19,392,213
Special Programs	514,506	-	-	-	514,506
Professional Fees	109,109	31,636	21,740	53,376	162,485
Public Relations	-	45,000	-	45,000	45,000
Miscellaneous	4,898	106,457	509	106,966	111,864
Occupancy	77,304	15,343	9,663	25,006	102,310
Office	14,501	4,658	1,967	6,625	21,126
Staff Development	100	5,464	1,826	7,290	7,390
Insurance	5,487	686	686	1,372	6,859
<b>TOTAL 2011 FUNCTIONAL EXPENSES</b>	<u>\$ 20,761,027</u> 97%	<u>\$ 316,976</u> 2%	<u>\$ 220,008</u> 1%	<u>\$ 536,984</u> 3%	<u>\$ 21,298,011</u> 100%
<b>TOTAL 2010 FUNCTIONAL EXPENSES</b>	<u>\$ 1,676,147</u> 76%	<u>\$ 311,653</u> 14%	<u>\$ 209,706</u> 10%	<u>\$ 521,359</u> 24%	<u>\$ 2,197,506</u> 100%

The Accompanying Notes are an Integral Part of These Financial Statements

# NEW VISIONS FOUNDATION

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

With Summarized Totals for the Year Ended June 30, 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (18,583,552)	\$ (623,881)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities:		
Realized and Unrealized Gains on Investments	-	(17)
Amortization of Note Receivable Discount	(209,056)	(212,960)
Contribution of Investment in Joint Venture	15,709,759	-
Note Payable Forgiven	(500,000)	-
Depreciation and Amortization	5,680	29,170
Loss on Investment in Joint Venture	-	54,326
(Increase) Decrease in:		
Accounts and Other Receivables	146,669	(109,323)
Pledges Receivable	(150,000)	686,667
Prepaid Expenses and Other Assets	(9,999)	-
Increase (Decrease) in:		
Accounts Payable	(86,266)	57,841
Accrued Liabilities	(34,133)	92,437
	<b>(3,710,898)</b>	<b>(25,740)</b>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
	<b>(3,710,898)</b>	<b>(25,740)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	-	(6,874,464)
Proceeds from Sale of Investments	3,473,311	8,000,000
Collections on Note Receivable	300,000	300,000
Investment in Joint Venture	-	(781,985)
	<b>3,773,311</b>	<b>643,551</b>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
	<b>3,773,311</b>	<b>643,551</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>62,413</b>	<b>617,811</b>
Cash and Cash Equivalents - Beginning of Year	<b>2,858,218</b>	<b>2,240,407</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,920,631</b>	<b>\$ 2,858,218</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# NEW VISIONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 1 - NATURE OF ORGANIZATION

New Visions Foundation (the Foundation) was incorporated under the laws of California on December 21, 1994 for the purpose of creating and operating independent schools. Its official purpose was later expanded to include creating innovative educational reforms for at-risk children, youth and communities. A summary of the Foundation's programs is as follows:

- **Highly Diverse Independent Schools.** The Foundation established New Roads School in 1995. As of July 1, 2000, New Roads School was incorporated in the state of California as an independent educational community set on three campuses within Los Angeles County that serves students in pre-kindergarten through Grade 12.
- **Charter Schools in Diverse Neighborhoods.** In 1998, with an expansion of its original mission to starting new charter schools and model educational programs, the Foundation co-created its first charter school - Camino Nuevo Charter Academy. In 2005, the Foundation co-launched a second charter - Los Angeles Academy of Arts and Enterprise. In 2006, it co-opened New Village Charter High School, its third charter. All three schools are now separate 501(c)(3) organizations.
- **Special Programs Focusing on Specific Underserved Student Populations.** To effect change, the Foundation creates and directs innovative programs, geared to address the educational needs of underserved children in Los Angeles County. These programs are as follows:
  - **Camp Community Partners.** Inaugurated in 2002, Camp Community Partners is an engaging after-school educational program at Camp Gonzales, a youth detention camp, which also transitions youth offenders to positive experiences post-detention.
  - **Center for Educational Opportunity.** The program, begun in 2000, helps place foster children in the appropriate independent and public schools and stays with the students as a supportive presence until they go to college.
  - **Families Helping Families.** Launched in 2002, Families Helping Families sponsors needy families in order to increase their educational opportunities in the short-term so that they can eventually be entirely self-sufficient.
  - **Lennox Educational Neighborhood Zone (LENZ).** LENZ is committed to providing measurable educational reforms in the community of Lennox, California. By closely partnering with the Lennox School District, the Foundation provides integrated and enhanced programs focused on improving students' academic performance at four critical timeframes on the education spectrum: school readiness, reading proficiency by Grade 3, math/algebra readiness by Grade 8, and a new Lennox charter arts high school to provide 300 Lennox middle school students with the opportunity for a quality high school education that prepares them for college.



# NEW VISIONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### (b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments and notes receivable less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. The Foundation has \$653,244 of temporarily restricted net assets at June 30, 2011.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Foundation to expend part of the income (or other economic benefits) derived from the donated assets. The Foundation has no permanently restricted net assets at June 30, 2011.

#### (c) CASH AND CASH EQUIVALENTS

The Foundation has defined cash and cash equivalents as cash in banks and highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2011 approximates its fair value.

The Foundation maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Foundation has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash and cash equivalents.

# NEW VISIONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(d) INVESTMENTS**

Investments in equity and debt securities with readily determinable fair values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

#### **(e) ACCOUNTS AND OTHER RECEIVABLES**

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of debtor, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. Management evaluated the collectibility of accounts and other receivables at June 30, 2011 and determined that no allowance for doubtful accounts was necessary. The long-term non-interest bearing note receivable has been discounted by management at an interest rate appropriate for the term of the note receivable.

#### **(f) CONTRIBUTIONS AND PLEDGES RECEIVABLE**

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues when the pledge is received. The Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met.

At June 30, 2011, the Foundation evaluated the collectability of pledges receivable and determined that no allowance is necessary. The balance of pledges receivable at June 30, 2011 is expected to be collected in its entirety within one year.

# NEW VISIONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(g) CONTRIBUTED GOODS AND SERVICES**

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of non-cash donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation recognized \$45,000 of donated services for the year ended June 30, 2011.

#### **(h) INCOME TAXES**

The Foundation is exempt from federal taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

#### **(i) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the Foundation's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Foundation allocates indirect costs based on time estimates.

#### **(j) MANAGEMENT'S 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.

#### **(k) COMPARATIVE TOTALS AND RECLASSIFICATIONS**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

For comparability, certain June 30, 2010 amounts have been reclassified, where appropriate, to conform with the financial statement presentation used at June 30, 2011.

#### **(l) SUBSEQUENT EVENTS**

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2011 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 11, 2011, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

# NEW VISIONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 3 - NOTE RECEIVABLE AND INVESTMENT IN JOINT VENTURE

On February 5, 2008, the Foundation and New Roads School (the School) entered into a joint venture agreement for the development of the Herb Alpert Educational Village (the Village) whereby the Foundation contributed land, buildings and improvements with a net book value of \$23,696,412 to a new entity, New Land Company, LLC (New Land Company) operated exclusively to further the educational and charitable purposes of its members as set forth in Internal Revenue Code Section 501(c)(3). In exchange for a 49.9% interest in New Land Company, the School signed a promissory note promising to pay the Foundation \$9,000,000. The promissory note is interest-free, repayable monthly at \$25,000 for thirty years commencing March 1, 2008 until fully paid on February 1, 2038. In May 2010, pursuant to the joint venture agreement, the School acquired an additional 0.1% interest in New Land Company for a purchase price of \$1.

On December 30, 2010, the Foundation transferred to the School its remaining 50% interest in New Land Company. New Land Company was then dissolved and its assets distributed to the School, which is now responsible for the construction of the Village. The Village will collaborate in designing and implementing real solutions to educational problems. New Visions will run programs in the Village which encourage relevant not-for-profits to collaborate in designing and implementing real solutions to educational programs. Out of the specially designed Leadership Center, New Visions' programs will put on workshops, seminars and conferences that will be open to the public.

Contributions expense on the statement of functional expenses consists of:

Investment in Joint Venture at June 30, 2010	\$ 15,709,759
Additional Contributions made During the Year Ended June 30, 2011	<u>3,682,554</u>
<b>TOTAL</b>	<u>\$ 19,392,213</u>

The Foundation has committed to make total capital contributions of \$6,000,000 to the Village. The remaining commitment at June 30, 2011 is approximately \$250,000, which is conditional upon the completion of certain construction work.

To additionally fund the Village construction, the School has entered into a \$13,000,000, 10-year loan agreement with a bank, secured by a deed of trust on the property and other assets. The Foundation is a guarantor of this loan. In addition, as guarantor, the Foundation is committed to providing \$1,500,000 as collateral to the bank.

At the time of transfer of the Foundation's remaining interest in New Land Company to the School, the Foundation's promissory note with the School was amended. The amended note continues to be interest-free and repayable monthly at \$25,000 until fully paid in February 2038. Repayment, however, is subordinate to the School's \$13,000,000 bank loan.

**NEW VISIONS FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 3 - NOTE RECEIVABLE AND INVESTMENT IN JOINT VENTURE (continued)**

At June 30, 2011, the promissory note receivable is due to be received as follows:

<b>Years Ending June 30</b>	
2012	\$ 300,000
2013	300,000
2014	300,000
2015	300,000
2016	300,000
Thereafter	<u>6,500,000</u>
<b>TOTAL</b>	8,000,000
Less: Discount at 4.395%	<u>(3,292,906)</u>
<b>NOTE RECEIVABLE (NET)</b>	<u><u>\$ 4,707,094</u></u>

During the year ended June 30, 2011, the Foundation recognized revenue of \$209,056 resulting from the amortization of the note receivable discount.

**NOTE 4 - NOTE PAYABLE**

The note payable at June 30, 2011 is unsecured, non-interest bearing and due on demand to a corporation.

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2011 consist of the following:

LENZ Project	\$ 377,000
Center for Educational Opportunity	244,352
Camp Community Partners	18,250
Families Helping Families	<u>13,642</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>	<u><u>\$ 653,244</u></u>