

**NEW VISIONS FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

**NEW VISIONS FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
New Visions Foundation

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

We have audited the accompanying financial statements of New Visions Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 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 New Visions Foundation as of June 30, 2013, 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.

### **Report on Summarized Comparative Information**

We have previously audited New Visions Foundation's June 30, 2012, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

October 24, 2013  
Los Angeles, California

# NEW VISIONS FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2013

With Summarized Totals at June 30, 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 57,559	\$ 211,579	\$ 269,138	\$ 640,054
Accounts and Other Receivables	96,537	-	96,537	66,288
Pledges Receivable	-	-	-	100,000
Prepaid Expenses and Other Assets	1,232	-	1,232	15,219
Note Receivable (Net)	4,512,788	-	4,512,788	4,612,072
<b>TOTAL ASSETS</b>	<b>\$ 4,668,116</b>	<b>\$ 211,579</b>	<b>\$ 4,879,695</b>	<b>\$ 5,433,633</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 90,682	\$ -	\$ 90,682	\$ 80,131
Accrued Liabilities	30,630	-	30,630	34,604
Deferred Revenue	200,000	-	200,000	100,000
Note Payable	-	-	-	50,000
<b>TOTAL LIABILITIES</b>	321,312	-	321,312	264,735
<b>NET ASSETS:</b>				
Unrestricted	4,346,804	-	4,346,804	4,601,000
Temporarily Restricted	-	211,579	211,579	567,898
<b>TOTAL NET ASSETS</b>	<b>4,346,804</b>	<b>211,579</b>	<b>4,558,383</b>	<b>5,168,898</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,668,116</b>	<b>\$ 211,579</b>	<b>\$ 4,879,695</b>	<b>\$ 5,433,633</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# NEW VISIONS FOUNDATION

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

With Summarized Totals for the Year Ended June 30, 2012

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUE AND PUBLIC SUPPORT:</b>				
Contributions	\$ 193,561	\$ 1,205,132	\$ 1,398,693	\$ 1,149,226
Contract Revenue	296,725	-	296,725	289,979
Consulting Fees	250,000	-	250,000	148,319
Interest Income	141	-	141	823
Amortization of Note Receivable				
Discount	200,716	-	200,716	204,978
In-Kind Contributions	61,620	-	61,620	-
Net Assets Released from Purpose Restrictions	1,561,451	(1,561,451)	-	-
<b>TOTAL REVENUE AND PUBLIC SUPPORT</b>	2,564,214	(356,319)	2,207,895	1,793,325
<b>EXPENSES:</b>				
Program Services	2,331,041	-	2,331,041	3,962,125
Management and General	159,488	-	159,488	141,659
Fundraising	327,881	-	327,881	287,355
<b>TOTAL EXPENSES</b>	2,818,410	-	2,818,410	4,391,139
<b>CHANGE IN NET ASSETS</b>	(254,196)	(356,319)	(610,515)	(2,597,814)
Net Assets - Beginning of Year	4,601,000	567,898	5,168,898	7,766,712
<b>NET ASSETS - END OF YEAR</b>	\$ 4,346,804	\$ 211,579	\$ 4,558,383	\$ 5,168,898

The Accompanying Notes are an Integral Part of These Financial Statements

# NEW VISIONS FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

With Summarized Totals for the Year Ended June 30, 2012

	2013						2012 Total
	Program Services	Supporting Services			Total	Total	
		Management and General	Fundraising	Total			
Salaries	\$ 478,405	\$ 49,662	\$ 198,338	\$ 248,000	\$ 726,405	\$ 728,295	
Employee Benefits	135,706	13,064	52,174	65,238	200,944	214,766	
<b>TOTAL PERSONNEL COSTS</b>	614,111	62,726	250,512	313,238	927,349	943,061	
Contributions (Note 3)	550,000	-	-	-	550,000	2,253,330	
Special Programs	899,112	-	-	-	899,112	814,772	
Professional Fees	147,913	34,473	50,375	84,848	232,761	211,861	
Occupancy	61,206	20,868	14,124	34,992	96,198	102,180	
Miscellaneous	32,664	29,178	6,273	35,451	68,115	26,844	
Office	21,133	8,426	5,431	13,857	34,990	24,610	
Insurance	4,902	1,508	1,131	2,639	7,541	8,192	
Public Relations	-	2,309	35	2,344	2,344	6,289	
<b>TOTAL 2013 FUNCTIONAL EXPENSES</b>	<b>\$ 2,331,041</b>	<b>\$ 159,488</b>	<b>\$ 327,881</b>	<b>\$ 487,369</b>	<b>\$ 2,818,410</b>		
	83%	6%	11%	17%	100%		
<b>TOTAL 2012 FUNCTIONAL EXPENSES</b>	<b>\$ 3,962,125</b>	<b>\$ 141,659</b>	<b>\$ 287,355</b>	<b>\$ 429,014</b>		<b>\$ 4,391,139</b>	
	90%	3%	7%	10%		100%	

The Accompanying Notes are an Integral Part of These Financial Statements

# NEW VISIONS FOUNDATION

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

With Summarized Totals for the Year Ended June 30, 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (610,515)	\$ (2,597,814)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities:		
Amortization of Note Receivable Discount	(200,716)	(204,978)
(Increase) Decrease in:		
Accounts and Other Receivables	(30,249)	(10,100)
Pledges Receivable	100,000	100,000
Prepaid Expenses and Other Assets	13,987	5,946
Increase (Decrease) in:		
Accounts Payable	10,551	51,275
Accrued Liabilities	(3,974)	(24,906)
Deferred Revenue	100,000	100,000
	(620,916)	(2,580,577)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Collections on Note Receivable	300,000	300,000
<b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>		
Payment on Note Payable	(50,000)	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(370,916)	(2,280,577)
Cash and Cash Equivalents - Beginning of Year	640,054	2,920,631
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 269,138	\$ 640,054

The Accompanying Notes are an Integral Part of These Financial Statements

# NEW VISIONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### 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:
  - **New Roads for New Visions.** Inaugurated in 2002, New Roads for New Visions is an engaging after-school educational program at Camp Gonzales, a youth detention camp, which also transitions youth offenders to positive experiences post-detention.
  - **Fostering New Visions.** 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.
  - **Lennox Educational Neighborhood Zone (LENZ).** LENZ is committed to providing measurable educational reforms in the community of Lennox, California. LENZ is a pioneering model of "collective impact." It is a cross-sector collaboration of partners working strategically to dramatically improve outcomes for the children and young adults of Lennox, especially when it comes to their college-readiness, health and general preparation for a successful life. These partners include nonprofits from within and outside of Lennox, community members, philanthropists, and the Lennox School District, working together in a collaboration where each shares responsibility and accountability for agreed upon results.
  - **Center for Educational Justice (CEJ)** encompasses the building that New Visions calls home, and to twelve non-profit partners found and vetted by the Foundation, who have in common the mission of providing educational programming for the at-risk youth in Los Angeles. CEJ non-profits share space, resources, and knowledge to help strengthen their organizations and expand their programming. The CEJ's partner organizations meet monthly to share stories, offer support, and explore solutions. Collaboration between and integration of partners into existing New Visions' programs is a priority of the CEJ. The CEJ is also a home for programming for the public.



# NEW VISIONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### NOTE 1 - NATURE OF ORGANIZATION (continued)

CEJ will host, alone or with partners, classes, concerts, workshops, conferences, film screenings, poetry readings, and trainings. While the CEJ does not work directly with the at-risk youth that New Visions and its partners in the CEJ do, the collaboration and development that is integral to the CEJ's mission allows each CEJ partner to improve their services and outreach to the thousands of families in the specific communities they assist.

### 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 \$211,579 of temporarily restricted net assets at June 30, 2013.
- **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, 2013.

# NEW VISIONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

#### (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, 2013 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.

#### (d) 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, 2013 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.

#### (e) 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, 2013, the Foundation has one conditional grant in the amount of \$90,000 for Camp Gonzales.

#### (f) DEFERRED REVENUE

Fees for services, which are received in advance, are deferred and recognized as income in the period in which the related services are performed.

#### (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 and were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2013, the Foundation recognized \$56,924 of donated rent and \$4,696 of donated goods.

# NEW VISIONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

#### (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

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, 2012 from which the summarized information was derived.

#### (l) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2013 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 24, 2013, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

### NOTE 3 - NOTE RECEIVABLE

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.

# NEW VISIONS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### NOTE 3 - NOTE RECEIVABLE (continued)

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 was then responsible for the construction of the Village. The Village collaborates in designing and implementing real solutions to educational problems. New Visions runs programs in the Village which encourage relevant not-for-profits to collaborate in designing and implementing real solutions to educational programs.

In prior years, the Foundation committed to make total capital contributions of \$6,000,000 to the Village. There is no remaining commitment at June 30, 2013. Total contributions made to the School for the year ended June 30, 2013 amounted to \$550,000.

To further fund the Village construction, on December 1, 2010, the School entered into a \$13,000,000, 10-year loan agreement with a bank (as the lender) and California Municipal Finance Authority (as the issuer), secured by a deed of trust on the property and other assets. On March and June 2013, this debt instrument was repaid and replaced with \$9,750,000 Series A and \$3,250,000 Series B bonds, respectively. The Foundation is a guarantor of these debts.

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 bond financing.

At June 30, 2013, the promissory note receivable is due to be received as follows:

#### Years Ending June 30

2014	\$ 300,000
2015	300,000
2016	300,000
2017	300,000
2018	300,000
Thereafter	<u>5,900,000</u>
<b>TOTAL</b>	7,400,000
Less: Discount at 4.395%	<u>(2,887,212)</u>
<b>NOTE RECEIVABLE (NET)</b>	<u>\$ 4,512,788</u>

During the year ended June 30, 2013, the Foundation recognized revenue of \$200,716 resulting from the amortization of the note receivable discount.

### NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2013 consist of the following:

LENZ Project	\$ 61,579
New Roads for New Visions	75,000
Village Project	<u>75,000</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<u>\$ 211,579</u>

# **NEW VISIONS FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

### **NOTE 5 - COMMITMENTS AND CONTINGENCIES**

#### **(a) LEASE AGREEMENT**

The School has contributed the use of Village office space to the Foundation for a period of 99 years, unless earlier terminated. The fair market value of this lease of \$56,924 was recorded as in-kind contribution and rent expense for the year ended June 30, 2013. The revenue and expense related to the contributed space will be recognized annually as the Foundation continues to occupy the facilities over the term of the lease.

#### **(b) LEGAL PROCEEDINGS**

During the ordinary course of conducting its business, the Foundation becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Foundation which, from time to time, may have an impact on changes in net assets. The Foundation does not believe that these proceedings, individually or in the aggregate, would have a material effect on the accompanying financial statements.