

COALITION FOR ENGAGED EDUCATION
(Formerly New Visions Foundation)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

COALITION FOR ENGAGED EDUCATION

(Formerly New Visions Foundation)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Coalition for Engaged Education

Report on the Financial Statements

We have audited the accompanying financial statements of Coalition for Engaged Education (formerly New Visions Foundation) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 Coalition for Engaged Education as of June 30, 2014, 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 Coalition for Engaged Education's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

October 14, 2014
Los Angeles, California

COALITION FOR ENGAGED EDUCATION

(Formerly New Visions Foundation)

STATEMENT OF FINANCIAL POSITION

June 30, 2014

With Summarized Totals at June 30, 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	
ASSETS				
Cash and Cash Equivalents	\$ 208,352	\$ 150,000	\$ 358,352	\$ 269,138
Restricted Cash	22,566	-	22,566	-
Accounts and Other Receivables	88,390	-	88,390	96,537
Pledges Receivable	-	90,000	90,000	-
Prepaid Expenses and Other Assets	12,070	-	12,070	1,232
Note Receivable (Net)	4,209,052	-	4,209,052	4,512,788
TOTAL ASSETS	\$ 4,540,430	\$ 240,000	\$ 4,780,430	\$ 4,879,695
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	\$ 130,505	\$ -	\$ 130,505	\$ 90,682
Accrued Liabilities	49,566	-	49,566	30,630
Deferred Revenue	-	-	-	200,000
TOTAL LIABILITIES	180,071	-	180,071	321,312
NET ASSETS:				
Unrestricted	4,360,359	-	4,360,359	4,346,804
Temporarily Restricted	-	240,000	240,000	211,579
TOTAL NET ASSETS	4,360,359	240,000	4,600,359	4,558,383
TOTAL LIABILITIES AND NET ASSETS	\$ 4,540,430	\$ 240,000	\$ 4,780,430	\$ 4,879,695

The Accompanying Notes are an Integral Part of These Financial Statements

COALITION FOR ENGAGED EDUCATION

(Formerly New Visions Foundation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

With Summarized Totals for the Year Ended June 30, 2013

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND PUBLIC SUPPORT:				
Contributions	\$ 303,187	\$ 847,569	\$ 1,150,756	\$ 1,398,693
Contract Revenue	289,321	-	289,321	296,725
Consulting Fees	245,000	-	245,000	250,000
Special Events (Net of Direct Donor Benefit of \$73,510)	203,715	-	203,715	-
Interest and Other Income	1,198	-	1,198	141
Amortization of Note Receivable				
Discount	196,264	-	196,264	200,716
In-Kind Contributions	96,786	-	96,786	61,620
Net Assets Released from Purpose Restrictions	819,148	(819,148)	-	-
TOTAL REVENUE AND PUBLIC SUPPORT	2,154,619	28,421	2,183,040	2,207,895
EXPENSES:				
Program Services	1,735,152	-	1,735,152	2,331,041
Management and General	166,332	-	166,332	159,488
Fundraising	239,580	-	239,580	327,881
TOTAL EXPENSES	2,141,064	-	2,141,064	2,818,410
CHANGE IN NET ASSETS	13,555	28,421	41,976	(610,515)
Net Assets - Beginning of Year	4,346,804	211,579	4,558,383	5,168,898
NET ASSETS - END OF YEAR	\$ 4,360,359	\$ 240,000	\$ 4,600,359	\$ 4,558,383

The Accompanying Notes are an Integral Part of These Financial Statements

COALITION FOR ENGAGED EDUCATION
(Formerly New Visions Foundation)

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014
With Summarized Totals for the Year Ended June 30, 2013

	2014					2013 Total
	Program Services	Supporting Services			Total	
		Management and General	Fundraising	Total		
Salaries	\$ 590,152	\$ 66,149	\$ 110,809	\$ 176,958	\$ 767,110	\$ 726,405
Employee Benefits	132,622	20,032	26,090	46,122	178,744	200,944
TOTAL PERSONNEL COSTS	722,774	86,181	136,899	223,080	945,854	927,349
Special Programs	775,842	-	-	-	775,842	899,112
Professional Fees	96,168	20,206	70,510	90,716	186,884	232,761
Occupancy	59,770	13,219	12,808	26,027	85,797	96,198
Miscellaneous	39,049	19,674	9,159	28,833	67,882	68,115
Office	20,473	16,942	5,688	22,630	43,103	34,990
Public Relations	14,076	5,399	3,016	8,415	22,491	2,344
Insurance	7,000	1,500	1,500	3,000	10,000	7,541
Contributions	-	3,211	-	3,211	3,211	550,000
TOTAL 2014 FUNCTIONAL EXPENSES	<u>\$ 1,735,152</u>	<u>\$ 166,332</u>	<u>\$ 239,580</u>	<u>\$ 405,912</u>	<u>\$ 2,141,064</u>	
	81%	8%	11%	19%	100%	
TOTAL 2013 FUNCTIONAL EXPENSES	<u>\$ 2,331,041</u>	<u>\$ 159,488</u>	<u>\$ 327,881</u>	<u>\$ 487,369</u>		<u>\$ 2,818,410</u>
	83%	6%	11%	17%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

COALITION FOR ENGAGED EDUCATION

(Formerly New Visions Foundation)

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

With Summarized Totals for the Year Ended June 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 41,976	\$ (610,515)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Amortization of Note Receivable Discount	(196,264)	(200,716)
(Increase) Decrease in:		
Restricted Cash	(22,566)	-
Accounts and Other Receivables	8,147	(30,249)
Pledges Receivable	(90,000)	100,000
Prepaid Expenses and Other Assets	(10,838)	13,987
Increase (Decrease) in:		
Accounts Payable	39,823	10,551
Accrued Liabilities	18,936	(3,974)
Deferred Revenue	(200,000)	100,000
	<u>(410,786)</u>	<u>(620,916)</u>
NET CASH USED IN OPERATING ACTIVITIES	(410,786)	(620,916)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collections on Note Receivable	500,000	300,000
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Payment on Note Payable	<u>-</u>	<u>(50,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,214	(370,916)
Cash and Cash Equivalents - Beginning of Year	<u>269,138</u>	<u>640,054</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 358,352</u>	<u>\$ 269,138</u>

The Accompanying Notes are an Integral Part of These Financial Statements

COALITION FOR ENGAGED EDUCATION

(Formerly New Visions Foundation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - NATURE OF ORGANIZATION

Coalition for Engaged Education (CEE) (formerly New Visions 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. In December 2013, the organization amended its articles of incorporation, formally changing its name to Coalition for Engaged Education. A summary of CEE's programs is as follows:

- **Highly Diverse Independent Schools.** CEE 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 two 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, CEE co-created its first charter school - Camino Nuevo Charter Academy. In 2005, CEE 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, CEE creates and directs innovative programs, geared to address the educational needs of underserved children in Los Angeles County. These programs are as follows:
 - **CEE Hope.** Inaugurated in 2002, CEE Hope is an engaging after-school educational program at Camp Gonzales, a youth detention camp, which also transitions youth offenders to positive experiences post-detention.
 - **CEE Forward.** 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.
 - **CEE Lennox.** CEE Lennox is committed to providing measurable educational reforms in the community of Lennox, California. It 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.
 - **CEE Village.** CEE Village encompasses the building that CEE calls home, and to twelve non-profit partners found and vetted by CEE, who have in common the mission of providing educational programming for the at-risk youth in Los Angeles. CEE Village non-profits share space, resources, and knowledge to help strengthen their organizations and expand their programming. CEE Village's partner organizations meet monthly to share stories, offer support, and explore solutions. Collaboration between and integration of partners into existing CEE programs is a priority of the CEE Village. CEE Village is also a home for programming for the public.

COALITION FOR ENGAGED EDUCATION
(Formerly New Visions Foundation)

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - NATURE OF ORGANIZATION (continued)

CEE Village hosts, alone or with partners, classes, concerts, workshops, conferences, film screenings, poetry readings, and trainings. While CEE Village does not work directly with the at-risk youth that CEE and its partners in the CEE Village do, the collaboration and development that is integral to CEE Village's mission allows each CEE Village 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 CEE 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.** CEE 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. CEE has \$240,000 of temporarily restricted net assets at June 30, 2014.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit CEE to expend part of the income (or other economic benefits) derived from the donated assets. CEE has no permanently restricted net assets at June 30, 2014.

COALITION FOR ENGAGED EDUCATION
(Formerly New Visions Foundation)

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

CEE 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, 2014 approximates its fair value.

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

CEE maintains a separate cash account on behalf of another school pursuant to a fiscal sponsorship agreement. The funds that have been set aside in a restricted bank account at June 30, 2014 amounted to \$22,566, with a corresponding liability included in accounts payable.

(d) ACCOUNTS, NOTE 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, 2014 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. CEE 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, 2014, CEE evaluated the collectability of pledges receivable and determined that no allowance is necessary. The balance of pledges receivable at June 30, 2014 is expected to be collected in its entirety within one year.

(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.

COALITION FOR ENGAGED EDUCATION
(Formerly New Visions Foundation)

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 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, 2014, CEE recognized \$85,386 of donated rent and \$30,230 of donated goods.

(h) INCOME TAXES

CEE 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 CEE'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. CEE 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 CEE's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

(l) SUBSEQUENT EVENTS

CEE has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2014 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 14, 2014, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

COALITION FOR ENGAGED EDUCATION
(Formerly New Visions Foundation)

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - NOTE RECEIVABLE

On February 5, 2008, CEE and New Roads School (the School) entered into a joint venture agreement for the development of the Herb Alpert Educational Village (the Village) whereby CEE 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 CEE \$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, CEE 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. CEE 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, CEE committed to make total capital contributions of \$6,000,000 to the Village. There is no remaining commitment at June 30, 2014. There were no contributions made to the School during the year ended June 30, 2014.

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. CEE is a guarantor of these debts.

At the time of transfer of CEE's remaining interest in New Land Company to the School, CEE'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, 2014, the promissory note receivable is due to be received as follows:

Years Ending June 30	
2015	\$ 100,000
2016	300,000
2017	300,000
2018	300,000
2019	300,000
Thereafter	<u>5,600,000</u>
TOTAL	6,900,000
Less: Discount at 4.395%	<u>(2,690,948)</u>
NOTE RECEIVABLE (NET)	<u>\$ 4,209,052</u>

During the year ended June 30, 2014, CEE recognized revenue of \$196,264 resulting from the amortization of the note receivable discount.

COALITION FOR ENGAGED EDUCATION
(Formerly New Visions Foundation)

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014 consist of the following:

CEE Forward	\$ 125,000
CEE Hope	65,000
Village Project	<u>50,000</u>
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	<u><u>\$ 240,000</u></u>

NOTE 5 - COMMITMENTS AND CONTINGENCIES

(a) LEASE AGREEMENT

The School has contributed the use of Village office space to CEE for a period of 99 years, unless earlier terminated. The fair market value of this lease of \$85,386 was recorded as in-kind contribution and rent expense for the year ended June 30, 2014. The revenue and expense related to the contributed space will be recognized annually as CEE continues to occupy the facilities over the term of the lease.

(b) LEGAL PROCEEDINGS

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

(c) EXECUTIVE COMPENSATION

During the year ended June 30, 2014, CEE entered into an employment agreement with its Chief Executive Officer that provides for a monthly benefit upon retirement or termination for any reason other than cause. The benefit ranges from \$1,000 to \$5,000 per month, depending on the revenues received by CEE in the previous fiscal year. The benefit continues until the later of the death of the Chief Executive Officer or his spouse.