

**COALITION FOR ENGAGED  
EDUCATION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

# **COALITION FOR ENGAGED EDUCATION**

## **FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**

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## 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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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, 2015, 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

October 30, 2015  
Los Angeles, California

# COALITION FOR ENGAGED EDUCATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2015

With Summarized Totals at June 30, 2014

ASSETS	2015			2014
	Unrestricted	Temporarily Restricted	Total	
Cash and Cash Equivalents	\$ 46,615	\$ 65,000	\$ 111,615	\$ 358,352
Restricted Cash	43,498	-	43,498	22,566
Accounts and Other Receivables	114,173	-	114,173	88,390
Pledges Receivable	-	75,000	75,000	90,000
Prepaid Expenses and Other Assets	373	-	373	12,070
Note Receivable (Net)	4,350,664	-	4,350,664	4,209,052
<b>TOTAL ASSETS</b>	<b>\$ 4,555,323</b>	<b>\$ 140,000</b>	<b>\$ 4,695,323</b>	<b>\$ 4,780,430</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 184,859	\$ -	\$ 184,859	\$ 130,505
Accrued Liabilities	94,811	-	94,811	49,566
<b>TOTAL LIABILITIES</b>	<b>279,670</b>	<b>-</b>	<b>279,670</b>	<b>180,071</b>
<b>NET ASSETS:</b>				
Unrestricted	4,275,653	-	4,275,653	4,360,359
Temporarily Restricted	-	140,000	140,000	240,000
<b>TOTAL NET ASSETS</b>	<b>4,275,653</b>	<b>140,000</b>	<b>4,415,653</b>	<b>4,600,359</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,555,323</b>	<b>\$ 140,000</b>	<b>\$ 4,695,323</b>	<b>\$ 4,780,430</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# COALITION FOR ENGAGED EDUCATION

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

With Summarized Totals for the Year Ended June 30, 2014

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUE AND PUBLIC SUPPORT:</b>				
Contributions	\$ 614,010	\$ 571,853	\$ 1,185,863	\$ 1,150,756
Contract Revenue	299,510	-	299,510	289,321
Consulting Fees	49,875	-	49,875	245,000
Special Events (Net of Direct Donor Benefit of \$55,734)	193,757	-	193,757	203,715
Interest and Other Income	1,971	-	1,971	1,198
Amortization of Note Receivable Discount	191,612	-	191,612	196,264
In-Kind Contributions	96,556	-	96,556	96,786
Net Assets Released from Purpose Restrictions	671,853	(671,853)	-	-
<b>TOTAL REVENUE AND PUBLIC SUPPORT</b>	2,119,144	(100,000)	2,019,144	2,183,040
<b>EXPENSES:</b>				
Program Services	1,723,955	-	1,723,955	1,735,152
Management and General	141,068	-	141,068	166,332
Fundraising	338,827	-	338,827	239,580
<b>TOTAL EXPENSES</b>	2,203,850	-	2,203,850	2,141,064
<b>CHANGE IN NET ASSETS</b>	(84,706)	(100,000)	(184,706)	41,976
Net Assets - Beginning of Year	4,360,359	240,000	4,600,359	4,558,383
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,275,653</u>	<u>\$ 140,000</u>	<u>\$ 4,415,653</u>	<u>\$ 4,600,359</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**COALITION FOR ENGAGED EDUCATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2015

With Summarized Totals for the Year Ended June 30, 2014

	2015				Total	2014 Total
	Program Services	Management and General	Fundraising	Total		
Salaries	\$ 639,434	\$ 59,564	\$ 195,099	\$ 254,663	\$ 894,097	\$ 767,110
Employee Benefits and Payroll Taxes	177,090	18,230	47,215	65,445	242,535	178,744
<b>TOTAL PERSONNEL COSTS</b>	<b>816,524</b>	<b>77,794</b>	<b>242,314</b>	<b>320,108</b>	<b>1,136,632</b>	<b>945,854</b>
Special Programs	589,733	-	-	-	589,733	775,842
Professional Fees	119,244	15,837	51,320	67,157	186,401	186,884
Occupancy	68,309	8,950	8,539	17,489	85,798	85,797
Miscellaneous	33,894	27,259	20,684	47,943	81,837	67,882
Office	50,170	5,468	10,210	15,678	65,848	43,103
Public Relations	35,835	4,479	4,479	8,958	44,793	22,491
Insurance	10,246	1,281	1,281	2,562	12,808	10,000
Contributions	-	-	-	-	-	3,211
<b>TOTAL 2015 FUNCTIONAL EXPENSES</b>	<b>\$ 1,723,955</b>	<b>\$ 141,068</b>	<b>\$ 338,827</b>	<b>\$ 479,895</b>	<b>\$ 2,203,850</b>	
	78%	6%	11%	22%	100%	
<b>TOTAL 2014 FUNCTIONAL EXPENSES</b>	<b>\$ 1,735,152</b>	<b>\$ 166,332</b>	<b>\$ 239,580</b>	<b>\$ 405,912</b>		<b>\$ 2,141,064</b>
	81%	8%	11%	19%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

# COALITION FOR ENGAGED EDUCATION

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

With Summarized Totals for the Year Ended June 30, 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (184,706)	\$ 41,976
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Amortization of Note Receivable Discount	(191,612)	(196,264)
(Increase) Decrease in:		
Restricted Cash	(20,932)	(22,566)
Accounts and Other Receivables	(25,783)	8,147
Pledges Receivable	15,000	(90,000)
Prepaid Expenses and Other Assets	11,697	(10,838)
Increase (Decrease) in:		
Accounts Payable	54,354	39,823
Accrued Liabilities	45,245	18,936
Deferred Revenue	-	(200,000)
	<u>(296,737)</u>	<u>(410,786)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(296,737)</b>	<b>(410,786)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Collections on Note Receivable	<u>50,000</u>	<u>500,000</u>
	<b>(246,737)</b>	<b>89,214</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(246,737)</b>	<b>89,214</b>
Cash and Cash Equivalents - Beginning of Year	<u>358,352</u>	<u>269,138</u>
	<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>
	<u>\$ 111,615</u>	<u>\$ 358,352</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# COALITION FOR ENGAGED EDUCATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 1 - NATURE OF ORGANIZATION

Coalition for Engaged Education (the Organization) 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 from New Visions Foundation to Coalition for Engaged Education. A summary of the Organization's programs is as follows:

- **Highly Diverse Independent Schools.** The Organization 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, the Organization co-created its first charter school - Camino Nuevo Charter Academy. In 2005, the Organization 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 Organization creates and directs innovative programs, geared to address the educational needs of underserved children in Los Angeles County. These programs are as follows:
  - **C/Hope.** Inaugurated in 2002, C/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.
  - **C/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.
  - **C/Lennox.** C/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.
  - **C/Village.** C/Village encompasses the building that the Organization calls home, and to twelve non-profit partners found and vetted by the Organization, who have in common the mission of providing educational programming for the at-risk youth in Los Angeles. C/Village non-profits share space, resources, and knowledge to help strengthen their organizations and expand their programming. C/Village's partner organizations meet monthly to share stories, offer support, and explore solutions. Collaboration between and integration of partners into existing programs is a priority of C/Village. C/Village is also a home for programming for the public.



# COALITION FOR ENGAGED EDUCATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

C/Village hosts, alone or with partners, classes, concerts, workshops, conferences, film screenings, poetry readings, and trainings. While C/Village does not work directly with the at-risk youth that the Organization and its partners in the C/Village do, the collaboration and development that is integral to C/Village's mission allows each C/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 the Organization 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 Organization 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 Organization has \$140,000 of temporarily restricted net assets at June 30, 2015.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend part of the income (or other economic benefits) derived from the donated assets. The Organization has no permanently restricted net assets at June 30, 2015.

# COALITION FOR ENGAGED EDUCATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

#### (c) CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Organization 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, 2015 approximates its fair value.

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

The Organization maintains separate cash accounts on behalf of other organizations pursuant to fiscal sponsorship agreement. The funds that have been set aside in restricted bank accounts at June 30, 2015 amounted to \$43,498 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, 2015 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 Organization 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, 2015, the Organization evaluated the collectability of pledges receivable and determined that no allowance is necessary. The balance of pledges receivable at June 30, 2015 is expected to be collected in its entirety within one year.

# COALITION FOR ENGAGED EDUCATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

**(f) 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, 2015, the Organization recognized \$85,386 of donated rent and \$11,170 of donated goods.

**(g) INCOME TAXES**

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

**(h) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the Organization'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 Organization allocates indirect costs based on time estimates.

**(i) 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.

**(j) 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 Organization's financial statements for the year ended June 30, 2014 from which the summarized information was derived.

**(k) SUBSEQUENT EVENTS**

The Organization has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2015 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 30, 2015, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as described in Note 3.

# COALITION FOR ENGAGED EDUCATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 3 - NOTE RECEIVABLE

On February 5, 2008, the Organization 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 Organization 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 Organization \$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 Organization 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 Organization 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 Organization committed to make total capital contributions of \$6,000,000 to the Village. There is no remaining commitment at June 30, 2015. There were no contributions made to the School during the year ended June 30, 2015. 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 Organization is a guarantor of these debts.

At the time of transfer of the Organization's remaining interest in New Land Company to the School, the Organization'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. During the year ended June 30, 2015, the Organization recognized revenue of \$191,612 resulting from the amortization of the note receivable discount.

At June 30, 2015, the promissory note receivable is due to be received as follows:

<b>Years Ending June 30</b>	
2016	\$ 350,000*
2017	300,000
2018	300,000
2019	300,000
2020	300,000
Thereafter	<u>5,300,000</u>
<b>TOTAL</b>	<b>6,850,000</b>
Less: Discount at 4.395%	<u>(2,499,336)</u>
<b>NOTE RECEIVABLE (NET)</b>	<b><u>\$ 4,350,664</u></b>

\*The payments due to be received during the year ended June 30, 2016 include the payments for the months of May 2015 and June 2015, amounting to \$50,000. These payments were still outstanding, along with the scheduled payments for July, August and September 2015, as of the date these financial statements were available to be issued. These payments are accruing interest at an approximate rate of 7.5% per annum, and the Organization is currently pursuing appropriate remedial measures.

# COALITION FOR ENGAGED EDUCATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 3 - NOTE RECEIVABLE (continued)

The Organization evaluates the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized related to the note receivable during the year ended June 30, 2015.

### NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 consist of the following:

C/Hope	\$	75,000
Village Project		50,000
C/Lennox		15,000
		<hr/>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$</b>	<b>140,000</b>
		<hr/>

### NOTE 5 - COMMITMENTS AND CONTINGENCIES

#### (a) LEASE AGREEMENT

The School has contributed the use of Village office space to the Organization 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, 2015. The revenue and expense related to the contributed space will be recognized annually as the Organization continues to occupy the facilities over the term of the lease.

#### (b) LEGAL PROCEEDINGS

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

#### (c) EXECUTIVE COMPENSATION

The Organization entered into an unfunded deferred compensation plan with its Chief Executive Officer that provides for a monthly benefit upon retirement. The benefit ranges from zero to \$5,000 per month, depending on the revenues received by the Organization in the previous fiscal year. The benefit continues until the later of the death of the Chief Executive Officer or his spouse, however the surviving spouse's benefit is reduced to 50% of the aforementioned benefit.