

**Audited Financial Statements
Student Health Support SVCs Fund
dba Los Angeles Trust for Children's Health
Years ended June 30, 2013 and 2012
With Report of Independent Auditors**

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Report of Independent Auditors

Board of Directors Los Angeles Trust for Children's Health

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles Trust for Children's Health (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Los Angeles Trust for Children's Health as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Vasquez + Company LLP

Los Angeles, California
February 14, 2014

**Los Angeles Trust for Children's Health
Statements of Financial Position**

		June 30	
		2013	2012
ASSETS			
Current assets			
Cash and cash equivalents	\$	430,334	\$ 422,878
Grants receivable		71,857	12,492
Total current assets		502,191	435,370
Total assets	\$	502,191	\$ 435,370
LIABILITIES AND NET ASSETS			
Current liabilities			
Accrued expenses	\$	62,177	\$ 122,399
Due to Los Angeles Unified School District		57,500	830
Contract advances		20,817	7,000
Total current liabilities		140,494	130,229
Total liabilities		140,494	130,229
Net assets			
Unrestricted		307,683	305,141
Temporary restricted		54,014	-
Total net assets		361,697	305,141
Total liabilities and net assets	\$	502,191	\$ 435,370

See notes to financial statements.

Los Angeles Trust for Children's Health
Statements of Activities
Year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 551,905	\$ 54,014	\$ 605,919
In-kind contribution	42,337		42,337
Interest income	1,073	-	1,073
Management fees	7,000	-	7,000
Other	22,503	-	22,503
Total support and revenue	624,818	54,014	678,832
Expenses			
Program services	471,088	-	471,088
General and administrative	132,877	-	132,877
Fundraising	18,311	-	18,311
Total expenses	622,276	-	622,276
Change in net assets	2,542	54,014	56,556
Net assets at beginning of year	305,141	-	305,141
Net assets at end of year	\$ 307,683	\$ 54,014	\$ 361,697

See notes to financial statements.

Los Angeles Trust for Children's Health
Statements of Activities
Year ended June 30, 2012

	Unrestricted	Temporarily restricted	Total
Revenue and support			
Contributions	\$ 95,100	\$ -	\$ 95,100
In-kind contributions	21,012	-	21,012
Interest income	3,533	-	3,533
Management fees	58,444	-	58,444
Other	16,156	-	16,156
Total revenue and support	194,245	-	194,245
Expenses			
Program services	323,070	-	323,070
General and administrative	140,435	-	140,435
Fundraising	16,958	-	16,958
Total expenses	480,463	-	480,463
Change in net assets	(286,218)	-	(286,218)
Net assets at beginning of year	591,359	-	591,359
Net assets at end of year	\$ 305,141	\$ -	\$ 305,141

See notes to financial statements.

Los Angeles Trust for Children's Health
Statement of Functional Expenses
Year ended June 30, 2013

Description	Program Services	General and Administrative	Fundraising	Total
Contract Services	\$ 405,228	\$ 85,039	\$ -	\$ 490,267
In-kind contributions	-	42,337	-	42,337
Fundraising expenses	-	-	18,311	18,311
Travel and conference	29,314	1,045	-	30,359
Donations	26,652	500	-	27,152
Supplies	3,761	772	-	4,533
Printing and copying	1,949	-	-	1,949
Board meetings	1,121	195	-	1,316
Telephone	874	-	-	874
Postage, mailing service	50	108	-	158
Memberships	-	650	-	650
Insurance liability - directors and officers	-	1,816	-	1,816
Business registration fees	-	70	-	70
Miscellaneous	2,139	345	-	2,484
Total	\$ 471,088	\$ 132,877	\$ 18,311	\$ 622,276

See notes to financial statements.

Los Angeles Trust for Children's Health
Statement of Functional Expenses
Year ended June 30, 2012

<u>Description</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Contract Services	\$ 174,317	\$ 111,596	\$ -	\$ 285,913
In-kind contributions	-	21,012	-	21,012
Fundraising expenses	-	-	16,958	16,958
Travel and conference	37,641	680	-	38,321
Donations	107,602	-	-	107,602
Supplies	578	144	-	722
Printing and copying	1,968	101	-	2,069
Board meetings	-	1,337	-	1,337
Telephone	-	13	-	13
Postage, mailing service	59	89	-	148
Memberships	600	-	-	600
Insurance liability - directors and officers	-	1,619	-	1,619
Business registration fees	-	31	-	31
Miscellaneous	305	3,813	-	4,118
Total	\$ 323,070	\$ 140,435	\$ 16,958	\$ 480,463

See notes to financial statements.

**Los Angeles Trust for Children's Health
Statements of Cash Flows**

	Year ended June 30	
	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 56,556	\$ (286,218)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in operating assets and liabilities:		
Grants receivable	(59,365)	(12,492)
Accrued expenses	(60,222)	112,521
Due to Los Angeles Unified School District	56,670	(39,331)
Contract advances	13,817	(51,444)
Deferred revenue	-	-
Net cash provided by (used in) operating activities	7,456	(276,964)
Cash flows from investing activities		
Proceeds from certificates of deposit	-	135,510
Net cash provided by investing activities	-	135,510
Net change in cash and cash equivalents	7,456	(141,454)
Cash and cash equivalents at beginning of year	422,878	564,332
Cash and cash equivalents at end of year	\$ 430,334	\$ 422,878

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Los Angeles Trust for Children's Health (the Trust) was incorporated as a nonprofit public benefit corporation in April 1990. The Trust supports the operation and maintenance of the Los Angeles Unified School District's (the District) (LAUSD) school-based health clinics by raising funds from private and public sources. The Trust is a financial reporting component unit of the District.

The Los Angeles Trust for Children's Health (the Trust) is a 501(a) nonprofit organization working to improve the health of the children of the LAUSD. The Trust works to:

- Provide strategic funding and support for LAUSD Wellness Networks, school health centers and other student health services
- Increase access to health services for LAUSD students
- Increase public awareness of and advocate for effective responses to critical health issues
- Promote the study and research of health issues and practices
- Promote collaboration among health organizations to address the needs of children.

The primary function was to support the operation of school-based health centers (SBHCs). In 2004, the organization officially became the Los Angeles Trust for Children's Health to reflect the expansion of its strategic direction. The Trust retains an affiliation with LAUSD working integrally with the LAUSD Board of Education members and within the LAUSD Student Health and Human Services Division.

The Trust serves the Los Angeles Unified School District which enrolls nearly 680,000 students at its 1,081 schools and centers, making it the second largest school district in the United States. Of LAUSD's students: 72.8% are Latino; 11.2% are black (non-hispanic); 8.9% are white (non-hispanic); 74% participate in the free and reduced price meals program; 27% are uninsured; 44% are enrolled in MediCal; 8% are enrolled in Healthy Families. Success in school requires that students be healthy enough to learn, but far too many students have little or no access to the healthcare they need. For many of these children, the only healthcare services they will get are those that they access through school or community-based efforts.

In accordance with its Strategic Plan, the Trust established three priority action areas:

1. Coordination of Policy Planning and Development: Providing coordinated, data driven planning for health services at LAUSD.
2. Wellness Networks: Creating health focused networks of care that provide preventive services and linkages to community –based sources of care at school complexes in LAUSD.
3. Oral Health Initiative: Launching a five-year, district-wide intervention to improve the oral health of elementary school age students.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

Since then the Trust has served as support for school-based health clinics and health partnerships serving elementary, middle and senior high school students in LAUSD through a broad range of school-linked programs providing in excess of 200,000 healthcare visits annually to the students of LAUSD.

The Trust also plays a crucial leadership role in bringing together the diverse range of health organizations in Los Angeles to focus on the needs of the children via conferences and symposia. The Trust works closely with the California School Health Centers Association, the Community Clinic Association of Los Angeles County, the LA School Health Coalition, LA Health Action and the LA County Education Foundation

Basis of Accounting and Reporting

The financial statements of the Trust have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenues, gains, expenses, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* - Unrestricted net assets represent net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Trust.
- *Temporarily Restricted Net Assets* - Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements. Temporary restricted net assets as of June 30, 2013 and 2012 amount to \$54,014 and \$0, respectively.
- *Permanently Restricted Net Assets* - Permanently restricted net assets include gifts and pledges which require, by donor restriction, that the principal be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. The Trust had no permanently restricted net assets at June 30, 2013 and 2012.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Trust adopted ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2: Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3: Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore, have little or no price transparency are classified as Level 3.

The Trust is required to measure donated services at fair value. The fair value of donated services has been measured on a non-recurring basis using quoted prices for similar assets in inactive market (Level 2 inputs).

Cash and Cash Equivalents

The Trust considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents.

Short-term Investments

The Trust invests in certificates of deposit with a maturity of six months. Certificates of deposit are reported at cost, which approximates fair value. Interest income reported in the statement of activities consists of interest on certificates of deposit, cash and money market funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions primarily include unconditional promises to give cash or other assets. Contributions, whether temporarily restricted or unrestricted, are recognized as revenue when they are received. Unconditional promises to give are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the conditions expire, whichever occurs first.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Expense Classification

To accomplish its mission, the Trust has undertaken projects which are being managed by the Trust's management and Board Members. The expenses incurred for these functions are classified in the financial statements as "Program services" expenses. Expenses incurred in the operation and administration of the Trust are classified as "general and administrative." Expenses incurred in fundraising activities are classified under "Fundraising".

Functional Allocation of Expenses

The costs of providing various program services and supporting activities of the Trust are allocated on a functional basis. Expenses that can be identified with a specific program are allocated directly to the function benefited. Certain costs are allocated among the program services and supporting services based on estimates of employees' time incurred and on usage of resources.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Donated Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

As a nonprofit organization, the Trust is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Trust is subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

The Trust has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Trust's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Trust's income tax returns remain subject to examination for all tax years ended on or after June 30, 2008 with regard to all tax positions and results reported.

NOTE 2 RELATED PARTY TRANSACTIONS

The contributed services from LAUSD are accounting, bookkeeping and tax review services for the Trust. The contributed services from LAUSD are based on its direct personnel costs that were allocated for time spent on the Trust for the years ended June 30, 2013 and 2012 which was estimated to be \$42,337 and \$23,121, respectively and has been recorded in the accompanying statement of activities as contribution revenue with a corresponding amount recorded as general and administrative expense.

In fiscal year 2013, the LAUSD provides school-based oral health services to various schools in the state of California. For the year ended June 30, 2013, the Trust incurred \$106,808 in school-based oral health services, of which \$57,000 remain unpaid as of June 30, 2013 and is recorded as Due to Los Angeles Unified School District account in the Statement of Financial Position.

During the fiscal year 2012, the LAUSD provided administrative support to the Trust. Unpaid billing from LAUSD as of June 30, 2012 amounts to \$830 and is recorded as Due to Los Angeles Unified School District account in the Statement of Financial Position.

NOTE 3 CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of the Trust's investment in a single issuer. Financial instruments that potentially subject the Trust to credit risk are cash deposits with banks and other financial institutions.

NOTE 3 CONCENTRATION OF CREDIT RISK (CONTINUED)

On July 21, 2010, the Dodd-Frank financial regulatory reform legislation was signed into law making all noninterest-bearing transaction accounts fully insured without limit effective December 31, 2010 until January 1, 2013. During the two-year period, all noninterest-bearing accounts of all banks are covered. The legislation also modifies the methodology for FDIC assessments from deposit-based to asset-based. In addition, on July 21, 2010, the regulatory reform signed into law made the standard maximum deposit insurance amount of \$250,000 permanent. The \$250,000 per depositor is in addition to the full insurance on noninterest-bearing transaction accounts.

Beginning January 1, 2013, noninterest-bearing transaction accounts are no longer insured separately from depositors' other accounts at the same FDIC-insured depository institution (IDI). Instead, noninterest-bearing transaction accounts are added to any of a depositor's other accounts in the applicable ownership category and the aggregate balance insured up to at least the standard maximum deposit insurance amount of \$250,000 per depositor at each separately chartered IDI. At June 30, 2013 and 2012, cash balances in excess of the amount insured amounted to \$34,608 and \$41,636, respectively.

NOTE 4 SUBSEQUENT EVENTS

Management has evaluated events or transactions that occurred subsequent to June 30, 2013 through February 14, 2014, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined that no subsequent matters required disclosure or adjustment to the accompanying financial statements.

