



The L.A.
Trust

STUDENT HEALTH = STUDENT SUCCESS

Audited Financial Statements
Student Health Support SVCs Fund
dba Los Angeles Trust for Children's Health
As of and for the Years ended June 30, 2014 and 2013
With Report of Independent Auditors

An Independently Owned Member
McGLADREY ALLIANCE



V&C Vasquez
& Company LLP
Certified Public Accountants and Business Consultants

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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, 2014 and 2013, 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, 2014 and 2013, 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.



Los Angeles, California
March 4, 2015

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

		June 30	
		2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	\$	393,475	\$ 430,334
Grants receivable		584,323	71,857
Total current assets		977,798	502,191
Total assets	\$	977,798	\$ 502,191
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	\$	141,249	\$ 62,177
Due to Los Angeles Unified School District		182,267	57,500
Contract advances		-	20,817
Total current liabilities		323,516	140,494
Total liabilities		323,516	140,494
Net assets			
Unrestricted		396,814	307,683
Temporarily restricted		257,468	54,014
Total net assets		654,282	361,697
Total liabilities and net assets	\$	977,798	\$ 502,191

See notes to financial statements.

Los Angeles Trust for Children's Health
Statement of Activities
Year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues and support			
Contributions	\$ 1,189,584	\$ 600,000	\$ 1,789,584
Interest income	1,112	-	1,112
Other	65	-	65
Release from restriction	396,546	(396,546)	-
Total revenues and support	<u>1,587,307</u>	<u>203,454</u>	<u>1,790,761</u>
Expenses			
Program services	1,352,397	-	1,352,397
General and administrative	144,957	-	144,957
Fundraising	822	-	822
Total expenses	<u>1,498,176</u>	<u>-</u>	<u>1,498,176</u>
Change in net assets	89,131	203,454	292,585
Net assets at beginning of year	<u>307,683</u>	<u>54,014</u>	<u>361,697</u>
Net assets at end of year	<u>\$ 396,814</u>	<u>\$ 257,468</u>	<u>\$ 654,282</u>

See notes to financial statements.

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

	Unrestricted	Temporarily restricted	Total
Revenues and support			
Contributions	\$ 551,905	\$ 54,014	\$ 605,919
In-kind contributions	42,337		42,337
Interest income	1,073	-	1,073
Management fees	7,000	-	7,000
Other	22,503	-	22,503
Total revenues and support	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
Statement of Functional Expenses
Year ended June 30, 2014

Description	Program Services	General and Administrative	Fundraising	Total
Contract services	\$ 820,799	\$ 55,479	\$ -	\$ 876,278
LAEP professional services	394,404	40,732	-	435,136
Travel and conference	56,357	3,420	-	59,777
In-kind contributions	-	38,752	-	38,752
Non-capitalized equipment	32,615	-	-	32,615
Supplies	22,365	169	-	22,534
Donations	17,253	-	-	17,253
Insurance liability - directors and officers	1,250	3,987	-	5,237
Printing and copying	2,971	269	19	3,259
Board meetings	176	1,484	-	1,660
Telephone	1,113	-	-	1,113
Postage, mailing service	560	-	-	560
Memberships	-	650	-	650
Miscellaneous	2,534	15	803	3,352
Total	\$ 1,352,397	\$ 144,957	\$ 822	\$ 1,498,176

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	\$ 190,396	\$ 21,478	\$ -	\$ 211,874
LAEP professional services	214,832	63,561	18,311	296,704
Travel and conference	29,314	1,045	-	30,359
In-kind contributions	-	42,337	-	42,337
Supplies	3,761	772	-	4,533
Donations	26,652	500	-	27,152
Insurance liability - directors and officers	-	1,816	-	1,816
Printing and copying	1,949	-	-	1,949
Board meetings	1,121	195	-	1,316
Telephone	874	-	-	874
Postage and mailing service	50	108	-	158
Memberships	-	650	-	650
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
Statements of Cash Flows**

	Year ended June 30	
	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 292,585	\$ 56,556
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in operating assets and liabilities:		
Grants receivable	(512,466)	(59,365)
Accounts payable and accrued expenses	79,072	(60,222)
Due to Los Angeles Unified School District	124,767	56,670
Contract advances	(20,817)	13,817
Net cash provided by (used in) operating activities	(36,859)	7,456
Net change in cash and cash equivalents	(36,859)	7,456
Cash and cash equivalents at beginning of year	430,334	422,878
Cash and cash equivalents at end of year	\$ 393,475	\$ 430,334

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Student Health Support SVCs Fund (the Organization) was incorporated as a nonprofit public benefit corporation in April 1990. The Organization supports the operation and maintenance of Los Angeles Unified School District's (LAUSD) school-based health programs by raising funds from private and public sources, developing model programs, advocating for policy improvement and convening key stakeholders to advance school health programs. The Organization also serves as a fiscal agent to facilitate funding for student health programs.

In 2004, the Organization officially became the Los Angeles Trust for Children's Health (The L.A. Trust) to reflect the expansion of its strategic direction. The L.A. 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 L.A. Trust is a 501(a) nonprofit organization working to improve the health of the children of the LAUSD. The L.A. Trust's mission is to improve student health and readiness to learn through access, advocacy and programs.

The L.A. Trust serves LAUSD which enrolls nearly 650,000 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.

The 2014-17 strategic plan focuses on three key goals:

1. *Improving School Health Policy:* Providing coordinated, data driven planning for health services at LAUSD. Advocating for positive change and more integrated and holistic services for students.
2. *Developing a robust system of 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. *Establishing a District Wide 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 L.A. 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 L.A. 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 L.A. Trust works closely with the Community Clinic Association of Los Angeles County, the LA School Health Coalition, the School Health Policy Roundtable, the National Alliance of School-Based Health Clinics, The California Alliance of School-Based Health Centers and the Directors of Student Health and Human Services.

Basis of Accounting and Reporting

The financial statements of The L.A. 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 L.A. 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 L.A. 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.
- *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 L.A. Trust had no permanently restricted net assets at June 30, 2014 and 2013.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The L.A. 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 L.A. 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 L.A. 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 L.A. Trust invests in certificates of deposit with a maturity of three 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 L.A. Trust has undertaken projects which are being managed by The L.A. 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 L.A. Trust is 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 L.A. 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 L.A. 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 L.A. 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 L.A. 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 L.A. 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 L.A. Trust's income tax returns remain subject to examination for all tax years ended on or after June 30, 2010 with regard to all tax positions and results reported.

Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on the previously reported statements of assets, liabilities and net assets or statements of revenue, expenses and changes in net assets.

NOTE 2 RELATED PARTY TRANSACTIONS

The contributed services from LAUSD are accounting, bookkeeping and tax review services for The L.A. Trust. The contributed services from LAUSD are based on its direct personnel costs that were allocated for time spent on The L.A. Trust for the years ended June 30, 2014 and 2013 which was estimated to be \$38,752 and \$42,337, respectively and has been recorded in the accompanying statement of activities as in-kind contributions with a corresponding amount recorded as general and administrative expense.

In fiscal year 2014, LAUSD provided administrative support, health and human services and school-based oral health services to various schools in the state of California. For the year ended June 30, 2014, The L.A. Trust incurred \$411,963 in administrative support, health and human services and school-based oral health services, of which \$182,267 remain unpaid as of June 30, 2014 and is reported as Due to Los Angeles Unified School District in the Statement of Financial Position.

NOTE 2 RELATED PARTY TRANSACTIONS (CONTINUED)

In fiscal year 2013, LAUSD provided school-based oral health services to various schools in the state of California. For the year ended June 30, 2013, The L.A. Trust incurred \$106,808 in school-based oral health services, of which \$57,500 remain unpaid as of June 30, 2013 and is reported as Due to Los Angeles Unified School District in the Statement of Financial Position.

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

As of December 31, temporarily restricted net assets are available for future periods as follows:

	2014	2013
Dignity Health	\$ -	\$ 15,068
DentaQuest Foundation	104,685	38,946
Blue Shield of California Foundation	19,153	-
The California Wellness Foundation	33,122	-
Kaiser Permanente Southern California Fund for Charitable Contributions	100,508	-
Total	\$ 257,468	\$ 54,014

NOTE 4 CONCENTRATION OF CREDIT RISK

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

Effective January 1, 2013, noninterest-bearing transaction accounts are not insured separately from depositors' other accounts at the same Federal Deposit Insurance Corporation (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, 2014 and 2013, cash balances in excess of the amount insured amounted to \$52,642 and \$34,608, respectively. The L.A. Trust has not experienced any losses in such accounts to date.

NOTE 5 SUBSEQUENT EVENTS

Management has evaluated events or transactions that occurred subsequent to June 30, 2014 through March 4, 2015, 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.



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