

**LOS ANGELES COUNTY HIGH SCHOOL
FOR THE ARTS FOUNDATION**
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2024



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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Independent Auditor's Report

To the Board of Directors
Los Angeles County High School for the Arts Foundation
Los Angeles, California

Opinion

We have audited the financial statements of Los Angeles County High School for the Arts Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Gursey | Schneider LLP

April 30, 2025
Los Angeles, California

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
June 30, 2024

ASSETS

ASSETS

Cash and cash equivalents	\$	427,739
Investments, at fair value		3,525,757
Contributions receivable		137,000
Prepaid expenses and other assets		13,903
		13,903
TOTAL ASSETS	\$	4,104,399
		4,104,399

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$	39,441
Grants payable to LACOE		1,122,381
		1,122,381
TOTAL LIABILITIES		1,161,822
		1,161,822

NET ASSETS

Net assets (deficit) without donor restrictions		(688,550)
Net assets with donor restrictions		3,631,127
		3,631,127
TOTAL NET ASSETS		2,942,577
		2,942,577
TOTAL LIABILITIES AND NET ASSETS	\$	4,104,399
		4,104,399

See Accompanying Notes to Financial Statements

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Grants and contributions	\$ 786,743	\$ 327,167	\$ 1,113,910
Contributions of nonfinancial assets	130,451	-	130,451
Fundraising events, net of \$177,398 event expense	82,473	-	82,473
Investment income, net	200,091	203,535	403,626
Product sales, net of cost of goods sold of \$18,617	1,040	-	1,040
Net assets released from restrictions	425,770	(425,770)	-
Total Revenues and Support	1,626,568	104,932	1,731,500
EXPENSES:			
Program services	1,862,618	-	1,862,618
Management and general services	122,242	-	122,242
Fundraising	95,782	-	95,782
Total Expenses	2,080,642	-	2,080,642
CHANGE IN NET ASSETS	(454,074)	104,932	(349,142)
NET ASSETS (DEFICIT), Beginning of year	(234,476)	3,526,195	3,291,719
NET ASSETS (DEFICIT), End of year	\$ (688,550)	\$ 3,631,127	\$ 2,942,577

See Accompanying Notes to Financial Statements

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services	Management and General Services	Fundraising	Total
Grants and Program Support	\$ 1,317,327	\$ -	\$ -	\$ 1,317,327
<u>Personnel:</u>				
Salaries	234,314	14,645	43,933	292,892
Group insurance	24,763	1,548	4,642	30,953
Payroll taxes	18,983	1,186	3,560	23,729
Total Personnel	278,060	17,379	52,135	347,574
<u>Other Operating Expenses:</u>				
Bank charges	13,701	2,740	10,960	27,401
Contributed goods	128,735	-	-	128,735
Dues and subscriptions	9,910	619	1,858	12,387
Insurance	5,132	321	962	6,415
Meetings, conferences, and travel	1,706	107	319	2,132
Other	13,331	833	2,500	16,664
Parent association	10,248	-	-	10,248
Professional fees	60,142	98,722	22,487	181,351
Rent	15,470	967	2,900	19,337
Supplies and printing	6,293	394	1,180	7,867
Telephone	2,563	160	481	3,204
Total Other Operating Expenses	267,231	104,863	43,647	415,741
TOTAL FUNCTIONAL EXPENSES	\$ 1,862,618	\$ 122,242	\$ 95,782	\$ 2,080,642
% of Total Expenses	89.5%	5.9%	4.6%	100.0%

See Accompanying Notes to Financial Statements

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (349,142)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Realized and unrealized investment gains, net	(317,263)
(Increase) decrease in assets:	
Contributions receivable	35,500
Prepaid expenses and other assets	(3,244)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	7,957
Grants payable	195,786
	(430,406)
NET CASH USED FOR OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash received for sale of investments, net	421,374
	(9,032)
NET DECREASE IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS, Beginning of Year	436,771
	436,771
CASH AND CASH EQUIVALENTS, End of Year	\$ 427,739
	427,739

See Accompanying Notes to Financial Statements

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2024

NOTE 1 - ORGANIZATION

The Los Angeles County High School for the Arts Foundation dba LACHSA Foundation (the "Foundation") is a California nonprofit public benefit corporation. The Foundation supports the advancement of young artists by stimulating private sector support to supplement public education monies needed for the Los Angeles County High School for the Arts ("LACHSA") and scholarship monies awarded to students. LACHSA is a specialized public high school of choice operated by the Los Angeles County Office of Education ("LACOE").

The mission of the Foundation is to help bridge the gap between public funding for the arts and actual costs at LACHSA. Specifically, financial support was used to:

- Cover the salaries of many of the teaching artists who provide instruction and mentoring to LACHSA's young artists;
- Underwrite productions that included dramatic plays, music and dance concerts, operas and film festivals, visual arts exhibitions and the staging of musical theatre shows;
- Provide art supplies to students in support of their creation of new works of art;
- Cover the cost of field trips to museums, galleries, film studios and professional performances;
- Provide private lessons for music students who needed individual or small group coaching;
- Award merit scholarships to deserving students; and
- Help bring the arts to under-served students by providing opportunities to see special LACHSA outreach performances.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date of the financial statements, and for the period presented. Accordingly, actual results could differ from those estimates.

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
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Notes to Financial Statements
June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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

- *Without Donor Restrictions* - These include net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Net assets without donor restriction generally result from contributions and revenues generated by receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or purpose is fulfilled in the reporting period in which the support is recognized.
- *With Donor Restrictions* - The Foundation reports gifts of cash and other assets as support with donor restriction 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from program or time restrictions. Donor restrictions may also result in permanently restricted net assets, where resources are to be maintained permanently but permit the Foundation to expend all of the income (or other economic benefits) derived from the donated assets.

Cash and Cash Equivalents - The Foundation considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments - Investments are stated at fair market value. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets unless their use is restricted by donors to a specified purpose or future period.

Unrealized gains and losses on investments resulting from fair value fluctuations are recorded in the statement of activities in the period that such fluctuations occur.

Property and Equipment - Property and equipment are stated at cost when purchased or at estimated fair market value at the date of bequest or gift. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, ranging from 5 - 7 years. Amortization of equipment purchased under capital lease obligations is included in depreciation expense. Individual property items valued at less than \$1,000 with a useful life of one year or less are expensed when purchased or donated.

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Grants and Contributions Receivable - Grants and contributions are recognized when the donor makes a promise to give the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in restricted net assets. When a restriction expires, restricted net assets are reclassified to unrestricted net assets. Management provides for probable uncollectible amounts through a provision for bad debt expense and adjustments to a valuation allowance based on its assessment of the current status of individual receivables. The Foundation considers these receivables fully collectable; accordingly, no allowance for doubtful accounts is recorded. Grants and contributions receivable totaling \$97,000 are expected to be collected during next fiscal year. The remaining balance of \$40,000 collected in installments over the two fiscal years thereafter.

Grants Payable - Grants payable is due to the Los Angeles High School for the Arts (to be paid to the Los Angeles County Office of Education) and will be paid during the year ending June 30, 2025.

Contributions of Non-Financial Assets – Donations of goods are recorded as contributions at their estimated fair value at the date of donation. Contributed services are recognized if the service received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special Event Income - The Foundation hosts an annual gala to raise funds that will be used to support the programs and general operations of the school. Contributions and other income that relate to these events are recognized as event income in the fiscal year the events are held. The different types of income from these events include ticket sales, dinner sponsors, advertising, cash donations and pledges. Costs associated with these events are presented net of the corresponding revenues. Total costs were \$177,398 and consist of direct event costs, production and technical costs, and items directly incurred to produce the event.

Revenue Recognition - The Foundation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All contributions are recognized at fair value.

Functional Allocation of Expenses - Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with program and supporting service are allocated based on estimates determined by management. Management uses an estimate that follows labor utilization for employees and their time spent on various activities.

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
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Notes to Financial Statements
June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Income Taxes - The Foundation is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation is classified by the Internal Revenue Service as a public charity. The Foundation is subject to unrelated business income tax for income from operating activities not related to their exempt purpose. Unrelated business income is taxed based on the applicable statutory federal and state income tax rates for for-profit organizations.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 740, "Income Taxes," the Organization recognizes the impact of tax positions in the financial statements if those positions will more likely than not be sustained on audit, based on the technical merits of the position. The Organization has no unrelated business income, and has no recognized or derecognized tax benefits, tax penalties or related interest.

The Organization's federal income tax and informational returns for tax years 2021 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California remain subject to examination by the California Franchise Tax Board for years 2020 and subsequent.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets consist of the Foundation's cash, cash equivalents, investments, and contributions receivable. The following represents the Foundation's financial assets available to meet cash needs for general expenditures within one year as of June 30, 2024. Financial assets are considered unavailable if not liquid or convertible within one year.

Cash and cash equivalents	\$ 427,739
Investments, at fair value	3,525,757
Contributions receivable (due in one year)	<u>97,000</u>
Subtotal	4,050,496
Less: Amount restricted by donors	<u>(3,631,127)</u>
Financial assets available at June 30, 2024	<u>\$ 419,369</u>

A substantial amount of the donor restricted funds included as a deduction above will be used for programmatic expenses in the next fiscal year. As such, management believes that the Foundation has sufficient cash and liquid assets to meet obligations for the coming year.

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
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Notes to Financial Statements
June 30, 2024

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose the Foundation to a concentration of credit risk consist primarily of cash and cash equivalents, investments, and contributions receivable.

The Federal Deposit Insurance Corporation ("FDIC") insures cash up to \$250,000 per institution and the Securities Investor Protection Corporation ("SIPC") protects investments up to \$500,000 per investor. In the normal course of operations, such cash and investment balances may exceed the FDIC and SIPC insurance limits. However, the Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash, cash equivalents and investments.

Investments are subject to certain risks such as market fluctuation and changes in interest rates, which could result in losses in the event of adverse economic circumstances. The Foundation attempts to limit its risks associated with its investments through diversification and by utilizing the expertise and processes of an outside investment manager.

For the year ended June 30, 2024, substantially all of the Foundation's contributions receivable were from three donors.

NOTE 5 – CONTRIBUTIONS OF NON-FINANCIAL ASSETS

For the year ended June 30, 2024, contributed non-financial assets recognized in the statements of activities are comprised of equipment. The equipment was valued at \$130,451 using estimated prices for identical or similar products if purchased in the region. The contributed equipment included computers, monitors, headphones, HDMI cables, and Apple pencils. Of the \$130,451 a total of \$128,735 was used for programs by donation to LACHSA and the remaining \$1,716 will be expensed as it is used for programs.

NOTE 6 - INVESTMENTS

The Foundation's investments are reported at fair value in the accompanying statement of financial position. Fair value is defined as the price that would be received upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tiered hierarchy is employed to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2024

NOTE 6 – INVESTMENTS – (CONTINUED)

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 - Quoted prices in active markets for identical investments. Level 1 assets include cash equivalents, equity securities, and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2 - Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets or liabilities in market that are not active, and other observable inputs that can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination for which category within the fair value hierarchy is appropriate is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments as of June 30, 2024 consisted of the following:

	Cost or Amortized Cost	Fair Value
Common stock	\$ 1,258,082	\$ 2,013,153
Mutual funds	303,853	359,775
Exchange traded and closed-end funds	237,944	243,556
Government securities	473,721	254,878
Municipal bonds	104,159	103,417
Corporate bonds	599,713	550,978
	<u>\$ 2,977,472</u>	<u>\$ 3,525,757</u>

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2024

NOTE 6 – INVESTMENTS – (CONTINUED)

As of June 30, 2024, the Foundation's investments were classified by level within the valuation hierarchy as follows:

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Common stock	\$ 2,013,153	\$ -	\$ -	\$ 2,013,153
Mutual funds	359,775	-	-	359,775
Exchange traded and closed-end funds	243,556	-	-	243,556
Government securities	-	254,878	-	254,878
Municipal bonds	-	103,417	-	103,417
Corporate bonds	-	550,978	-	550,978
	<u>\$ 2,616,484</u>	<u>\$ 909,273</u>	<u>\$ -</u>	<u>\$ 3,525,757</u>

Investment income during the year ended June 30, 2024 consists of the following:

Interest and dividends	\$ 114,653
Realized gains, net	119,925
Unrealized gains, net	197,338
Investment manager fees	<u>(28,290)</u>
Investment income, net	<u>\$ 403,626</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2024 consisted of the following:

Time restrictions	\$ 71,170
Programs	1,161,698
Permanently restricted endowments	<u>2,398,259</u>
	<u>\$ 3,631,127</u>

Net assets with donor restrictions were released from restriction during the year by the passage of time or incurrance of expenditures as follows:

Time restrictions	\$ 151,566
Program expenditures	<u>274,204</u>
	<u>\$ 425,770</u>

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
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Notes to Financial Statements
June 30, 2024

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS – (CONTINUED)

Endowments

Permanently restricted net assets consist of the following donor-restricted funds:

- *Performing Arts Fund* - An endowment that will support specific elements of the dance, theatre, and music programs.
- *Kathy Beth Kantor Memorial Fund* - An endowment to award scholarships to photography students in the visual arts program.
- *Craig Charles Herst Memorial Fund* - An endowment to support the publication of the student art catalog, "A Gift of Love".
- *Caroline Leonetti Ahmanson Memorial Endowment Fund* - An endowment to support young artists, with a special emphasis on covering the costs of performances.
- *Bobby Brooks Memorial Fund* - An endowment to support the Composer-in-Residence in the music program.
- *Theo Hornbacher Endowment Fund* - An endowment to support future Visual Arts graduates of LACHSA.
- *Gwyn Lurie Endowment Fund* - An endowment to support the general operating expenses of the Foundation.
- *Tony Pope Endowment Fund* - An endowment to fund a merit scholarship in television / film.

Permanently restricted net assets by fund as of June 30, 2024 are as follows:

Performing Arts Fund	\$ 1,500,000
Kathy Beth Kantor Memorial Fund	286,317
Craig Charles Herst Memorial Fund	200,000
Caroline Leonetti Ahmanson Memorial Endowment Fund	177,231
Bobby Brooks Memorial Fund	150,000
Theo Hornbacher Endowment Fund	58,711
Gwyn Lurie Endowment Fund	17,000
Tony Pope Endowment Fund	9,000
	\$ 2,398,259

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2024

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS - (CONTINUED)

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the following: the corpus of the endowment; the original gift donated to the perpetual endowment; the original value of the subsequent gifts to the perpetual endowment; and the accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund not classified as permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

The Foundation's endowment investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment, and long-term planning. The investment policy emphasizes total return, allowing funds to utilize current dividend and interest income, and, over time, a portion of the aggregate return from capital appreciation. This helps to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power to the endowment assets. Within this framework, specific investment objectives for the endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

The current long-term return objective is to produce a real return of 5%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Endowment fund records are maintained separately in accounting by their legal names, with interest, dividends, and realized and unrealized gains and losses being directly allocated to the various funds. The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, to support the Arts segment of the Foundation as needed.

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
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Notes to Financial Statements
June 30, 2024

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS - (CONTINUED)

Thus, spending will vary each year based on need. The Foundation has targeted a 4.5% allocation of the preceding four quarters' balances to each fund's "available to spend balance," which is available for grant. If, however, the fair market value of the endowment principal of any fund, at the time of allocation, is below the corpus, no additional funds will be made "available to spend," unless required by donor agreement. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment assets to provide real growth over the average rate of inflation annually. This is consistent with the objective to maintain the purchasing power of endowment assets, as well as to provide additional real growth through new gifts and investment returns.

For the year ended June 30, 2024, changes in invested endowment assets are as follows:

Endowment Assets	Board Designated Restricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 69,459	\$ 720,226	\$ 3,017,403	\$ 3,807,088
Contributions	-	-	-	-
Investment income, net	3,359	67,928	321,882	393,169
Used for programs	-	(182,518)	(126,445)	(308,963)
End of year	<u>\$ 72,818</u>	<u>\$ 605,636</u>	<u>\$ 3,212,840</u>	<u>\$ 3,891,294</u>

The amounts of investments in the table above reflect investment gains and losses from endowment assets that have accumulated and not yet been used for their program purposes. These amounts are reflected as a component of net assets with donor restrictions in the statement of financial position.

Cash and cash equivalents	\$ 365,537
Common stock	2,013,153
Mutual funds	359,775
Exchange traded and closed-end funds	243,556
Government securities	254,878
Municipal bonds	103,417
Corporate bonds	<u>550,978</u>
	<u>\$ 3,891,294</u>

LOS ANGELES COUNTY HIGH SCHOOL FOR THE ARTS FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2024

NOTE 8 - SUBSEQUENT EVENTS

Management has reviewed subsequent events through April 30, 2025, the date the financial statements were available to be issued.

On May 22, 2023, the Foundation entered into a lease agreement for 1,993 square feet of gallery, storage, and office space in Hollywood, California. The agreement has a tentative commencement date in 2025 as the landlord needs to complete certain improvements and rehabilitation. The lease has a term of five years commencing on the commencement date, defined as the date the landlord completes the required work to the building. Pursuant to ASC 842, the Foundation has determined that the lease agreement will be classified as an operating lease, and the net present value of the lease payments will be recorded as a right-of-use asset and a corresponding lease liability as of the lease commencement date.

Monthly rent expense during the five year term (commencing on the lease commencement date) will be \$5,979 per month. Future minimum rental payments will be summarized as follows:

Year 1	\$ 71,748
Year 2	71,748
Year 3	71,748
Year 4	71,748
Year 5	<u>71,748</u>
	<u>\$ 358,740</u>