LAFAYETTE PARTNERS IN EDUCATION
Investing in every child

Lafayette Partners in Education

Financial Statements

For the Years Ended

June 30, 2018 and 2017

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

LAFAYETTE PARTNERS IN EDUCATION

(A California Non-Profit Corporation)
June 30, 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lafayette Partners in Education

We have audited the accompanying financial statements of Lafayette Partners in Education (a California nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditor's 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 audits 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 Lafayette Partners in Education as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Regalia & Associates

November 1, 2018
Danville, California

Statements of Financial Position
June 30, 2018 and 2017

Assets

	2018	2017
Cash and cash equivalents	$ 1,308,414	$ 743,566
Investments	1,829,072	1,750,397
Interest and dividends receivable	3,594	3,115
Other receivables	-	150
Prepaid expenses and other assets	10,418	4,790
Total current assets	3,151,498	2,502,018
Total assets	$ 3,151,498	$ 2,502,018

Liabilities and Net Assets

	2018	2017
Liabilities:		
Accounts payable and accrued liabilities	$ 285,360	$ 50,821
Accrued payroll liabilities	6,299	5,821
Total liabilities	291,659	56,642
Net Assets:		
Unrestricted	2,854,451	2,442,376
Temporarily restricted	5,388	3,000
Total net assets	2,859,839	2,445,376
Total liabilities and net assets	$ 3,151,498	$ 2,502,018

LAFAYETTE PARTNERS IN EDUCATION

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2018 and 2017

	2018	2017
Changes in unrestricted net assets:		
Revenue and support:		
Donations	$ 3,183,975	$ 2,660,531
Events	584,448	555,492
Endowment fund contributions	2,150	11,600
Interest and dividend income	56,223	49,722
Realized investment gains (losses)	(71)	134
Miscellaneous income	450	-
Net assets released from restrictions	3,000	11,200
Total revenue and support	3,830,175	3,288,679
Expenses:		
Programs	3,003,605	2,879,471
Fundraising	383,460	262,837
General and administrative	71,649	43,268
Total expenses	3,458,714	3,185,576
Increase in unrestricted net assets	371,461	103,103
Changes in temporarily restricted net assets:		
Donations	5,388	3,000
Net assets released from restrictions	(3,000)	(11,200)
Increase (decrease) in temporarily restricted net assets	2,388	(8,200)
Increase in net assets before unrealized investment gains	373,849	94,903
Unrealized investment gains	40,614	102,300
Net assets at beginning of year	2,445,376	2,248,173
Net assets at end of year	$ 2,859,839	$ 2,445,376

LAFAYETTE PARTNERS IN EDUCATION

Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

		2018		2017
Cash flows from operating activities:				
Increase in net assets	$	**414,463**	$	197,203
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Realized investment gains (losses)		**(71)**		134
Unrealized investment gains		**(40,614)**		(102,300)
Changes in:				
Interest and dividends receivable		**(479)**		(664)
Other receivables		**150**		-
Prepaid expenses		**(5,628)**		17,750
Accounts payable and accrued liabilities		**234,539**		9,113
Accrued payroll liabilities		**478**		2,089
Net cash provided by operating activities		**602,838**		123,325
Cash flows from investing activities:				
Acquisition of investments and income reinvested		**(84,162)**		(230,499)
Proceeds from sale/redemption of investments		**46,172**		208,250
Net cash used for investing activities		**(37,990)**		(22,249)
Increase in cash and cash equivalents		**564,848**		101,076
Cash and cash equivalents at beginning of year		**743,566**		642,490
Cash and cash equivalents at end of year	$	**1,308,414**	$	743,566
Supplemental Disclosures:				
Interest expense	$	**-**	$	-
State Registration Fees	$	**150**	$	150

Statement of Functional Expenses
For the Year Ended June 30, 2018
(with Summarized Financial Information for the Year Ended June 30, 2017

	Programs	Fund-raising	General and Adminis-trative	2018 Total Expenses	2017 Total Expenses
Art	$ 145,260	$ -	$ -	**$ 145,260**	$ 131,267
Instructional Aides	400,000	-	-	**400,000**	390,000
Math	35,190	-	-	**35,190**	20,781
Music	493,066	-	-	**493,066**	356,059
Professional Development and Teacher Support	35,000	-	-	**35,000**	195,000
Science	418,319	-	-	**418,319**	356,156
Social Studies	68,870	-	-	**68,870**	37,999
Technology	437,965	-	-	**437,965**	483,454
Other Electives	623,294	-	-	**623,294**	577,807
Other program support	251,966	-	-	**251,966**	193,012
Occupancy	15,322	11,491	11,491	**38,304**	37,808
Office and administrative	15,975	122,913	21,033	**159,921**	152,278
Professional Services	5,202	-	14,351	**19,553**	18,729
Events	-	166,045	-	**166,045**	89,699
Salaries and related costs	58,176	83,011	24,774	**165,961**	145,527
Total expenses	$ 3,003,605	$ 383,460	$ 71,649	**$ 3,458,714**	$ 3,185,576

LAFAYETTE PARTNERS IN EDUCATION

Statement of Functional Expenses

For the Year Ended June 30, 2017

(with Summarized Financial Information for the Year Ended June 30, 2016

	Programs	Fund-raising	General and Adminis-trative	2017 Total Expenses	2016 Total Expenses
Art	$ 131,267	$ -	$ -	**$ 131,267**	$ 128,822
Instructional Aides	390,000	-	-	**390,000**	390,000
Math	20,781	-	-	**20,781**	20,949
Music	356,059	-	-	**356,059**	359,944
Professional Development and Teacher Support	195,000	-	-	**195,000**	149,000
Science	356,156	-	-	**356,156**	351,005
Social Studies	37,999	-	-	**37,999**	42,285
Technology	483,454	-	-	**483,454**	484,507
Other Electives	577,807	-	-	**577,807**	556,914
Other program support	193,012	-	-	**193,012**	164,553
Occupancy	32,137	2,836	2,835	**37,808**	38,112
Office and administrative	21,178	114,486	16,614	**152,278**	148,558
Professional Services	8,367	-	10,362	**18,729**	19,189
Events	-	89,699	-	**89,699**	58,042
Salaries and related costs	76,254	55,816	13,457	**145,527**	145,506
Total expenses	$ 2,879,471	$ 262,837	$ 43,268	**$ 3,185,576**	$ 3,057,386

Notes to Financial Statements
June 30, 2018 and 2017

1. Organization

Lafayette Partners in Education (LPIE) was organized and incorporated in 1980 as a nonprofit public benefit corporation under the laws of the State of California. LPIE is a community-based education foundation created to enhance and expand the educational opportunities for students in Lafayette's six public schools: Burton Valley, Happy Valley, Lafayette and Springhill Elementary schools, Stanley Middle School and Acalanes High School. LPIE helps maintain the hallmarks of an education rich in science, math, music, art, technology, foreign language, electives and humanities by contributing a large majority of their income to these programs.

2. Summary of Significant Accounting Policies

Basis of Accounting
LPIE's financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, LPIE is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of June 30, 2018 and 2017, there were no permanently restricted net assets.

Revenue Recognition
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities and changes in net assets as net assets released from restrictions.

Investments
Investments are comprised principally of equities, fixed income securities, money market funds, mutual funds and other exchange traded funds. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

2. Summary of Significant Accounting Policies *(continued)*

LPIE follows the provisions of *Accounting Standards Update (ASU) 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that LPIE could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2018 and 2017. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes.* Under ASC 740, LPIE is required to report information regarding its exposure to various tax positions taken by LPIE and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that LPIE has adequately addressed all tax positions and that there are no unrecorded tax liabilities as of June 30, 2018 and 2017.

LPIE has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management believes that LPIE continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Contributed Services

Several unpaid volunteers have made significant contributions of time to various departments or programs of LPIE. The value of this contributed time is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing LPIE's various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements in order to conform to the presentation used in 2018.

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds deposited in banks with a maturity of three months or less as follows at June 30, 2018 and 2017:

	2018	2017
Bank of America checking	$ **401,287**	$ 295,928
Mechanics Bank interest checking	**190,725**	363,333
Mechanics Bank repurchase sweep account	**704,999**	-
Westamerica checking	**11,403**	84,305
Total cash and cash equivalents	$ **1,308,414**	$ 743,566

The interest checking and repurchase sweep accounts earn interest at annualized rates ranging from 0.01% to 0.02% per annum. LPIE maintains its cash balances in highly capitalized financial institutions, which at times may exceed federally insured limits. LPIE attempts to minimize its credit risk associated with cash and cash equivalents by utilizing highly rated financial institutions. LPIE has not experienced any losses in such accounts.

4. Investments

Investments consist of the following at June 30, 2018 and 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Equities	$ **455,197**	$ **614,325**	$ 457,636	$ 577,644
Fixed income securities	**480,626**	**478,272**	436,686	447,389
Money market funds	**33,530**	**33,530**	61,011	61,011
Mutual funds-bonds	**180,897**	**175,820**	174,406	175,204
Mutual funds-equities	**300,237**	**309,012**	274,079	276,226
Other	**174,876**	**218,113**	179,264	212,923
Total investments	$ **1,625,363**	$ **1,829,072**	$ 1,583,082	$ 1,750,397

Investment income (interest and dividends) amounted to $56,223 and $49,722 for the years ended June 30, 2018 and 2017, respectively. Net realized gains (losses) amounted to ($71) and $134 for the years ended June 30, 2018 and 2017, respectively. Net unrealized gains amounted to $40,614 and $102,300 for the years ended June 30, 2018 and 2017, respectively.

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. *(continued)*

4. Investments *(continued)*

Composition of investments utilizing fair value measurements at June 30, 2018 is as follows:

	Totals	Level 1	Level 2	Level 3
Equities	$ 614,325	$ 614,325	$ -	$ -
Fixed income securities	478,272	-	478,272	-
Money market funds	33,530	33,530	-	-
Mutual funds-bonds	175,820	175,820	-	-
Mutual funds-equities	309,012	309,012	-	-
Other	218,113	218,113	-	-
	$ 1,829,072	$ 1,350,800	$ 478,272	$ -

Composition of investments utilizing fair value measurements at June 30, 2017 is as follows:

	Totals	Level 1	Level 2	Level 3
Equities	$ 577,644	$ 577,644	$ -	$ -
Fixed income securities	447,389	-	447,389	-
Money market funds	61,011	61,011	-	-
Mutual funds-bonds	175,204	175,204	-	-
Mutual funds-equities	276,226	276,226	-	-
Other	212,923	212,923	-	-
	$ 1,750,397	$ 1,303,008	$ 447,389	$ -

LPIE has a Finance Committee which has the responsibility for establishing LPIE's return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters (generally low risk securities, certificates of deposit and mutual funds). The committee routinely oversees investment performances and reviews cash flows necessary to sustain LPIE's operating activities.

5. Net Assets

LPIE recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
Available for future periods	$ 5,388	$ 3,000

Contributions to temporarily restricted net assets amounted to $5,388 and $3,000 for the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, temporarily restricted net assets totaling $3,000 and $11,200, respectively, were released from restriction and transferred to unrestricted net assets. Earnings (including realized and unrealized gains) from investments may be used for general operating purposes and are annually transferred to unrestricted net assets.

6. Financial Commitments

LPIE leases office space in Lafayette under a multi-year operating lease expiring May 31, 2021. LPIE is committed to making fixed monthly rent payments of $2,225 as of June 30, 2018. Total rent expense amounted to $26,869 and $26,700 for the years ended June 30, 2018 and 2017, respectively, and is included in occupancy expense on the statement of functional expenses. LPIE also leases office equipment under a multi-year agreement which requires a monthly payment of $450. Future minimum lease payments under all operating agreements with terms of one year or more are as follows at June 30, 2018:

Year ending June 30, 2019	$ 32,100
Year ending June 30, 2020	32,100
Year ending June 30, 2021	29,875
Year ending June 30, 2022	2,700

7. Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts related to ongoing operational activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate LPIE to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond LPIE's control, such as general economic conditions, (c) Employment contracts and service agreements with outside contractors, and (d) Financial risks associated with funds on deposit in accounts at financial and brokerage institutions. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements.

8. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, LPIE has evaluated subsequent events through November 1, 2018, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which are required to be disclosed.