

UNITED PARENTS AND STUDENTS

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

UNITED PARENTS AND STUDENTS
(A California Nonprofit Public Benefit Corporation)

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Parents and Students
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of United Parents and Students (UP&S) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position at June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UP&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 UP&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 UP&S as of June 30, 2017, 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 18, 2017

FINANCIAL STATEMENTS

UNITED PARENTS AND STUDENTS
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Current Assets:

Cash and cash equivalents \$ 149,706

Non-Current Assets:

Fixed assets 59,424

Less: accumulated depreciation 4,630

Total Non-Current Assets 54,794

Total Assets \$ 204,500

LIABILITIES

Current Liabilities:

Accounts payable and accruals \$ 148,994

Accounts payable - related party 1,469

Total Liabilities 150,463

NET ASSETS

Unrestricted 54,037

Total Liabilities and Net Assets \$ 204,500

The accompanying notes are an integral part of these financial statements.

UNITED PARENTS AND STUDENTS
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STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

CHANGES IN UNRESTRICTED NET ASSETS

REVENUES

Contributions and grants	\$ 58,563
Local revenue	700,000
Total Revenues	<u>758,563</u>

EXPENSES

Program services:

Salaries and benefits	618,881
Student services	42,571
Materials and supplies	2,871
Other expenses	4,050
Depreciation and amortization	4,630
Occupancy	6,523
Subtotal	<u>679,526</u>

Management and general:

Operating expenses	<u>25,000</u>
Total Unrestricted Expenses	<u>704,526</u>

CHANGE IN UNRESTRICTED NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

54,037

-

\$ 54,037

The accompanying notes are an integral part of these financial statements.

UNITED PARENTS AND STUDENTS
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in unrestricted net assets	\$ 54,037
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Depreciation expense	4,630
Changes in operating assets and liabilities:	
Increase in liabilities	
Accounts payable and accruals	148,994
Accounts payable - related party	1,469
Net Cash Provided by Operating Activities	<u>209,130</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	<u>(59,424)</u>
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NET INCREASE IN CASH

149,706

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

-

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 149,706

Supplemental cash flow disclosure:

Cash paid during the period for interest	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements.

UNITED PARENTS AND STUDENTS
(A California Nonprofit Public Benefit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - ORGANIZATION AND MISSION

United Parents and Students (UP&S) was formed in July 2016 as a nonprofit public benefit corporation. Financial activity began in December 2016. UP&S received services from Green Dot Public Schools National (GDPS National). GDPS National represents a related party, and transactions between UP&S and GDPS National have been identified on the face of the financial statements. See Note 2 for additional details regarding related party relationships and transactions.

Members of UP&S currently serves schools in California and are planning to serve schools in Washington and Tennessee in the future.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by UP&S are described below to enhance the use of the financial statements to the reader.

Financial Statement Presentation

UP&S is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. In addition, UP&S is required to present a Statement of Cash Flows. Net assets consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of UP&S.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. UP&S does not currently have any temporarily restricted net assets.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by UP&S. UP&S does not currently have any permanently restricted net assets.

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit public benefit corporations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. UP&S uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

UNITED PARENTS AND STUDENTS
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Related Parties

UP&S, a California nonprofit public benefit corporation, was organized and operates exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code; specifically, to promote the advancement of education and to lessen the burdens of government by fostering community involvement in the effort to transform public education and community self-advocacy.

GDPS National is the sole member of UP&S. GDPS National is a national organization providing services to UP&S and among other related entities. These services include, but are not limited to, Human Resources, Legal, Finance and Accounting, Information Technology, Knowledge Management, Development, Communication, and Strategic Planning. In exchange, UP&S pays service fees to GDPS National. During the year ended June 30, 2017, UP&S paid shared service fees of \$ 25,000 to GDPS National.

UP&S provides services to GDPS CA, such as strategies and tools to support community and family engagement, improve student recruitment and community relations, and implement voter registrations. In exchange, GDPS CA pays service fees to UP&S. During the year ended June 30, 2017, UP&S had shared service revenue of \$700,000 from GDPS CA.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or when the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions". UP&S had no temporarily or permanently restricted net assets at June 30, 2017.

In-kind contributions are recorded at their estimated fair values at the date of donation. Donated services are recorded if they create or enhance non-financial assets or require a specialized skill that UP&S would otherwise need to purchase. UP&S receives donated facilities however the amount is not reflected in the financial statements since there is no readily determined method of valuing the services. At June 30, 2017, UP&S received no in-kind contributions.

Income Taxes

UP&S is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements.

UNITED PARENTS AND STUDENTS
(A California Nonprofit Public Benefit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

UP&S has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, UP&S considers all highly liquid investments with an initial maturity of three months or less to be considered as cash equivalents.

Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2017, management has determined all accounts receivable are fully collectible and no allowance for bad debts has been established.

Fixed Assets

It is UP&S' policy to capitalize individual property and equipment purchases over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Building and leasehold improvements, furniture, and equipment are depreciated using the straight-line method, from two to 30 years. UP&S depreciation expense for the year ended June 30, 2017, was \$4,630.

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 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 reporting period. Actual results could differ from those estimates.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. UP&S had no designated net assets at June 30, 2017.

UNITED PARENTS AND STUDENTS
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2017, consisted of the following:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Deposits		
Cash on hand and in banks	\$ 149,706	\$ 152,913

All of UP&S' cash is held in non-interest bearing checking accounts, which are subject to federally insured limits. UP&S has not experienced any losses in such accounts. At June 30, 2017, UP&S had no balance in excess of FDIC insured limits in non-interest bearing accounts.

NOTE 4 - FIXED ASSETS

Fixed assets at June 30, 2017, consisted of the following:

Computer and equipment	\$ 59,424
Less: accumulated depreciation	(4,630)
Total Fixed Assets	<u>\$ 54,794</u>

During the year ended June 30, 2017, \$4,630 was charged to depreciation expense.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable at June 30, 2017, consisted of the following:

Salaries and benefits	\$ 145,731
Accrued expenses	3,263
Related party	1,469
Total Accounts Payable and accruals	<u>\$ 150,463</u>

UNITED PARENTS AND STUDENTS
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - FAIR VALUE FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of UP&S financial instruments at June 30, 2017 are as follows:

	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 149,706	\$ 149,706

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents—The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

NOTE 7 - RETIREMENT PLAN

401K

UP&S employees may participate in GDPS National's defined contribution plan (the Plan) covering all eligible employees 21 years or older and with one year of eligibility service. UP&S makes a matching contribution equal to participants' contributions to the Plan up to four percent of the participant's compensation. Total expense for the year ended June 30, 2017 was \$4,775.

NOTE 8 - SUBSEQUENT EVENTS

UP&S' management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 18, 2017, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.