

UNITED PARENTS AND STUDENTS

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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, 2018, 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the UP&S' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2017. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it had been derived.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 11, 2019

FINANCIAL STATEMENTS

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

STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2017)

JUNE 30, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 478,996	\$ 149,706
Accounts receivable	200,900	-
Total Current Assets	<u>679,896</u>	<u>149,706</u>
Non-Current Assets:		
Fixed assets	59,424	59,424
Less: accumulated depreciation	13,891	4,630
Total Non-Current Assets	<u>45,533</u>	<u>54,794</u>
Total Assets	<u>\$ 725,429</u>	<u>\$ 204,500</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 114,944	\$ 148,994
Accounts payable - related party	12,470	1,469
Deferred revenue	111,839	-
Total Current Liabilities	<u>239,253</u>	<u>150,463</u>
NET ASSETS		
Unrestricted	286,176	54,037
Temporarily restricted	200,000	-
Total Net Assets	<u>486,176</u>	<u>54,037</u>
Total Liabilities and Net Assets	<u>\$ 725,429</u>	<u>\$ 204,500</u>

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

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

STATEMENT OF ACTIVITIES
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES		
Contributions and grants	\$ 196,883	\$ 58,563
Local revenue	1,270,638	700,000
Total Revenues	<u>1,467,521</u>	<u>758,563</u>
EXPENSES		
Program Services:		
Salaries and benefits	1,015,741	618,881
Student services	97,894	42,571
Materials and supplies	8,516	2,871
Other expenses	43,907	4,050
Depreciation and amortization	9,261	4,630
Occupancy	10,063	6,523
Subtotal	<u>1,185,382</u>	<u>679,526</u>
Management and General:		
Shared service fee - related party	50,000	25,000
Total Unrestricted Expenses	<u>1,235,382</u>	<u>704,526</u>
CHANGE IN UNRESTRICTED NET ASSETS	232,139	54,037
TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants, net	<u>200,000</u>	<u>-</u>
CHANGE IN NET ASSETS	432,139	54,037
NET ASSETS, BEGINNING OF YEAR	54,037	-
NET ASSETS, END OF YEAR	<u>\$ 486,176</u>	<u>\$ 54,037</u>

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
(With comparative financial information at June 30, 2017)

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 432,139	\$ 54,037
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	9,261	4,630
Changes in operating assets and liabilities:		
Increase in assets:		
Accounts receivable	(200,900)	-
Increase (decrease) in liabilities:		
Accounts payable and accruals	(34,050)	148,994
Accounts payable - related party	11,001	1,469
Deferred revenue	111,839	-
Net Cash Provided by Operating Activities	329,290	209,130
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	-	(59,424)
NET CHANGE IN CASH AND CASH EQUIVALENT	329,290	149,706
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	149,706	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 478,996	\$ 149,706
Supplemental cash flow disclosure:		
Cash paid during the period for interest	\$ -	\$ -

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, 2018

NOTE 1 - ORGANIZATION AND MISSION

United Parents and Students (UP&S) was formed in July 2016 as a nonprofit public benefit corporation to help families address the factors outside school boundaries that not only pose barriers to learning but also inhibit local quality of life as a whole. Financial activity began in December 2016. UP&S receives 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.

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

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.

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
(A California Nonprofit Public Benefit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Related Parties

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, 2018, UP&S paid shared service fees of \$50,000 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, 2018, UP&S had shared service revenue of \$1,250,753 from GDPS CA.

	Shared Services Revenue	Shared Services Fee Expense
GDPS National	\$ -	\$ 50,000
GDPS CA	\$ 1,250,753	\$ -

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 permanently restricted net assets at June 30, 2018.

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, 2018, UP&S received no in-kind contributions.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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. UP&S management believes that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

Prior Year Comparative Financial Information

The financial statements include certain prior year comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UP&S's financial statements for the year ended June 30, 2017, from which the comparative information was derived.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts Receivable

Accounts receivable 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, 2018, 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. Depreciation expense for the year ended June 30, 2018, was \$9,261.

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, 2018.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Organization will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2018, consisted of the following:

	Reported Amount	Bank Balance
Deposits		
Cash on hand and in banks	\$ 478,996	\$ 495,535

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, 2018, UP&S had a balance of \$245,535 in excess of FDIC insured limits in non-interest bearing accounts.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted of the following:

Other receivable	<u>\$ 200,900</u>
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UNITED PARENTS AND STUDENTS
(A California Nonprofit Public Benefit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - FIXED ASSETS

Fixed assets at June 30, 2018, consisted of the following:

Computer and equipment	\$ 59,424
Less: accumulated depreciation	(13,891)
Total Fixed Assets	<u>\$ 45,533</u>

During the year ended June 30, 2018, \$9,261 was charged to depreciation expense.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable at June 30, 2018, consisted of the following:

Salaries and benefits	\$ 106,480
Accrued expenses	8,464
Total Accounts Payable and accruals	<u>\$ 114,944</u>

NOTE 7 - ACCOUNTS PAYABLE – RELATED PARTY

Accounts payable – related party at June 30, 2018, consisted of the following:

Related party	<u>\$ 12,470</u>
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NOTE 8 – DEFERRED REVENUE

Deferred revenue at June 30, 2018, consisted of the following:

Local sources	<u>\$ 111,839</u>
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UNITED PARENTS AND STUDENTS
(A California Nonprofit Public Benefit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - FAIR VALUE FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of UP&S financial instruments at June 30, 2018, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 478,996	\$ 478,996

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 10 - 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, 2018, was \$10,776.

NOTE 11 - 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 January 11, 2019, 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.