

PARTNERSHIP FOR LOS ANGELES SCHOOLS
(A California Non-Profit Public Benefit Organization)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

PARTNERSHIP FOR LOS ANGELES SCHOOLS
(A California Non-Profit Public Benefit Organization)

JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Partnership for Los Angeles Schools
Los Angeles, California

We have audited the accompanying statement of financial position of the Partnership for Los Angeles Schools (the Partnership) (A California Non-Profit Public Benefit Organization) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of the Partnership as of June 30, 2009, and in our report dated November 16, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership for Los Angeles Schools as of June 30, 2009, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The unaudited supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 16, 2009

PARTNERSHIP FOR LOS ANGELES SCHOOLS
(A California Non-Profit Public Benefit Organization)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Current Assets

Cash	\$ 2,271,750	
Accounts receivable	113,578	
Prepaid expenses and other current assets	<u>280,108</u>	
Total Current Assets		\$ 2,665,436

Non-Current Assets

Fixed assets	74,004	
Less: accumulated depreciation	<u>9,681</u>	
Total Non-Current Assets		<u>64,323</u>
Total Assets		<u><u>\$ 2,729,759</u></u>

LIABILITIES

Current Liabilities

Accounts payable	\$ 498,156	
Compensated absences	<u>7,590</u>	
Total Current Liabilities		\$ 505,746

NET ASSETS

Unrestricted	<u>2,224,013</u>	
Total Net Assets		<u>2,224,013</u>
Total Liabilities and Net Assets		<u><u>\$ 2,729,759</u></u>

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

PARTNERSHIP FOR LOS ANGELES SCHOOLS
(A California Non-Profit Public Benefit Organization)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

REVENUES

Grants	\$ 6,525,487
In-kind donation	249,320
Interest income	19,790
Other	26,823
Total Revenue	<u>6,821,420</u>

EXPENSES

School sites	
Building school culture	665,253
Professional development	544,705
Scholarly uniforms	428,496
Student intervention	418,281
Targeted school site funding	298,486
School site staff	200,747
In-kind donation cost	117,485
School staffing support	106,264
Facilities improvements	72,796
Data and surveys	58,991
Transition team planning	53,101
Technology and data system investments	29,519
Subtotal	<u>2,994,124</u>
Connecting communities	
Community outreach	147,524
Re-granting activities	
Teach for America	1,000,000
Boston Consulting Group	660,828
Network Partners	200,000
Fiscal sponsor	28,466
Subtotal	<u>1,889,294</u>
Partnership support team	
Salaries and wages	2,078,812
Consultants	459,709
Health and other benefits	234,422
Payroll taxes	155,466
Subtotal	<u>2,928,409</u>
Management and general	
Other operating	401,137
In-kind donation cost	131,835
Depreciation	8,967
Fundraising	5,487
Subtotal	<u>547,426</u>
Total Expenses	<u>8,506,777</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>(1,685,357)</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,909,370</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,224,013</u></u>

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

PARTNERSHIP FOR LOS ANGELES SCHOOLS
(A California Non-Profit Public Benefit Organization)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in unrestricted net assets	\$ (1,685,357)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	
Depreciation expense	8,967
Changes in operating assets and liabilities	
Decrease in accounts receivable	2,401,042
Increase in prepaid expenses	(280,108)
Decrease in accounts payable	(157,745)
Net Cash Provided by Operating Activities	<u>286,799</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenses	<u>(42,707)</u>
Net Cash Used by Investing Activities	<u>(42,707)</u>

NET INCREASE IN CASH

244,092

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

2,027,658

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 2,271,750

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

PARTNERSHIP FOR LOS ANGELES SCHOOLS
(A California Non-Profit Public Benefit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - GENERAL

The Partnership for Los Angeles Schools (the Partnership) is a California Non-Profit Public Benefit Organization launched by Los Angeles Mayor Antonio Villaraigosa to catalyze the transformation of the Los Angeles Unified School District (LAUSD). The Partnership is the largest alternative public school operator in Los Angeles. Beginning July 1, 2008, the Partnership began serving and supporting ten LAUSD schools, a combination of elementary, middle, and high schools, under an MOU approved by the Board of Education in May 2008. Combined, these ten schools serve approximately 18,000 students and employ approximately 1,500 individuals.

The Partnership is the first project of its kind in Los Angeles and in the State of California. Its goal is to both dramatically improve student achievement within Partnership Schools and to become a model for collaboration, school reform and community advancement that can be replicated throughout Los Angeles and California. In order to accomplish this goal, the Partnership is engaging in the following core activities in close collaboration with school stakeholders and LAUSD: 1) operating among the lowest performing public schools in LAUSD to demonstrate that student achievement can be rapidly accelerated when effective practices are implemented comprehensively; 2) convening other public school operators and LAUSD to collaborate in targeted areas of practice; and 3) collaborating with LAUSD to help the district develop its capabilities in areas such as performance management and per-pupil budgeting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by the Partnership are described below to enhance the use of the financial statements for the reader.

Financial Statement Presentation

The Partnership adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under the provisions of this statement, the Partnership 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. The Partnership had no temporarily or permanently restricted net assets. In addition, the Partnership is required to present a statement of cash flows.

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 not-for-profit organizations. 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. The Partnership 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.

PARTNERSHIP FOR LOS ANGELES SCHOOLS
(A California Non-Profit Public Benefit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 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." The Partnership had no temporarily or permanently restricted assets as of June 30, 2009.

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 at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Partnership is a non-profit 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. 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.

Donated Services, Materials, and Facilities

The Partnership receives donated services from a variety of unpaid volunteers. Only those services, which satisfy the criteria for recognition for volunteer effort under SFAS No. 116, are reflected in the statements of activities.

The Partnership has donated facilities that met the criteria for recognition under SFAS No. 116.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash is considered to be cash on hand and demand deposits. Cash equivalents consist of highly liquid investments in a daily sweep account.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. The Partnership has chosen to report the expenses when incurred.

PARTNERSHIP FOR LOS ANGELES SCHOOLS
(A California Non-Profit Public Benefit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. At June 30, 2009, management had determined all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Fixed Assets

It is the Partnership's policy to capitalize individual property and equipment purchases over \$1,000. 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. Furniture and equipment are depreciated using the straight-line method over 5 years. As of June 30, 2009, depreciation expense was \$8,967.

NOTE 3 - CASH

Cash at June 30, 2009, consisted of the following:

	Reported Amount	Bank Balance
Deposits		
Cash on hand and in banks	\$ 2,271,750	\$ 2,466,607

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Partnership maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Partnership has not experienced any losses in such accounts. At June 30, 2009, the Partnership had deposits in excess of FDIC insured limits.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2009, consisted of the following:

Advances	\$ 22,916
Los Angeles Trade Technical College	87,287
Other receivable	3,375
Total Accounts Receivable	<u>\$ 113,578</u>

PARTNERSHIP FOR LOS ANGELES SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 - PREPAID EXPENSES

At June 30, 2009, prepaid expenses consisted of the following:

School site staff	\$ 204,117
Data and surveys	16,168
Insurance	24,797
Lease deposit	14,463
Other prepaid expenses	20,563
Total Prepaid Expenses	<u>\$ 280,108</u>

NOTE 6 - PROPERTY AND EQUIPMENT

At June 30, 2009, property and equipment consisted of the following:

Computer equipment	\$ 56,260
Work in progress	17,744
	<u>74,004</u>
Less: accumulated depreciation	(9,681)
Total Fixed Assets	<u>\$ 64,323</u>

For the year ended June 30, 2009, depreciation expense amounted to \$8,967.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

Due to:	
Los Angeles Unified School District	\$ 34,418
San Diego Unified School District	70,762
Other payables	392,976
Total Accounts Payable	<u>\$ 498,156</u>

PARTNERSHIP FOR LOS ANGELES SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 - RETIREMENT PLANS

Plan Description

The employees of the Partnership may also participate in a voluntary 403(b) plan (the plan). Under the terms of this plan, all employees over the age of 21 and that work over 20 hours per week are eligible to participate. The Partnership matches Elective Deferrals on a 100 percent basis up to six percent of the participant's monthly compensation received during the plan year. There is no waiting period with respect to employee and employer contribution. Employer's contribution is 25 percent vested after two full years of service, 50 percent after 3 years of service, and 100 percent after 4 years of service. A participant's salary reduction contributions during any plan year may not exceed the maximum allowed by the Internal Revenue Code. Total employer contributions for the year ended June 30, 2009, amounted to \$61,089.

NOTE 9 - PROGRAM SERVICES - OTHER OPERATING EXPENSES

At June 30, 2009, other operating expenses consisted of the following:

	<u>Program Services</u> <u>Other</u> <u>Operating</u> <u>Expenses</u>
Marketing	\$ 80,224
Other fees	58,849
Training and development	36,223
Telephone expenses	35,812
Mileage	31,977
Office supplies	30,263
Parking	26,894
Travel and conferences	19,678
Building rent	19,568
Legal and audit fees	12,762
General insurance	12,665
Postage expenses	11,312
Internet expenses	8,016
Computer hardware	7,700
Non-capitalized equipment	3,425
Equipment lease	2,776
Vendor repairs	2,713
Dues and membership	220
Software and financial systems	60
Total	<u>\$ 401,137</u>

SUPPLEMENTARY INFORMATION - UNAUDITED

PARTNERSHIP FOR LOS ANGELES SCHOOLS
(A California Non-Profit Public Benefit Organization)

COMPARATIVE STATEMENT OF FINANCIAL POSITION - UNAUDITED

	As of June 30, 2009	Eight Month Period Ending June 30, 2008
ASSETS		
Current Assets		
Cash	\$ 2,271,750	\$ 2,027,658
Accounts receivable	113,578	2,510,000
Prepaid expenses and other current assets	280,108	4,620
Total Current Assets	<u>2,665,436</u>	<u>4,542,278</u>
Non-Current Assets		
Fixed assets	74,004	31,297
Less: accumulated depreciation	<u>9,681</u>	<u>714</u>
Total Non-Current Assets	<u>64,323</u>	<u>30,583</u>
Total Assets	<u><u>\$ 2,729,759</u></u>	<u><u>\$ 4,572,861</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 498,156	\$ 663,491
Compensated absences	<u>7,590</u>	<u>-</u>
Total Current Liabilities	<u>505,746</u>	<u>663,491</u>
NET ASSETS		
Unrestricted	<u>2,224,013</u>	<u>3,641,471</u>
Board designated - school site planning	<u>-</u>	<u>267,899</u>
Total Net Assets	<u>2,224,013</u>	<u>3,909,370</u>
Total Liabilities and Net Assets	<u><u>\$ 2,729,759</u></u>	<u><u>\$ 4,572,861</u></u>

PARTNERSHIP FOR LOS ANGELES SCHOOLS
(A California Non-Profit Public Benefit Organization)

COMPARATIVE STATEMENT OF ACTIVITIES - UNAUDITED

	As of June 30, 2009	Eight Month Period Ending June 30, 2008
REVENUES		
Grants	\$ 6,525,487	\$ 6,039,633
In-kind donation	249,320	99,089
Interest income	19,790	27,244
Other	26,823	-
Total Revenue	<u>6,821,420</u>	<u>6,165,966</u>
EXPENSES		
School sites		
Building school culture	\$ 665,253	\$ -
Professional development	544,705	25,385
Scholarly uniforms	428,496	-
Student intervention	418,281	-
Targeted school site funding	298,486	74,151
School site staff	200,747	52,225
In-kind donation cost	117,485	37,595
School staffing support	106,264	178,125
Facilities improvements	72,796	-
Data and surveys	58,991	42,224
Transition team planning	53,101	264,292
Technology and data system investments	29,519	-
Operational planning with LAUSD	-	224,000
Subtotal	<u>2,994,124</u>	<u>897,997</u>
Connecting communities		
Community outreach	<u>147,524</u>	<u>342,876</u>
Re-granting activities		
Teach for America	1,000,000	-
Boston Consulting Group	660,828	-
Network Partners	200,000	-
Fiscal sponsor	28,466	-
Subtotal	<u>1,889,294</u>	<u>-</u>
Partnership support team		
Salaries and wages	2,078,812	416,617
Consultants	459,709	243,253
Health and other benefits	234,422	88,291
Payroll taxes	155,466	33,346
Subtotal	<u>2,928,409</u>	<u>781,507</u>
Management and general		
Other operating	401,137	131,049
In-kind donation cost	131,835	61,494
Depreciation	8,967	714
Fundraising	5,487	40,959
Subtotal	<u>547,426</u>	<u>234,216</u>
Total Expenses	<u>8,506,777</u>	<u>2,256,596</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(1,685,357)</u>	<u>3,909,370</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,909,370</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,224,013</u></u>	<u><u>\$ 3,909,370</u></u>