

**El Centrito Family Learning Centers
Financial Statements
June 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
El Centrito Family Learning Centers:

I have audited the accompanying statement of financial position of El Centrito Family Learning Centers as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Centrito Family Learning Centers as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Eulau AC

Eulau Accountancy Corporation

Ventura, CA
December 21, 2012

**El Centrito Family Learning Centers
Statement of Financial Position
As of June 30, 2012**

ASSETS

Current Assets:

Cash	\$ 98,818
Accounts Receivable	73,033
Promises to Give	51,548
Prepaid Expenses	13,552
Investments	<u>51,012</u>
Total Current Assets	<u>287,963</u>

Property, Plant, and Equipment:

Computer Equipment	103,142
Furniture and Equipment	50,562
Library	30,566
Accumulated Depreciation	<u>(154,952)</u>
Total Property, Plant, and Equipment	<u>29,318</u>

Other Assets:

Joint Agencies Trust Account	24,856
Long-term Promises to Give	20,000
Investment Designated for Specific Purposes	<u>6,500</u>
Total Other Assets	<u>51,356</u>
Total Assets	<u><u>\$ 368,637</u></u>

**El Centrito Family Learning Centers
Statement of Financial Position
As of June 30, 2012**

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 4,707
Payroll Liabilities Payable	3,456
Deferred Revenue	8,313
Accrued Expenses	25,984
Capital Lease Obligations, Current Portion	<u>4,013</u>
Total Current Liabilities	<u>46,473</u>

Long-term Liabilities:

Capital Lease Obligations	<u>6,297</u>
Total Long-term Liabilities	<u>6,297</u>
Total Liabilities	<u>52,770</u>

Net Assets:

Operating	195,417
Board Designated	<u>6,500</u>
Total Unrestricted Net Assets	201,917
Temporarily Restricted	<u>113,950</u>
Total Net Assets	<u>315,867</u>
Total Liabilities and Net Assets	<u><u>\$ 368,637</u></u>

**El Centrito Family Learning Centers
Statement of Activities
For the Year Ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Support & Other:			
Service Fees	\$ 516,167		\$ 516,167
Contributions	41,731	227,352	269,083
In-kind Contributions	81,824		81,824
Special Events, Net of Direct Expenses of \$7,075	21,774		21,774
Other	12,493		12,493
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	113,402	(113,402)	
Total Revenue, Support, & Other	787,391	113,950	901,341
Expenses:			
Program Expenses			
Community Technology Center & Adelante Homework Club	80,830		80,830
School Readiness	355,900		355,900
Family Literacy	142,170		142,170
Parent Education & Outreach	118,312		118,312
Support Services			-
Management & General	117,488		117,488
Fundraising	21,691		21,691
Total Expenses	836,391		836,391
Change in Net Assets	(49,000)	113,950	64,950
Prior Period Adjustments	33,659		33,659
Net Assets at Beginning of Year	217,258		217,258
Net Assets at End of Year	\$ 201,917	\$ 113,950	\$ 315,867

**El Centrito Family Learning Centers
Statement of Cash Flows
For the Year Ended June 30, 2012**

Cash Flows from Operating Activities:

Change in Net Assets	\$ 64,950
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (used in) Operating Activities:	
Depreciation	9,611
(Increase) Decrease in:	
Accounts Receivable	(37,459)
Promises to Give	(71,548)
Prepaid Expenses	(2,249)
Joint Agency Trust Account	17
Increase (Decrease) in:	
Accounts Payable	3,412
Payroll Liabilities Payable	1,266
Deferred Revenue	8,313
Accrued Expenses	<u>(11,927)</u>
Net Cash Provided by (used in) Operating Activities	<u>(35,614)</u>

Cash Flows from Investing Activities:

Purchases of Property & Equipment	(6,221)
Purchases of Investments	<u>(219)</u>
Net Cash Provided by (used in) Investing Activities	<u>(6,440)</u>

Cash Flows from Financing Activities:

Payments on Capital Lease Obligations	<u>(4,272)</u>
Net Cash Provided by (used in) Financing Activities	<u>(4,272)</u>
Net Increase (Decrease) in Cash	(46,326)
Cash at Beginning of Year	<u>145,144</u>
Cash at End of Year	<u><u>\$ 98,818</u></u>

Supplemental Disclosures:

Cash Paid for Interest	<u>\$ 1,999</u>
Cash Paid for Income Taxes	<u><u>\$ -</u></u>

**El Centrito Family Learning Centers
Statement of Functional Expenses
For the Year Ended June 30, 2012**

	Community Tech. Center & Adelante Homework Club	School Readiness	Family Literacy	Parent Education & Outreach	Management and General	Fundraising	Total
Salaries	\$ 45,483	\$ 238,747	\$ 80,386	\$ 69,442	\$ 66,412	\$ 12,971	\$ 513,441
Payroll Taxes	3,397	18,004	6,457	5,173	4,752	903	38,686
Fringe Benefits	8,044	55,183	13,947	10,974	11,693	1,867	101,708
Total Payroll & Related Expenses	56,924	311,934	100,790	85,589	82,857	15,741	653,835
Depreciation	2,437	4,571	1,950	403	250		9,611
Facility Expense	427	8,303	2,049	512	252		11,543
Food	182	830	432	1,647	424	25	3,540
In-Kind Expenses	16,479	8,736	25,944	17,246	11,251	2,168	81,824
Insurance	733	2,288	852	782	461		5,116
Interest Expense	405	959	294	241	100		1,999
Mileage	129	952	223	712	314	76	2,406
Miscellaneous	247	902	134	303	722	218	2,526
Office Expense	142	542	190	155	130	854	2,013
Outside Services	459	2,570	3,929	1,416	19,884	873	29,131
Printing & Reproduction	615	3,021	511	781	112	1,404	6,444
Professional Development	26	469	1,269	485	148	20	2,417
Supplies	823	5,876	2,278	6,695	153	312	16,137
Technology Expense	440	809	609	309	68		2,235
Telecommunication	362	3,138	716	1,036	362		5,614
Total Expenses	\$ 80,830	\$ 355,900	\$ 142,170	\$ 118,312	\$ 117,488	\$ 21,691	\$ 836,391

See accompanying notes to financial statements

El Centrito Family Learning Centers
Notes to Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of 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 Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. There were no cash equivalents held in 2012.

Income Taxes

El Centrito Family Learning Centers (El Centrito) is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Fair Value Measurements

When financial statement elements are required to be measured at fair value, valuation techniques are ranked into three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 Inputs – quoted prices in active markets for identical assets
- Level 2 Inputs – quoted prices in active or inactive markets for the same or similar assets
- Level 3 Inputs - estimates using the best information available when there is little or no market

Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted support that increases temporarily restricted net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Promises to Give

\$51,548 of promises to give are due in less than a year and \$20,000 are due within two years. In 2012, all outstanding promises to give were considered collectible and there was no allowance for doubtful accounts.

El Centrito Family Learning Centers
Notes to Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on experience and other circumstances which may affect a client's ability to meet their obligation. Receivables are considered impaired if payments are not made in accordance with contractual terms and charged off when management determines the receivable will not be collected. In 2012, there was no allowance for doubtful accounts. Accounts receivable are not held for sale and overdue accounts receivable do not carry interest.

Property, Plant, and Equipment

All property, plant, and equipment over \$1,000 is capitalized. Depreciable assets are stated at cost, if purchased. Donated assets are recorded at fair value. Use restrictions on contributions of property and equipment are assumed to expire over the useful life of the asset unless the donor specifies a different period. Depreciation is computed on a straight line basis over the estimated useful lives of the assets. Depreciation totaled \$9,611 in 2012 and included \$4,159 of amortization expense attributed to computer and office equipment acquired through capital leases.

2. NATURE OF THE ORGANIZATION

El Centrito Family Learning Centers is a bilingual, bicultural community center located in Oxnard, California. El Centrito was founded in 1991 as a sponsored project of the Sisters of St. Joseph Ministerial Services and became a separate, independent entity on September 1, 1999. It earns revenue from government contracts and is supported by contributions from individuals, businesses and foundations.

The agency operates four interlinked programs designed to serve the entire family and provide children and parents with tools to build their educational skills:

Community Technology Center and Adelante Homework Club

El Centrito operates a community technology center that focuses on how computers serve as an educational and resource tool for academic enrichment and personal development. The computer lab provides youth and families of Oxnard with limited computer access the opportunity to use computers outside of school and work. The Lab serves ages four to adult, is free, and provides a place to learn essential computer skills. The Adelante Homework Club is a homework assistance program offering daily school based after school tutoring sessions and quarterly parent education classes.

El Centrito Family Learning Centers
Notes to Financial Statements
June 30, 2012

2. NATURE OF THE ORGANIZATION (CONTINUED)

School Readiness Program

The School Readiness Program is located at two sites and provides two three-hour sessions daily that help prepare children for school by introducing pre-literacy skills. The sessions include reading readiness activities and fifteen minutes on the computer.

Family Literacy Program

The Calmecac Family Literacy Program integrates the education of children and their parents. The program provides intensive and comprehensive family literacy services and family support services to children ages 2-5 years and their parents. Program components include English as a Second Language classes for parents, educational growth classes for children and family support services.

Parent Education & Outreach Program

El Centrito conducts parent education workshops for parents and their preschool children. The focus is on classes that support strengthening the partnership between parents and schools, activities that focus on the parent's role as their child's first teacher, and parent leadership training. In 2010, training for parents regarding the steps needed for students to achieve higher education was added to the program.

3. INVESTMENTS

Investments available for sale are stated at fair value and consist of certificates of deposit:

	<u>Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificates of deposit	\$ <u>57,512</u>	\$ <u>57,512</u>	\$ <u>---0---</u>
Total	\$ <u>57,512</u>	\$ <u>57,512</u>	\$ <u>---0---</u>

4. FAIR VALUE MEASUREMENTS

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2012:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Available-for-sale securities	\$ <u>57,512</u>	\$ <u>57,512</u>

El Centrito Family Learning Centers
Notes to Financial Statements
June 30, 2012

5. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors.

Purpose Restrictions Accomplished:

Parent Education and Outreach Program	\$ 53,066
Community Technology Center and Adelante Homework Club	43,500
Family Literacy Program	<u>16,836</u>
Total Purpose Restrictions Satisfied	\$ <u>113,402</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs:

Parent Education and Outreach	\$ 96,386
Family Literacy	<u>17,564</u>
Total Temporarily Restricted Net Assets	\$ <u>113,950</u>

7. OPERATING LEASES

El Centrito rents space for its School Readiness Program for \$654 per month under a 60 month lease. At the end of the lease term, El Centrito has an option to extend the lease for another term. In 2012, the Organization paid \$7,852 in rent, which was less than fair value.

The following is a schedule by years of future minimum lease payments as of June 30:

2013	\$ 7,852
2014	7,852
2015	<u>7,852</u>
Total minimum lease payments	\$ <u>23,556</u>

The agency also has a month-to-month lease with the City of Oxnard for space at the old Oxnard High School in exchange for paying a prorated share of utility and maintenance costs. The rent under this arrangement is also at less than fair value. Programs conducted at the old Oxnard High School site included the Community Technology Center, Parent Education and Outreach Program and Family Literacy Program.

El Centrito Family Learning Centers
Notes to Financial Statements
June 30, 2012

7. OPERATING LEASES (CONTINUED)

An in-kind contribution and expense have been recorded at fair value to recognize the donation of space (See Note 10).

8. CAPITAL LEASES

Property, plant and equipment includes \$23,006 of office and computer equipment held under capital leases.

The following is a schedule of years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30:

2013	\$ 5,390
2014	3,945
2015	3,201
2016	<u>243</u>
Total minimum lease payments	12,779
Less: Amount representing interest	<u>(2,469)</u>
Present value of minimum lease payments	\$ <u>10,310</u>

9. LINE OF CREDIT

El Centrito has a \$50,000 line of credit available with City National Bank for which it currently has no balance due. The credit line is secured by El Centrito's accounts receivable and equipment, expires on March 16, 2013 and has a variable interest rate, which is currently 4.50%.

10. IN-KIND CONTRIBUTIONS

The Organization recorded the following in-kind contributions using the market approach, a Level 2 Input:

Rent	\$ 71,059
Goods	6,782
Other Services	<u>3,983</u>
Total In-kind Contributions	\$ <u>81,824</u>

El Centrito Family Learning Centers
Notes to Financial Statements
June 30, 2012

11. RELATED PARTY TRANSACTIONS

The Board of Directors approved employing the sister-in-law of the Executive Director to provide janitorial services. She was paid \$6,606 for her services in 2012.

12. BOARD DESIGNATIONS

On October 7, 2008, the Board of Directors designated \$6,500 of the proceeds from the sale of a vehicle for a future building.

13. CONCENTRATIONS

Approximately 43% of El Centrito's 2012 revenue and support consisted of contracts with the Oxnard School District. The Organization would be adversely affected if its contracts with the Oxnard School District were terminated.

14. CHANGE IN ACCOUNTING POLICY

In prior years, the Agency's policy was to prepare its financial statements on the modified cash basis of accounting. In 2012, the Organization elected to prepare its financial statements on the accrual basis in accordance with generally accepted accounting principles. Prior period adjustments totaling \$33,659 were required to convert the 2011 modified cash basis financial statements to the accrual basis and comply with generally accepted accounting principles. The prior period adjustments only affected unrestricted net assets.

15. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated events through December 21, 2012, the date which the financial statements were available to be issued.