

Audited Financial Statements
and Other Information



June 30, 2017

Quigley & Miron

Project GRAD Los Angeles, Inc.
Audited Financial Statements and Other Information
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Independent Auditor's Report

Board of Directors
Project GRAD Los Angeles, Inc.
Mission Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of Project GRAD Los Angeles, Inc. (Project GRAD), a nonprofit organization, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, 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, including 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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 Project GRAD Los Angeles, Inc. 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.

Report on Summarized Comparative Information

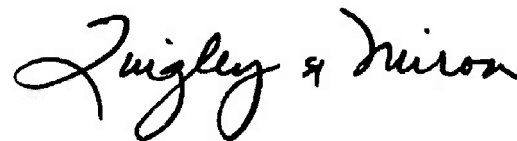
We have previously audited Project GRAD Los Angeles, Inc.'s June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued reports dated September 15, 2017, on our consideration of Project GRAD Los Angeles, Inc.'s internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Project GRAD Los Angeles, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Zugley & Miron". The signature is written in a cursive, flowing style.

Project GRAD Los Angeles, Inc.
Statement of Financial Position
June 30, 2017
(with comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Assets				
Cash and cash equivalents	\$ 1,516,356	\$ 627,856	\$ 2,144,212	\$ 2,554,607
Investments—Note B	123,514		123,514	122,913
Contributions receivable, net—Note C		3,002,596	3,002,596	2,524,873
Property, net—Note D	17,211		17,211	20,133
Other assets	95,429		95,429	108,031
Total Assets	<u>\$ 1,752,510</u>	<u>\$ 3,630,452</u>	<u>\$ 5,382,962</u>	<u>\$ 5,330,557</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 99,308	\$	\$ 99,308	\$ 174,196
Deferred scholarships payable	119,875		119,875	234,667
Deferred revenue	7,840		7,840	12,240
Fiscal agent	29,034		29,034	5,818
Total Liabilities	<u>256,057</u>		<u>256,057</u>	<u>426,921</u>
Commitments and Contingencies—Note E				
Net Assets				
Unrestricted	1,496,453		1,496,453	1,226,473
Temporarily restricted—Note F		3,630,452	3,630,452	3,677,163
Total Net Assets	<u>1,496,453</u>	<u>3,630,452</u>	<u>5,126,905</u>	<u>4,903,636</u>
Total Liabilities and Net Assets	<u>\$ 1,752,510</u>	<u>\$ 3,630,452</u>	<u>\$ 5,382,962</u>	<u>\$ 5,330,557</u>

See notes to financial statements.

Project GRAD Los Angeles, Inc.
Statement of Activities
Year Ended June 30, 2017
(with comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Public Support and Revenue				
Contributions				
Corporations	\$ 13,547	\$ 20,000	\$ 33,547	\$ 35,612
Foundations	8,843	821,606	830,449	1,236,475
Government		2,647,420	2,647,420	2,646,267
Individuals	20,020		20,020	51,757
In-kind contributions—Note G	233,041		233,041	258,501
Contract revenue from LAUSD—Note H	601,782		601,782	515,250
Investment revenues	1,698		1,698	2,326
Fee for service	9,250		9,250	
Net assets released from temporary restrictions	3,535,737	(3,535,737)		
Total Public Support, Revenue, and Net Assets Released from Restrictions	4,423,918	(46,711)	4,377,207	4,746,188
Expenses				
Program Services				
Academic Support/Partnerships	399,006		399,006	339,380
College Readiness	1,699,068		1,699,068	1,756,075
College Success/Scholarships	755,042		755,042	746,982
Program Evaluation	204,265		204,265	250,286
Summer Institutes	769,119		769,119	929,883
Total Program Services	3,826,500		3,826,500	4,022,606
Supporting Services				
Management and general	237,071		237,071	198,329
Fundraising	90,367		90,367	117,251
Total Supporting Services	327,438		327,438	315,580
Total Expenses	4,153,938		4,153,938	4,338,186
Change in Net Assets	269,980	(46,711)	223,269	408,002
Net Assets at Beginning of Year	1,226,473	3,677,163	4,903,636	4,495,634
Net Assets at End of Year	\$ 1,496,453	\$ 3,630,452	\$ 5,126,905	\$ 4,903,636

See notes to financial statements.

Project GRAD Los Angeles, Inc.
Statement of Functional Expenses
Year Ended June 30, 2017
(with comparative totals for 2016)

	Program Services					Supporting Services			2017 Total	2016 Total
	Academic Support/ Partnerships	College Readiness	College Success/ Scholarships	Program Evaluation	Summer Institutes	Total Program Services	Management and General	Fundraising		
Salaries	\$ 215,512	\$ 685,581	\$ 240,199	\$ 53,976	\$ 142,625	\$ 1,337,893	\$ 181,203	\$ 69,330	\$ 1,588,426	\$ 1,710,468
Payroll taxes	17,556	56,618	20,019	4,509	11,374	110,076	14,920	5,262	130,258	141,566
Retirement benefits—Note I	5,437	17,632	6,099	1,399	3,633	34,200	4,617	1,599	40,416	40,790
Other employee benefits	21,258	68,024	23,732	5,447	15,175	133,636	18,164	6,287	158,087	170,193
Total Personnel	259,763	827,855	290,049	65,331	172,807	1,615,805	218,904	82,478	1,917,187	2,063,017
Contracted services	88,142	109,278			80,876	278,296			278,296	409,756
Depreciation	1,016	2,749	1,234	291	2,159	7,449	691	317	8,457	9,434
Development	730	1,813	302	74	225	3,144	336	325	3,805	4,631
Dues and subscriptions	55	512	59	16	189	831	55	416	1,302	2,820
Equipment rental	975	3,107	1,088	245	664	6,079	822	300	7,201	7,410
Evaluation				109,702		109,702			109,702	117,500
Insurance	1,570	5,191	1,783	386	613	9,543	1,271	477	11,291	10,829
LAUSD contract		286,981		23,500		310,481			310,481	313,750
Occupancy	6,091	47,417	6,801	1,528	4,150	65,987	5,136	1,877	73,000	73,301
Office supplies	2,114	14,655	2,276	831	1,915	21,791	1,849	985	24,625	20,997
Postage	77	264	90	18	14	463	(102)	124	485	844
Printing	369	2,139	346	99	88	3,041	298	100	3,439	3,216
Professional services	5,363	56,528	4,565	1,291	4,438	72,185	4,585	1,642	78,412	59,427
Scholarships			392,833			392,833			392,833	443,991
Staff development	803	9,057	1,600	149	779	12,388	542	196	13,126	8,449
Stipends and related expenses	450				101,597	102,047			102,047	184,437
Student and parent services	14,822	302,921	46,341		396,649	760,733			760,733	531,048
Telephone	1,195	13,451	1,252	300	812	17,010	998	370	18,378	19,326
Travel	15,471	15,150	4,423	504	1,144	36,692	1,686	760	39,138	54,003
Totals	\$ 399,006	\$ 1,699,068	\$ 755,042	\$ 204,265	\$ 769,119	\$ 3,826,500	\$ 237,071	\$ 90,367	\$ 4,153,938	\$ 4,338,186
Percentage of Total Expenses	9.6%	40.9%	18.2%	4.9%	18.5%	92.1%	5.7%	2.2%	100.0%	

See notes to financial statements.

Project GRAD Los Angeles, Inc.
Statement of Cash Flows
Year Ended June 30, 2017
(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 223,269	\$ 408,002
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,457	9,434
Investment (gains) losses	(601)	5,338
Changes in operating assets and liabilities:		
Contributions receivable, net	(477,723)	69,777
Other assets	12,602	(75,917)
Accounts payable and accrued expenses	(74,888)	52,494
Deferred scholarships payable	(114,792)	(57,000)
Deferred revenue	(4,400)	2,390
Fiscal agent	23,216	5,818
	<u>(404,860)</u>	<u>420,336</u>
Net Cash Provided by (Used in) Operating Activities	(404,860)	420,336
Cash Flows from Investing Activities		
Purchase of investments		(704,950)
Sales or maturities of investments		799,293
Purchase of property	(5,535)	(4,482)
	<u>(5,535)</u>	<u>89,861</u>
Net Cash Provided by (Used in) Investing Activities	(5,535)	89,861
Increase (Decrease) in Cash and Cash Equivalents	(410,395)	510,197
Cash and Cash Equivalents at Beginning of Year	<u>2,554,607</u>	<u>2,044,410</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,144,212</u></u>	<u><u>\$ 2,554,607</u></u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

Project GRAD Los Angeles, Inc.
Notes to Financial Statements
June 30, 2017
(with comparative totals for 2016)

Note A—Organization and Significant Accounting Policies

Organization—Project GRAD Los Angeles, Inc. is a California nonprofit corporation founded in 1999 to address high school graduation, college-going, and college graduation rates in the Northeast San Fernando Valley Region of Los Angeles. Project GRAD is embedded in a network of high schools and works directly with 9,000 students, parents, and school staff to increase student achievement and school-wide college-going expectations. The Project GRAD model is grounded in caring, long-term proactive student/advisor relationships. Project GRAD Advisors work one-on-one with nearly 700 students to help instill the social-emotional competencies, college knowledge, and academic tools needed to ensure college success. Project GRAD’s programs consist of the following five separate and independent components:

Academic Support/Partnerships—Project GRAD organizes a number of school-wide and college awareness events for the community that provide students and families with the encouragement and information needed to prepare for college. These events include Annual Family Summit, an annual community-wide college promotion event where students and families learn about college success skills, and College Counseling and Academic Advising, where full-time Project GRAD staff members provide dedicated college counseling and academic advising at four area high schools. Project GRAD staff work intensively with cohorts of hundreds of students and parents to improve academic performance, increase the kinds of competencies that prepare students for college rigor, and engage the entire family in college success. Project GRAD partners with CSUN and LAUSD to provide a fourth-year high school math class to prepare students for success in college level math. The “Transition to College Math and Statistics” (TCMS) class is a year-long course that is approved by both the UC and CSU systems to count as a part of students’ “A-G” course requirements. TCMS is problem-based and technology-enhanced to prepare students for college level math classes. Project GRAD staff also deliver a series of college application and personal statement writing workshops in autumn, available to the whole high school population, and Financial Aid Workshops in January and February of each year. Project GRAD also organizes College Visits for high school students and their families.

College Readiness—Project GRAD directly serves students and families at the high school level to improve academic performance; increase social emotional competencies needed for college success; and engage the entire family in college success. Site-based Project GRAD staff also meet weekly with cohorts of students to ensure that they are on the right track to prepare for college (have a high GPA, are taking appropriate coursework, achieving goals, etc.). The program includes a Peer Leadership club and community service opportunities; college tours; tutoring; PSAT and SAT prep; assistance with completing college applications and personal statements; financial aid workshops and assistance completing financial aid forms; and a Bridge to College program for college-bound seniors.

Project GRAD Los Angeles, Inc.
Notes to Financial Statements—Continued

Note A—Organization and Significant Accounting Policies—Continued

College Success/Scholarships—The program includes the Project GRAD Scholarship, a needs-based annual award in a range of \$2,000—\$6,000; one-on-one weekly meetings with Project GRAD staff; cohort meetings twice a semester; a peer mentoring program in which thriving Junior and Senior Project GRAD College Scholars help support the academic and social success of cohort Freshmen through peer-led advising and mentoring activities; and coordinating skill-building workshops.

Program Evaluation—Project GRAD maintains a student-level database to track multiple indicators including K-16 student academic progress and completion/persistence rates.

Summer Institutes—Project GRAD seeks to increase preparedness of students for college-level rigor with a number of summer programs, including: 1st Year and Advanced Summer College Institutes, four-week Institutes providing a real-world college experience for high school students, intended to bolster their academic performance, foster the connection between college and goal setting, and explore career options; and Westmont College Residency Program, a three-week Summer College Institute as a Residency Program on the campus of Westmont College (students are chosen through a competitive process).

Funding for Project GRAD is provided by grants from the U.S. Department of Education through fiscal agent relationships with Marymount College (Gaining Early Awareness and Readiness for Undergraduate Programs-GEAR UP), as well as foundations, corporations, individuals and LAUSD.

Financial Statement Presentation—Project GRAD recognizes contributions as revenue in the period committed. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of Project GRAD and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of Project GRAD.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of Project GRAD and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of Project GRAD's programs and operations, or for restricted purposes, as directed by the donor. At June 30, 2017 and 2016, Project GRAD held no permanently restricted net assets.

It is the policy of Project GRAD to record restricted support as unrestricted support where the donor-restrictions have been satisfied within the reporting period.

Project GRAD Los Angeles, Inc.
Notes to Financial Statements—Continued

Note A—Organization and Significant Accounting Policies—Continued

Income Taxes—Project GRAD is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and exempt from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. In addition, Project GRAD has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2017 and 2016. Generally, Project GRAD’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—Project GRAD considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments—Investments are stated at fair value.

Property—Property is recorded at cost or, if donated, at the fair market value on the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets (five years). Costs of additions, renewals, and betterments are capitalized; maintenance and repairs are charged to expense when incurred. Individual property items valued at less than \$1,000 are expensed when purchased or donated.

Deferred Scholarships Payable—Deferred scholarships payable consists of amounts due to Project GRAD scholars who have graduated from high school and met enrollment and/or deferral requirements.

Concentration of Credit Risk—Financial instruments which potentially subject Project GRAD to concentrations of credit risk consist of cash, cash equivalents, investments, and contributions receivable. Project GRAD places a portion of its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Other cash and cash equivalents are held at a major broker-dealer where the funds guaranteed by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per investor. In the normal course of operations, such cash balances exceed the FDIC and SIPC insurance limits. Investments include a beneficial interest in pooled assets held by the California Community Foundation (CCF). Contributions receivable at June 30, 2017 and 2016 are due from well-known charitable foundations with substantial assets and a government entity through its fiscal agents. Management of Project GRAD has assessed the credit risk associated with its financial instruments at June 30, 2017 and 2016 and has determined that an allowance for potential losses is not necessary.

Fiscal Agent—Project GRAD acts as the fiscal agent for an organization. Funds for the organization are recorded as a liability when received; this liability is reduced as authorized disbursements are made. Under its agreement with the organization, Project GRAD collects a 12% administrative fee.

Project GRAD Los Angeles, Inc.
Notes to Financial Statements—Continued

Note A—Organization and Significant Accounting Policies—Continued

In-Kind—Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions received during the years ended June 30, 2017 and 2016 consisted of goods and services provided by LAUSD, corporations, and foundations. In-kind contributions are recorded in the Statement of Activities and the Statement of Functional Expenses, as detailed in Notes H and I.

Functional Expenses—The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted, based on actual labor hours incurred with respect to the various programs and support services. Functional expenses have been allocated between program services, management and general, and fundraising expenses, based on an analysis of personnel time utilized for the related activities.

Use of Estimates—Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported public support, revenues and expenses. Actual results could differ from those estimates and assumptions.

Comparative Totals for 2016—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Project GRAD’s audited financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassifications—Certain amounts in 2016 have been reclassified to conform with the 2017 financial statement presentation.

Note B—Investments

Investments at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Beneficial interest in assets held by CCF	\$ 123,514	\$ 122,913
Totals	\$ 123,514	\$ 122,913

Project GRAD Los Angeles, Inc.
Notes to Financial Statements—Continued

Note C—Contributions Receivable, Net

Net contributions receivable at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
U.S. Department of Education, through fiscal agents	\$ 2,115,205	\$ 1,607,838
Foundations and other	899,750	921,000
	Gross	2,528,838
	3,014,955	2,528,838
Less discount at 1%	(12,359)	(3,965)
	Net	\$ 2,524,873
	\$ 3,002,596	\$ 2,524,873

Gross contributions receivable at June 30, 2017 and 2016 are due as follows:

	<u>2017</u>	<u>2016</u>
Receivable due in less than one year	\$ 2,352,455	\$ 2,211,338
Receivable due in one year to five years	662,500	317,500
	Gross	\$ 2,528,838
	\$ 3,014,955	\$ 2,528,838

Note D—Property, Net

Net property at June 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 64,795	\$ 59,260
Less accumulated depreciation	(47,584)	(39,127)
	Net	\$ 20,133
	\$ 17,211	\$ 20,133

Note E—Commitments and Contingencies

Project GRAD leases office space in Mission Hills, California, under a lease agreement which expires in December 2017. Project GRAD is currently in search of a new location.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. While that is a possibility, the Board of Directors of Project GRAD deems the contingency remote since, by accepting the gifts and their terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

During the year ended June 30, 2008, Project GRAD changed its scholarship program from a merit-based program to a needs-based, customized program. Students were guaranteed the minimum annual scholarship amount of \$500 per year for four years. In addition, they were also eligible for additional scholarship funds that were customizable, and based on need. The scholars were still required to be enrolled full time, at a four-year college or university. The high school classes of 2013-

Project GRAD Los Angeles, Inc.
Notes to Financial Statements—Continued

Note E—Commitments and Contingencies—Continued

2016 are receiving customized scholarships over four years. Beginning with the class of 2018, Project GRAD is not under contract to administer to the classes of 2018 and beyond. During the years ending June 30, 2017 and 2016, scholarships paid to eligible scholars totaled \$392,833 and \$443,991, respectively. Future estimated contingent scholarship payments related to these classes of students, adjusted for national retention rates, are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 331,000
2019	212,500
2020	160,000
2021	84,250
	<hr/>
Total	\$ <u>787,750</u>

Note F—Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following donor-imposed restrictions and amounts:

	<u>2017</u>	<u>2016</u>
College Readiness	\$ 882,644	\$ 570,754
College Success	347,617	245,833
Future periods	1,082,962	1,122,176
Scholarships	967,625	1,180,000
Summer Institute	349,604	558,400
	<hr/>	<hr/>
Totals	\$ <u>3,630,452</u>	\$ <u>3,677,163</u>

Note G—In-Kind Contributions

During the years ended June 30, 2017 and 2016, Project GRAD recognized in-kind contributions of program goods and services at their estimated fair market value. These in-kind contributions are captioned in the statement of functional expenses as follows:

	<u>2017</u>	<u>2016</u>
Stipends	\$ 32,709	\$ 116,065
Student and parent services	200,332	142,436
	<hr/>	<hr/>
Totals	\$ <u>233,041</u>	\$ <u>258,501</u>

Project GRAD Los Angeles, Inc.
Notes to Financial Statements—Continued

Note H—Contract Revenue from LAUSD

Contract revenue consists of amounts paid or to be paid by LAUSD to vendors providing services contracted by Project GRAD. Contract revenue represents a minimum of 25% of the overall contracted cost of specific programs provided by Project GRAD to LAUSD.

During the years ended June 30, 2017 and 2016, such in-kind contributions of program goods and services at their estimated fair market value, are as follows:

	<u>2017</u>	<u>2016</u>
Occupancy	\$ 28,000	\$ 28,000
Office supplies	2,400	2,400
School personnel and other services	310,481	308,250
Student and parent services	251,301	167,000
Telephone	9,600	9,600
Totals	<u>\$ 601,782</u>	<u>\$ 515,250</u>

Note I—Retirement Benefits

Project GRAD sponsors a 403(b) defined contribution retirement plan (Plan) for all employees. The Plan provides for employee (voluntary up to 15%) and employer (basic 3%) contributions as a percentage of each eligible employee's monthly salary. During the years ended June 30, 2017 and 2016, Project GRAD made contributions to the Plan totaling \$40,415 and \$40,790, respectively.

Note J—Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Project GRAD's Level 1 assets, consisting of cash equivalents, are valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liabilities, and market-corroborated inputs. Project GRAD's Level 2 assets consist of certificates of deposit.

Level 3—Unobservable inputs, including situations where there is little, if any, market activity for the financial instrument and are significant to the fair value measurement. Unobservable inputs reflect Project GRAD's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. Project GRAD's Level 3 assets consist of beneficial interest in assets held by CCF.

Project GRAD Los Angeles, Inc.
Notes to Financial Statements—Continued

Note J—Fair Value Measurements—Continued

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination for which category within the fair value hierarchy is appropriate is based on the lowest level input that is significant to the fair value measurement in its entirety. Assets and liabilities measured on a recurring basis at June 30, 2017 and 2016 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2017:				
Beneficial interest in assets held by CCF	\$ 123,514	\$	\$	\$ 123,514
Totals	<u>\$ 123,514</u>	<u>\$</u>	<u>\$</u>	<u>\$ 123,514</u>
2016:				
Beneficial interest in assets held by CCF	\$ 122,913	\$	\$	\$ 122,913
Totals	<u>\$ 122,913</u>	<u>\$</u>	<u>\$</u>	<u>\$ 122,913</u>

A reconciliation of Project GRAD's investment activity with regard to its beneficial interest in assets held by CCF is as follows:

Balance at July 1, 2015	\$ 122,591
Total gains (realized/unrealized)	<u>322</u>
Balance at June 30, 2016	122,913
Total gains (realized/unrealized)	<u>601</u>
Balance at June 30, 2017	<u>\$ 123,514</u>

Level 3 investment activity for the years ended June 30, 2017 and 2016, respectively, are attributable to the change in value of assets held by CCF at the reporting date, and are included under the investment return caption in the unrestricted net assets column on the statement of activities.

Note K—Related Party Transactions

During each of the years ended June 30, 2017 and 2016, Project GRAD paid \$15,000 to a related party vendor for program services; the Project GRAD President and Board Chair serve as members of the vendor's Board of Directors. The engagement of the vendor's services was approved in accordance with Project GRAD's conflict of interest policy, which included a determination that the cost of the services was fair and competitive.

Project GRAD Los Angeles, Inc.
Notes to Financial Statements—Continued

Note L—Subsequent Events

Management evaluated all activities of Project GRAD through September 15, 2017, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.

Project GRAD Los Angeles, Inc.
 Schedule of Expenditure of Federal Awards
 Year Ended June 30, 2017

<u>Federal Grantor/ Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Award Period</u>	<u>Federal Expenditures</u>
U.S. Department of Education				
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)				
Passed through:				
Marymount College	84.334	P334A110119-13	09/26/14-09/25/15	\$ 214,658
	84.334	P334A110119-14	09/26/15-09/25/16	1,086,649
	84.334	P334A110119-15A	09/26/16-09/25/17	838,744
			Total CFDA 84.334	2,140,051
			Total Expenditures of Federal Awards	\$ 2,140,051

See notes to the schedule of expenditures of federal awards.

Project GRAD Los Angeles, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note A—Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Project GRAD Los Angeles, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Project GRAD Los Angeles, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Project GRAD Los Angeles, Inc.

Note B—Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Project GRAD Los Angeles, Inc. has elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance. Any negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Project GRAD Los Angeles, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017**

There were no prior year audit findings.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Project GRAD Los Angeles, Inc.
Mission Hills, California

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Project GRAD Los Angeles, Inc. (Project GRAD), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Project GRAD's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Project GRAD's internal control. Accordingly, we do not express an opinion on the effectiveness of Project GRAD's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Project GRAD’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Project GRAD’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Project GRAD’s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Los Angeles, California
September 15, 2017



Certified Public Accountants

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Board of Directors
Project GRAD Los Angeles, Inc.
Mission Hills, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Project GRAD Los Angeles, Inc. (Project GRAD) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. Project GRAD's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of the federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Project GRAD's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Project GRAD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Project GRAD's compliance.

Opinion on Each Major Federal Program

In our opinion, Project GRAD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal award program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Project GRAD's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Project GRAD's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Project GRAD's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Los Angeles, California
September 15, 2017



**Project GRAD Los Angeles, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

A—Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Project GRAD Los Angeles, Inc. were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses or significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Project GRAD Los Angeles, Inc. were disclosed during the audit.
4. No material weaknesses or significant deficiencies were identified during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program of Project GRAD Los Angeles, Inc. expresses an unmodified opinion.
6. There were no audit findings that required reporting in this schedule in accordance with Title 2 U.S. Code of Federal Regulations section 200.516(a).
7. The program tested as the major program was the U.S. Department of Education, Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), CFDA No. 84.334.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Project GRAD Los Angeles, Inc. qualified as a low-risk auditee.

B—Findings—Financial Statements Audit

None

C—Findings and Questioned Costs—Major Federal Award Program

None

**Project GRAD Los Angeles, Inc.
Corrective Action Plan
Year Ended June 30, 2017**

As there were no audit findings or questioned costs for the year ended June 30, 2017, a corrective action plan is not required.