

AMBASSADOR HIGH SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2017

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ambassador High School
Torrance, California

Report on the Financial Statements

We have audited the accompanying financial statements of Ambassador High School (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2017, and the related statements of activities and changes in net assets 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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.



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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 Ambassador High School as of June 30, 2017, and the change in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

KBL, LLP

Glendale, California

October 20, 2017

**AMBASSADOR HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

Cash	\$ 95,613
Net property and equipment	<u>4,456</u>
Total assets	<u><u>\$ 100,069</u></u>

LIABILITIES AND NET ASSETS

Liabilities -	
Accounts payable and accrued expenses	\$ 2,980
Deferred tuition	<u>38,024</u>
Total liabilities	41,004
Net assets	<u>59,065</u>
Total liabilities and net assets	<u><u>\$ 100,069</u></u>

See accompanying notes and independent auditors' report.

AMBASSADOR HIGH SCHOOL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR END JUNE 30 2017

Revenue and Support	
Tuition	\$ 596,280
Various student fees	365,296
Contributions	104,664
Annual dinner	<u>64,416</u>
Total revenue and support	<u>1,130,656</u>
Expenses:	
Program activities:	
Payroll, taxes and related benefits	316,888
Early college	165,420
Facility lease	127,375
Athletics	46,568
Repairs and maintenance	36,673
Other program related expenses	25,448
Travel and meals	17,838
Special events	11,425
Fall retreat	10,930
Testing	6,120
Utilities	4,490
Classroom supplies and expense	<u>2,920</u>
Total program activities	<u>772,095</u>
Supporting services:	
Payroll, taxes and related benefits	192,833
Fundraising	20,895
Other expenses	18,945
Office, printing, supplies, misc.	16,083
Insurance	13,454
Advertising and promotion	6,194
Dues and subscriptions	4,830
Bank and credit card charges	4,600
Travel and meals	1,897
Depreciation and amortization	<u>1,000</u>
Total supporting services	<u>280,731</u>
Total expenses	<u>1,052,826</u>
Change in net assets	77,830
Net assets (deficit) - beginning of year	<u>(18,765)</u>
Net assets - end of year	<u>\$ 59,065</u>

See accompanying notes and independent auditors' report

**AMBASSADOR HIGH SCHOOL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

Cash flows (used in) operating activities:	
Changes in net assets	\$ 77,830
Adjustments to reconcile changes in net assets to net cash (used in) operating activities	
Depreciation and amortization	1,000
(Decrease) in accounts payable and accrued expenses	(19,253)
Increase in deferred tuition	<u>17,239</u>
Net cash (used in) operating activities	<u>(1,014)</u>
Increase in cash	76,816
Cash-beginning of year	<u>18,797</u>
Cash-end of year	<u><u>\$ 95,613</u></u>
Cash paid for:	
Income taxes	<u><u>\$ -</u></u>
Interest	<u><u>\$ -</u></u>

See accompanying notes and independent auditors' report.

**AMBASSADOR HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

1. ORGANIZATION, PURPOSE & PROGRAMS OFFERED

Organizational Purpose

Ambassador High School (“the Organization”) was incorporated in California on July 12, 2004. The school operates as a Christian high school emphasizing a biblical worldview through excellence in student leadership, academics, athletics and the arts. The school is located in Torrance, California, which is also serves as their headquarters.

The Organization is governed by a board of directors comprised of individuals representing business, religious, educational, and government sectors of the community.

Methodologies and Programs

Below is a summary of some of the methodologies and programs used.

Teaching Method

In 1930, a philanthropist Edward Harkness made a substantial donation to Phillips Exeter Academy in New Hampshire and stated, “ What I have in mind is teaching boys in sections of about eight in a section . . . where boys could sit around the table with a teacher who would talk with them and instruct them by a sort of tutorial or conference method, where the average or below average boy would feel encouraged to speak up, present his difficulties, and the teacher would know. . . what his difficulties were . . . This would be a real revolution in methods.”

The result of this donation was “Harkness Teaching,” in which a teacher and a group of students work together, exchange ideas and information, around a table. In 2013, five teachers from Ambassador High attended the Summer Institute at Phillips Exeter Academy to practice and learn “Harkness Teaching.” Then in 2014, Phillips Exeter donated three harkness tables to Ambassador High School.

Students watch lectures and complete their readings at home while asking questions of peers and teachers via online discussions. The following day students begin concept engagement in the classroom around the Harkness table with guidance and facilitation from the teacher. Through this type of instruction, students learn to think critically, listen analytically, and interact respectfully.

AMBASSADOR HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(continued)

1. ORGANIZATION, PURPOSE & PROGRAMS OFERRED (continued)

Early College Program

Ambassador High School partners with LA Harbor Community College for the Early College Program. Early College is a program designed to provide students with a structured set of classes during the four years of high school to earn both a high school diploma and an Associate of Arts Degree. When they move on to college they will have completed their AA Degree to save time and money for college.

Community Service

Students complete 30 hours of community service each year. One of the annual community service projects is with Sharefest. The Sharefest Annual Workday is a community-building and service day that brings together volunteers of all ages to donate their time and talents to beautiful and meet tangible needs at schools, churches, and nonprofit organizations in the South Bay and Ambassador High School has partnered with Broad Avenue Elementary School for the last two years. Students and staff painted murals, cleaned classrooms, and redecorated the entire kindergarten playground.

Annual Retreat

As the kickoff to each school year, faculty and students attend a school-wide Christ-centered retreat which allows for freshman and transfer students to meet other students and faculty. Through chapel services, worship and small group time, students are provided the opportunity to create deep and meaningful relationships.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements. The preparation of financial statements in conformity with generally accepted accounting principles 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.

**AMBASSADOR HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time. There were no temporarily restricted funds as of June 30, 2017.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions requiring that these funds be used specifically for a purpose as set forth by the donor. There were no permanently restricted assets as of June 30, 2017.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Tax Status

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Therefore, the Organization is not subject to income taxes. All of the activities are for the express purpose of achieving principal activities.

Generally accepted accounting principles prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken to be expected to be taken in a tax return. It requires that an Organization recognize in the financial

AMBASSADOR HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

statements the impact of the tax position if that position is more likely than not be sustained on audit, based on the technical merits of that position. As of and for the year ended June 30, 2017, the Organization had no material unrecognized tax benefits or interest.

Tax years remaining open for examination include the year ended June 30, 2013 to present.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided by straight-line and accelerated methods over the estimated useful lives of the related assets, which is five to seven years.

Fair Value of Financial Instruments

The Company has financial instruments whereby the fair market value of such financial instruments could be different than that recorded on a historical basis on the accompanying balance sheet. The Company's financial instruments consist of cash and accounts payable.

Impairment of Long-Lived Assets

The Organization reviews the carrying amount of its long-lived assets for possible impairment whenever changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The measurement of possible impairment is based primarily on the undiscounted future operating cash flows without interest changes generated through the use of these assets during the remaining estimated useful life. The assessed recoverability of long-lived assets will be impacted if estimated future operating cash flows are not achieved. Based upon its most recent analysis, the Organization believes that no events occurred during the year ended June 30, 2017 that would impair the carrying amount of its long-lived assets.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Office furniture and equipment	\$ 5,456
Less: accumulated depreciation	<u>(1,000)</u>
	<u>\$ 4,456</u>

AMBASSADOR HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(continued)

4. COMMITMENT

The Company licenses its facilities under a sublease that expires through June 2020, subject to annual increases at 3% per annum.

Minimum payments under the sublease is as follows:

Year ending June 30,	
2018	\$ 159,000
2019	159,000
2020	<u>159,000</u>
	<u>\$ 477,000</u>

5. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through October 20, 2017 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017, have been incorporated into these financial statements herein.