



REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS

ALPFA FOUNDATION INC.

Years Ended December 31, 2017 and 2016

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Report of Independent Auditors

The Board of Directors
ALPFA Foundation Inc.

Report on Financial Statements

We have audited the accompanying financial statements of ALPFA Foundation Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 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 the Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
July 26, 2018

ALPFA Foundation Inc.
Statements of Financial Position

ASSETS

	December 31,	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 10,038	\$ 6,761
Due from related party	163,373	100,266
Prepaid expenses	<u>-</u>	<u>2,090</u>
Total assets	<u><u>\$ 173,411</u></u>	<u><u>\$ 109,117</u></u>

LIABILITIES AND NET ASSETS

Deferred revenue	<u>\$ 34,910</u>	<u>\$ 9,530</u>
Total liabilities	<u>34,910</u>	<u>9,530</u>
Net assets, unrestricted	<u>138,501</u>	<u>99,587</u>
Total net assets	<u>138,501</u>	<u>99,587</u>
Total liabilities and net assets	<u><u>\$ 173,411</u></u>	<u><u>\$ 109,117</u></u>

ALPFA Foundation Inc.
Statement of Activities

	Year Ended December 31, 2017		
	Unrestricted	Temporarily Restricted	Total
Revenue			
Scholarship contributions	\$ -	\$ 154,444	\$ 154,444
In-kind service contributions	77,167	-	77,167
Net assets released from restrictions	154,444	(154,444)	-
Total revenue	<u>231,611</u>	<u>-</u>	<u>231,611</u>
Functional expenses			
Program services	115,530	-	115,530
Support services	77,167	-	77,167
Total functional expenses	<u>192,697</u>	<u>-</u>	<u>192,697</u>
Change in net assets	38,914	-	38,914
Net assets			
Beginning of year	<u>99,587</u>	<u>-</u>	<u>99,587</u>
End of year	<u>\$ 138,501</u>	<u>\$ -</u>	<u>\$ 138,501</u>

ALPFA Foundation Inc.
Statement of Activities

	Year Ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total
Revenue			
Scholarship contributions	\$ -	\$ 139,730	\$ 139,730
In-kind service contributions	206,977	-	206,977
Net assets released from restrictions	139,730	(139,730)	-
Total revenue	346,707	-	346,707
Functional expenses			
Program services	94,434	-	94,434
Support services	206,977	-	206,977
Total functional expenses	301,411	-	301,411
Change in net assets	45,296	-	45,296
Net assets			
Beginning of year	54,291	-	54,291
End of year	\$ 99,587	\$ -	\$ 99,587

ALPFA Foundation Inc. Statements of Cash Flows

	Years Ended December 31,	
	2017	2016
CHANGE IN NET ASSETS	\$ 38,914	\$ 45,296
Cash flows from operating activities:		
Adjustments to reconcile change in net assets to cash and cash equivalents provided by (used in) operating activities:		
Due from related party	(63,107)	(44,870)
Prepaid expenses	2,090	(2,090)
Deferred revenue	25,380	(1,620)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>3,277</u>	<u>(3,284)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,277	(3,284)
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,761</u>	<u>10,045</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 10,038</u>	<u>\$ 6,761</u>

Note 1 – Organization and Summary of Significant Accounting Policies

In 1974, the ALPFA Foundation Inc. ("Foundation") was organized for the purpose of providing educational and financial assistance to business students and professionals. The Foundation is associated with ALPFA Inc., formerly known as the Association of Latino Professionals in Finance and Accounting, which is a not-for-profit member-based professional association ("Association").

Basis of presentation – These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole. For the purpose of financial reporting, the Foundation classifies resources into three net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the Foundation are classified in the accompanying financial statements in the categories that follow:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they would be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets – Net assets subject to donor – imposed stipulations that will be met by action of the Foundation and/or the passage of time.

Unrestricted net assets – Net assets not subject to donor – imposed stipulations.

As of December 31, 2017 and 2016, there were no temporary or permanently restricted net assets.

Cash and cash equivalents – The Foundation considers cash and cash equivalents to be all cash on hand, deposits with financial institutions, and all highly liquid investments, except those held for long-term investment, with original maturities of three months or less when purchased. Balances of deposits with financial institutions are FDIC insured up to \$250,000.

Accounts receivable and due from related party – Accounts receivable and due from a related party are stated at the amount management expects to collect from outstanding contributions. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There were no accounts receivable or allowance for doubtful accounts at December 31, 2017 and 2016. See Note 2.

Deferred revenue – Funds received in advance of events taking place or services being provided by the Foundation are recorded as deferred revenue.

Contributions – Contributions are recognized as revenue when received or unconditionally pledged. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as either temporarily or permanently restricted net assets, depending on the nature of the donor's restriction. When a donor's 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. Revenue not meeting these requirements is treated as fee for service and recognized on an accrual basis when earned.

ALPFA Foundation Inc.

Notes to Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

In-kind contributions of services – Contributed services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed. Contributed services are recognized as income when received and recognized as expense when used in carrying out the activities of the Foundation. The value of contributed services to the Foundation were \$77,167 and \$206,977 for the years ended December 31, 2017 and 2016, respectively, and is comprised of accounting and other management services. See Note 2.

Functional allocation of expenses – The costs of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenue and expense during the reporting period. Actual results could differ from those estimates.

Income tax status – The Foundation operates as a nonprofit public benefit corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenues and Taxation Code of the State of California and, generally, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in these financial statements.

Uncertainty in income taxes – The Foundation has evaluated the financial statement impact of tax positions taken or expected to be taken in its tax returns. Management has determined that no tax liabilities need to be recorded under applicable accounting guidance for the years ended December 31, 2017 and 2016.

Reclassifications – Certain amounts from prior year have been reclassified to conform to the current year's presentation. These reclassifications do not have a material impact on the consolidated financial statements.

Recently issued accounting pronouncements – In August, 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-For-Profit Entities (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities*. The main provisions of the update address issues related to the complexity of net asset classification, transparency regarding the liquidity of funds, deficiencies in reporting financial performance measures, inconsistencies in expense reporting, and misunderstandings in presenting cash flow information. The ASU is effective for fiscal years beginning after December 15, 2017. The Foundation is currently evaluating the effect of this accounting pronouncement on its financial statements.

Note 2 – Related Party Transactions

The Foundation receives accounting and other management services from employees of the Association. These services are recognized as contributed in-kind services. The amount of revenue recognized as contributed in-kind services and personnel service costs during the years ended December 31, 2017 and 2016 was \$77,167 and \$206,977, respectively.

Additionally, the Association will commonly receive contributions that are designated for use by the Foundation. Amounts due from the Association at December 31, 2017 and 2016 were \$163,373 and \$100,266, respectively.

Note 3 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Foundation has evaluated subsequent events through July 26, 2018, which is the date the financial statements were available to be issued.