
P.F. BRESEE FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

P.F. BRESEE FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
P.F. Bresee Foundation
Los Angeles, California

We have audited the accompanying financial statements of P.F. Bresee Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses 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.

Auditor's 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 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 P.F. Bresee 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The additional information included on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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 information 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 our report dated May 16, 2018, on our consideration of P.F. Bresee Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended December 31, 2017. 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 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 P.F. Bresee Foundation's internal control over financial reporting compliance.

The image shows a handwritten signature in black ink that reads "Bernard Kathan's Company LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

Los Angeles, California
May 16, 2018

P.F. BRESEE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets -		
Cash	\$ 761,510	\$ 443,442
Money market funds	<u>275,670</u>	<u>109,759</u>
Total cash and cash equivalents (Note 2)	1,037,180	553,201
Mutual funds and common stock	25	25
Grants receivable	411,257	319,875
Other receivable	7,393	-
Prepaid expenses	<u>20,126</u>	<u>4,318</u>
Total current assets	<u>1,475,981</u>	<u>877,419</u>
Property and equipment - (Note 2)		
Vehicles	131,578	131,578
Computer equipment	182,139	177,122
Computer software	35,848	30,848
Equipment	70,342	61,836
Furniture and fixtures	194,157	194,157
Recreation equipment/facilities	88,539	85,605
Land	363,614	363,614
Building and land improvements	<u>2,304,068</u>	<u>2,290,497</u>
Total property and equipment	3,370,285	3,335,257
Less: accumulated depreciation	<u>1,453,467</u>	<u>1,346,341</u>
Net property and equipment	<u>1,916,818</u>	<u>1,988,916</u>
Other assets -		
Deposits	<u>-</u>	<u>4,853</u>
Total assets	<u>\$ 3,392,799</u>	<u>\$ 2,871,188</u>
Liabilities and net assets:		
Current liabilities -		
Accounts payable	\$ 143,281	\$ 105,786
Notes payable, current portion (Note 4)	<u>22,557</u>	<u>24,736</u>
Total current liabilities	165,838	130,522
Long term liabilities -		
Notes payable, long term portion (Note 4)	<u>240,046</u>	<u>248,291</u>
Total liabilities	<u>405,884</u>	<u>378,813</u>
Net assets:		
Without donor restrictions -		
Undesignated	1,974,770	2,165,936
Designated for specific purposes (Note 6)	<u>250,000</u>	<u>25,000</u>
Total without donor restrictions	2,224,770	2,190,936
With donor restrictions (Notes 2 & 7)	<u>762,145</u>	<u>301,439</u>
Total net assets	<u>2,986,915</u>	<u>2,492,375</u>
Total liabilities and net assets	<u>\$ 3,392,799</u>	<u>\$ 2,871,188</u>

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

P.F. BRESEE FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Individual support	\$ 85,938	\$ 21,445	\$ 107,383	\$ 85,337	\$ -	\$ 85,337
Grants	704,845	888,214	1,593,059	575,600	541,943	1,117,543
Government grants		1,486,633	1,486,633	11,570	1,183,134	1,194,704
Special events	197,495		197,495	152,175	-	152,175
Other income	32,110		32,110	98,267	-	98,267
Total	1,020,388	2,396,292	3,416,680	922,949	1,725,077	2,648,026
Net assets released from restrictions:						
Expenditure of restricted revenue	1,935,586	(1,935,586)	-	1,791,900	(1,791,900)	-
Total revenue	2,955,974	460,706	3,416,680	2,714,849	(66,823)	2,648,026
Expenses:						
Program services expenses	2,388,490		2,388,490	1,838,391	-	1,838,391
Administrative expenses	340,972		340,972	316,422	-	316,422
Fundraising expenses	193,612		193,612	207,834	-	207,834
Total expenses	2,923,074	-	2,923,074	2,362,647	-	2,362,647
Other income (expense):						
Interest and dividend income	935	-	935	2,623	-	2,623
Gain (loss) on disposal of fixed assets	-	-	-	4,015	-	4,015
Total other income	935	-	935	6,638	-	6,638
Change in net assets	33,835	460,706	494,541	358,840	(66,823)	292,017
Net assets -						
Beginning of year	2,190,935	301,439	2,492,374	1,832,095	368,262	2,200,357
End of year	\$ 2,224,770	\$ 762,145	\$ 2,986,915	\$ 2,190,935	\$ 301,439	\$ 2,492,374

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

P.F. BRISSEE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Program Services	Administrative	Fundraising	Total	Program Services	Administrative	Fundraising	Total
Accounting fees	\$ 11,799	\$ 11,530	\$ -	\$ 23,329	\$ 8,820	\$ 8,854	\$ -	\$ 17,674
Conferences, meetings & training	14,113	14,628	2,724	31,465	12,823	4,037	-	16,860
Depreciation and amortization	94,834	16,469	-	111,303	79,336	13,781	-	93,117
Employee benefits	82,313	4,344	1,256	87,913	65,232	13,137	7,454	85,823
Equipment rental & maintenance	16,313	-	-	16,313	5,741	-	-	5,741
Events	37,189	935	42,734	80,858	24,285	-	36,964	61,249
Facilities	140,815	15,201	-	156,016	111,256	10,745	1,194	123,195
Insurance	62,396	11,991	-	74,387	51,603	3,245	-	54,848
Payroll taxes	107,997	13,139	9,914	131,050	89,024	16,823	9,939	115,786
Postage & shipping	536	519	149	1,204	122	712	178	1,012
Printing & publications	6,215	1,590	290	8,095	5,517	601	150	6,268
Professional fees	222,399	15,988	8,904	247,291	134,782	7,013	21,167	162,962
Program supplies & expenses	214,435	2,395	1,008	217,838	136,670	6,890	766	144,326
Salaries & wages	1,225,160	195,176	125,336	1,545,672	979,384	208,112	124,231	1,311,727
Scholarships	81,755	-	-	81,755	62,500	-	-	62,500
Supplies & office expense	17,850	14,922	142	32,914	14,164	7,454	828	22,446
Taxes, licenses & fees	381	8,115	377	8,873	-	5,036	-	5,036
Telephone & internet	18,571	3,786	514	22,871	18,525	1,362	341	20,228
Travel & vehicle expense	23,340	6,477	264	30,081	26,619	4,623	4,622	35,864
Interest expense	10,079	3,767	-	13,846	11,988	3,997	-	15,985
Total expenses	\$ 2,388,490	\$ 340,972	\$ 193,612	\$ 2,923,074	\$ 1,838,391	\$ 316,422	\$ 207,834	\$ 2,362,647

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

P.F. BRESEE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets from operations	\$ 494,541	\$ 292,017
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	111,303	93,117
Gain on disposal of fixed assets	-	(2,500)
Amortization of notes payable (Note 4)	-	(3,333)
Changes in operating assets and liabilities -		
Decrease (increase) in prepaid expenses	(15,808)	340
Decrease (increase) in other receivable	(7,393)	-
Increase in grants receivable	(91,382)	(40,802)
Decrease in deposits	4,853	-
Increase in current liabilities	37,495	42,165
Total adjustments	39,068	88,987
Net cash provided by (used for) operating activities	533,609	381,004
Cash flows from investing activities:		
Property and equipment purchases	(39,206)	(179,942)
Sale of mutual funds	-	86,267
Gain on sale of mutual funds	-	(1,515)
Investment in stocks and mutual funds	-	(1,970)
Net cash used for investing activities	(39,206)	(97,160)
Cash flows from financing activities:		
Principal payment on notes payable (Note 4)	(10,424)	(23,441)
Net cash used for financing activities	(10,424)	(23,441)
Net increase (decrease) in cash and cash equivalents	483,979	260,403
Cash and cash equivalents -		
Beginning of year	553,201	292,798
End of year	<u>\$ 1,037,180</u>	<u>\$ 553,201</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 13,846</u>	<u>\$ 15,985</u>

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

P.F. BRESEE FOUNDATION

Notes to Financial Statements

December 31, 2017 and 2016

Note 1: Organization:

P.F. Bresee Foundation, (the Foundation) is a California nonprofit public benefit corporation chartered on November 29, 1982. The Foundation is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes and not for the private gain of any individual. The Bresee Foundation's mission is to provide comprehensive after-school programs and family services that equip young people to pursue their education, achieve their full potential, and serve others. Bresee envisions a central Los Angeles community (Koreatown, Pico Union, Westlake) transformed by character-driven, creative, college-educated Bresee Foundation alumni. The organization's work is focused on three key program areas: Youth Programs, Family Services, and Gang Reduction and Youth Development. The Youth Programs team provides comprehensive after-school programs that equip underserved youth to pursue academic excellence, achieve their full potential, and learn the value of service. Programs include Academics, Career-readiness, STEM, Arts, Athletics and Service. The Family Services team provides intensive wrap-around support for the families of the youth Bresee serves and social and economic stability for the community at large. Programs include emergency food and rental assistance, parenting classes, academic case management, and referrals to a variety of social services. The Gang Reduction team prevents the most at-risk 10 - 15 year olds in the Rampart/Pico Union area from joining a gang through the Gang Reduction and Youth Development Model of Practice. Programs are tailored to the risk factors of individual students, including intensive case management, family therapy and high-quality youth development activities. All three programs connect young people and families with caring adults, serving the goal of equipping youth to overcome various community risk-factors. Administration handles accounting and personnel functions of the Foundation.

Note 2: Summary of significant accounting policies:

Basis of accounting –

Assets, liabilities, revenue and expenses are recorded on the accrual basis of accounting. Common stock and mutual funds are stated at fair value. Some prior year information is summarized and is presented for comparative purposes only. The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

The Foundation follows the provisions of the Statements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, which are generally required by all not-for-profit organizations. These standards require not-for-profit entities to recognize contributions, including unconditional promises to give, when the promises are received as opposed to when collected. They also generally require reporting contributions as an increase in net assets immediately, even if the donor has restricted their use and the restriction will be met in a future reporting period; that is, none are deferred. Accounting standards require the presentation of the Statements of Financial Position and Activities to be based on donor imposed restrictions, if any. Amounts for each of three classes of net assets - permanently restricted, temporarily restricted and unrestricted - are displayed in the Statement of Financial Position and changes in each of those classes of net assets be displayed in the Statement of

Activities. The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with stipulations that limit the use of the assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Foundation has no permanently restricted net assets.

Cash and cash equivalents –

For purposes of the statement of cash flows, the Foundation considers money market funds to be cash equivalents.

Donated services –

Volunteers donated approximately 1,640 hours in 2017. Under the provisions of Financial Accounting Standards, the value of these services is not reflected in the accompanying financial statements.

Property, equipment and depreciation –

Vehicles, computer equipment, software, furniture and fixtures, equipment and building are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

	<u>Years</u>
Vehicles	5
Computer equipment	5
Computer software	3
Equipment	7
Recreation equipment	7
Recreation facilities	10
Furniture and fixtures	10
Building & Land Improvements	39

Use of estimates - general –

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3: Fair value measurements:

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Money market investments are valued at amortized cost, which approximates fair value.

The following tables set forth by level, within the fair value hierarchy the Foundation's assets at fair value as of December 31, 2017 and 2016:

Assets at Fair Value as of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	<u>\$ 275,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,670</u>

Assets at Fair Value as of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	<u>\$ 109,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,759</u>

Note 4: Notes payable:

Building construction was financed in part by a grant from the City of Los Angeles Department of Public Works for \$200,000. This grant is in the form of a promissory note secured by a deed of trust on the building. The promissory note was amortized at the rate of \$13,333.33 per year for 15 years while the Foundation operates in compliance with the agreement. The amortization period began April 5, 2001. In 2016 and 2015, \$3,334 and \$13,333 were amortized respectively and included in income. The note was fully amortized by December 31, 2016.

The P.F. Bresee Foundation borrowed \$400,000 in an interest only loan secured by a deed of trust on the building on September 7, 2006 for a term of five years, at an interest rate of 10.50%, with the principal due September 1, 2011. The loan was refinanced with Wells Fargo Bank on October 1, 2010 with a maturity date of October 1, 2020. The note bears interest at 5.50% per annum, with monthly payments of principal and interest in the amount of \$3,285 amortized over 15 years with a balloon payment due at maturity. As of December 31, 2017 and 2016, the outstanding balance was \$-0- and \$273,027, respectively. The loan was refinanced with First Citizens Bank on August 4, 2017 with a maturity date of August 4, 2027. The note bears interest at 4.10% per annum, with monthly payments of principal and interest in the amount of \$2,754.16 amortized over 10 years. As of December 31, 2017, the outstanding balance was \$262,603.

Line of credit:

The P. F. Bresee Foundation had a revolving line of credit with Wells Fargo Bank up to the amount of \$100,000 until February 28, 2017. On August 8, 2017, P.F. Bresee Foundation used the Bimini building to obtain a new line of credit for the amount of \$500,000 from First Citizens Bank. No funds were drawn on this line of credit as of December 31, 2017.

Future principal payments on note payable for the next five years and thereafter are as follows:

<u>December 31</u>	<u>Amount</u>
2018	\$ 22,557
2019	23,513
2020	24,484
2021	25,547
2022	26,629
Thereafter	<u>139,873</u>
Total	<u>\$ 262,603</u>

Note 5: Concentration of credit risk:

The Foundation maintains accounts at Wells Fargo Bank and First Citizens Bank. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Note 6: Assets designated for specific purposes:

In 2016, the Foundation adopted an operating reserve policy to establish a specific amount of funds to be distinguished from operating cash flows. These funds may only be accessed for specified matters and only upon receiving specific approvals established within the policy. As of December 31, 2016 the balance at the operating reserve was \$25,000. As of December 31, 2017 the balance of the operating reserve was increased to \$250,000.

Note 7: Restrictions on net assets:

Restrictions on net assets are placed by donors according to their various contractual agreements with the Foundation. Donor restrictions mainly apply to multiyear grants for specific positions, purchase of capital equipment, and other expenses and purchases that donations may be used for.

Note 8: Income tax status:

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and, accordingly, the Foundation's net investment income is exempt from income taxes. The Foundation has obtained a favorable tax determination letter from the IRS, and the plan sponsor believes that the Foundation, as amended, continues to qualify and to operate in accordance with applicable provisions of the IRC.

The Foundation has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Internal Revenue Code and qualifies for the maximum charitable contribution deduction by donors.

U.S. GAAP requires Foundation management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

Note 9: Subsequent events:

P.F. Bresee Foundation has evaluated subsequent events occurring between the end of the most recent fiscal year and the date the financial statements were available for issuance.

P.F. BRESEE FOUNDATION

SCHEDULE OF REVENUE BY DIVISION

YEAR ENDED DECEMBER 31, 2017
(2016 Summarized for Comparative Purposes)

	Administration	Family Services	Youth Programs	Gang Reduction & Youth Development	2017 Total	2016 Total
Individual support	\$ 87,938	\$ -	\$ 19,445	\$ -	\$ 107,383	\$ 85,337
Foundation & corporation grants	704,845	78,969	808,345	900	1,593,059	1,117,543
Government grants	-	792,372	210,135	484,126	1,486,633	1,194,704
Special events	162,595	-	34,900	-	197,495	152,175
Other income	32,110	-	-	-	32,110	98,267
Total revenue	<u>\$ 987,488</u>	<u>\$ 871,341</u>	<u>\$ 1,072,825</u>	<u>\$ 485,026</u>	<u>\$ 3,416,680</u>	<u>\$ 2,648,026</u>

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

P.F. BRESEE FOUNDATION

SCHEDULE OF EXPENSES BY DIVISION

YEAR ENDED DECEMBER 31, 2017
(2016 Summarized for Comparative Purposes)

	Administration & Fundraising	Family Services	Youth Programs	Gang Reduction & Youth Development	2017 Total	2016 Total
Accounting fees	\$ 11,530	\$ 4,051	\$ 3,843	\$ 3,905	\$ 23,329	\$ 17,674
Conferences, meetings, & training	17,352	3,891	6,515	3,707	31,465	16,860
Depreciation	16,469	23,691	48,690	22,453	111,303	93,117
Employee benefits	5,600	24,495	30,891	26,927	87,913	85,823
Equipment rental & maintenance	-	1,135	15,178	-	16,313	5,741
Events	43,669	9,878	12,829	14,482	80,858	61,249
Facilities	15,201	58,230	40,930	41,655	156,016	123,195
Insurance	11,991	24,907	17,378	20,111	74,387	54,848
Payroll taxes	23,053	43,367	36,269	28,361	131,050	115,786
Postage & shipping	668	56	480	-	1,204	1,012
Printing & publications	1,880	3,366	1,417	1,432	8,095	6,268
Professional fees	24,892	96,364	125,771	264	247,291	162,962
Program supplies & expenses	3,403	89,164	120,918	4,353	217,838	144,326
Salaries & wages	320,512	457,735	431,454	335,971	1,545,672	1,311,727
Scholarships	-	-	81,755	-	81,755	62,500
Supplies & office expense	15,064	7,058	6,427	4,365	32,914	22,446
Taxes, licenses & fees	8,492	381	-	-	8,873	5,036
Telephone & internet	4,300	8,353	5,227	4,991	22,871	20,228
Travel & vehicle expense	6,741	5,364	15,638	2,338	30,081	35,864
Interest expense	3,767	3,360	3,359	3,360	13,846	15,985
Total expenses	\$ 534,584	\$ 864,846	\$ 1,004,969	\$ 518,675	\$ 2,923,074	\$ 2,362,647

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

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
THE CALIFORNIA SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS

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
P.F. Bresee Foundation
Los Angeles, 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 P.F. BRESEE FOUNDATION, which comprise the statements of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, 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 May 16, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered P.F. Bresee Foundation's internal control over financial reporting (internal control) 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 P.F. Bresee Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

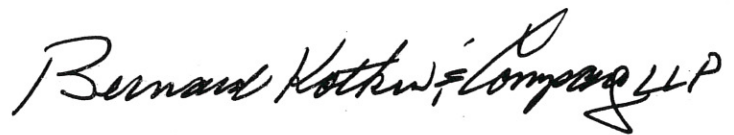
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 P.F. Bresee Foundation's financial statements are free from 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Bernard Rothman & Company LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

Los Angeles, California
May 16, 2018

BERNARD KOTKIN & COMPANY LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
P.F. Bresee Foundation
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited P.F. BRESEE FOUNDATION's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of P.F. Bresee Foundation's major federal programs for the year ended December 31, 2017. P.F. Bresee Foundation's major federal programs are identified in the summary of auditor's 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 its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of P.F. Bresee Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 P.F. Bresee Foundation'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 P.F. Bresee Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, P.F. Bresee Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of P.F. Bresee Foundation 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 P.F. Bresee Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 P.F. Bresee Foundation'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. However, material weaknesses may exist that have not been identified.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Los Angeles, California
May 16, 2018

P.F. BRESEE FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Federal Grantor/PassThroughGrantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<u>U.S DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>				
COMMUNITY DEVELOPMENT BLOCK GRANT -	14.218			
Passed through the City of Los Angeles Community				
Housing and Community Investment Department				
Wilshire FamilySource Center		C-127884	\$ 86,725	\$ 36,098
		C-129287	300,298	59,802
			<u>387,023</u>	<u>95,900</u>
Total U.S. Department of Housing & Urban Development				
<u>U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
COMMUNITY SERVICES BLOCK GRANT -	93.569			
Passed through the City of Los Angeles Community				
Housing and Community Investment Department		C-127884	155,869	
Wilshire FamilySource Center		C-129287	237,368	
			<u>393,237</u>	<u>-</u>
Total U. S. Department of Health & Human Services				
<u>U.S. DEPARTMENT OF JUSTICE</u>				
JUVENILE MENTORING PROGRAM -	16.726			
Office of Juvenile Justice & Delinquency Prevention				
Passed through Nazarene Compassionate Ministries, Inc.:				
NCMI Compassion Kids Mentoring Initiative		2014-JU-FX-0017	53,113	
			<u>53,113</u>	<u>-</u>
Total U. S. Department of Justice				
<u>U.S. DEPARTMENT OF LABOR</u>				
WIA YOUTH ACTIVITIES -	17.259			
Passed through the City of Los Angeles				
Economic and Workforce Development Department:				
Passed through Catholic Charities of Los Angeles, Inc.:				
Archdiocesan Youth Employment Services		C-127802	12,274	
			<u>12,274</u>	<u>-</u>
Total U.S. Department of Labor				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
21ST CENTURY COMMUNITY LEARNING CENTERS -				
Passed through the CA Department of Education:	84.287			
Passed through LAUSD:				
After School Education & Safety - Beyond the Bell		4400002788	142,658	
			<u>142,658</u>	<u>-</u>
Total U.S. Department of Education				
Total expenditures of federal awards			<u>\$ 988,305</u>	<u>\$ 95,900</u>

See accompanying notes to schedule of expenditures of federal awards.

P. F. BRESEE FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2017

Note 1: Basis of presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of P. F. Bresee Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Government, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Facilities and administrative costs:

P. F. Bresee Foundation uses its negotiated indirect cost rates instead of the 10% de minimis rate allowed by the Uniform Guidance.

Note 3: Non-federal matching requirement:

On all contracts that require non-federal matching funds, the matching requirement has been met entirely with private (non-government) grants.

P. F. BRESEE FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2017

SUMMARY OF AUDIT RESULTS

- 1) The Auditors' report expresses an unqualified opinion on the financial statements of P.F. Bresee Foundation.
- 2) No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report.
- 3) No instances of noncompliance material to the financial statements of P.F. Bresee Foundation, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- 4) No reportable conditions relating to the audit of the major Federal award programs are reported in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance.
- 5) The Auditors' report on compliance for the major federal award programs for P.F. Bresee Foundation expresses an unqualified opinion on all major federal programs.
- 6) There are no audit findings relating to major programs that are required to be reported under 2 CFR section 200.516(a).
- 7) The programs tested as major programs included: Department of Education - 21st Century Community Learning Centers (84.287), and Department of Health and Human Services - Community Services Block Grant (93.569).
- 8) The threshold used for distinguishing between Type A and B programs was \$750,000.
- 9) P.F. Bresee Foundation does not qualify as a low-risk auditee because no single audit was required in 2015 due to its lower than threshold federal expenditures.