

JOSE VALDES MATH FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

AND

INDEPENDENT AUDITORS' REPORT



JOSE VALDES MATH FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jose Valdes Math Foundation
San Jose, California

Opinion

We have audited the accompanying financial statements of Jose Valdes Math Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jose Valdes Math Foundation as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jose Valdes Math Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jose Valdes Math Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jose Valdes Math Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jose Valdes Math Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Johanson & Yau Accountancy Corporation

Campbell, California
May 19, 2023

JOSE VALDES MATH FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 196,252
Pledges receivable	28,000
Other current assets	<u>19,992</u>
Total current assets	<u>244,244</u>
	<u><u>\$ 244,244</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 19,996
Accrued expenses	<u>8,829</u>
Total current liabilities	<u>28,825</u>
Net assets	
Without donor restrictions - Note 5	\$ 112,919
With donor restrictions - Note 6	<u>102,500</u>
Total net assets	<u>215,419</u>
	<u><u>\$ 244,244</u></u>

See accompanying notes to financial statements

**JOSE VALDES MATH FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants and donations	\$ 323,537	\$ 102,500	\$ 426,037
Tuition, net	67,263	-	67,263
Interest income	240	-	240
	391,040	102,500	493,540
Total support and revenue			
Expenses			
Program services	305,200	-	305,200
Management and general	101,111	-	101,111
Fundraising	8,345	-	8,345
	414,656	-	414,656
Total expenses			
Change in net assets	(23,616)	102,500	78,884
Net assets, beginning of year	136,535	-	136,535
Net assets, end of year	\$ 112,919	\$ 102,500	\$ 215,419

See accompanying notes to financial statements

**JOSE VALDES MATH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	Program Services	Management & General	Fundraising	Total
Salaries	\$ 94,896	\$ 45,430	\$ 4,568	\$ 144,894
Payroll taxes	7,125	3,475	350	10,950
Subtotal salaries and related expenses	102,021	48,905	4,918	155,844
Teachers and assistant	189,419	-	-	189,419
Rent - Note 3	-	14,392	-	14,392
Contractor	-	14,077	-	14,077
School supplies	13,760	-	-	13,760
Accounting expenses	-	6,405	-	6,405
Dues and subscriptions	-	5,745	-	5,745
Insurance	-	5,456	-	5,456
Grant writer	-	-	3,427	3,427
Charitable contributions	-	3,100	-	3,100
Bank charges	-	1,503	-	1,503
Legal and professional fees	-	1,110	-	1,110
Postage	-	260	-	260
Office supplies	-	143	-	143
Taxes and licenses	-	15	-	15
Total functional expenses	<u>\$ 305,200</u>	<u>\$ 101,111</u>	<u>\$ 8,345</u>	<u>\$ 414,656</u>

See accompanying notes to financial statements

**JOSE VALDES MATH FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

Cash flows from operating activities	
Change in net assets	\$ 78,884
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Increase in assets	
Pledges receivable	(28,000)
Other current assets	(18,750)
Increase in liabilities	
Accounts payable and accrued expenses	<u>21,310</u>
Net cash provided by operating activities	53,444
Cash and cash equivalents, beginning of year	<u>142,808</u>
Cash and cash equivalents, end of year	<u><u>\$ 196,252</u></u>

See accompanying notes to financial statements

JOSE VALDES MATH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Foundation - The Jose Valdes Math Foundation (the Foundation) is a California nonprofit corporation founded in 2007. The primary goal of the Foundation is to provide educational services to middle school and high school students to contribute to the development of the whole student by advancing their math skills and enabling them to flourish in a diverse community.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (US GAAP), and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation - The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable and Allowance for Doubtful Pledges - Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. An allowance for uncollectible pledges is recorded, as considered necessary, based on management's analysis of specific unconditional pledges and on the Foundation's prior experience. As of December 31, 2022, the Foundation had pledges receivable totaling \$28,000 and no allowance for uncollectible pledges.

**JOSE VALDES MATH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - The Foundation's primary revenue sources are donations from individuals, grants from foundations, local school districts and local and state governments and tuition.

Tuition is recognized as revenue in the period in which the related class is held.

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as without donor restrictions or with donor restrictions depending on the nature of donor imposed restrictions, if any, and upon whether the restrictions are met in the current year.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Total contributions with donor restrictions was \$102,500 as of and for the year ended December 31, 2022.

Functional Expenses - The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the program services, management and general and fundraising expense categories based on management's estimate.

The significant expenses that are allocated include salaries and related expenses, which are allocated based on estimates of time and effort.

Use of Estimates - The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is considered a nonprofit public benefit corporation. The Foundation's tax filings are subject to audit by various taxing authorities.

Concentration of Credit Risk - Contributions from five major donors during the year ended December 31, 2022 accounted for 70% of the Foundation's total support and revenue. At December 31, 2022, 100% of the Foundation's pledges receivable were from two donors.

**JOSE VALDES MATH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement - In February 2016, the Financial Accounting Standards Board (FASB) issued new accounting guidance for leases. The new guidance requires lessees to recognize lease assets and lease liabilities for all leases with terms more than 12 months in the statement of financial position and disclose key information about leasing agreements. This new guidance is effective for annual reporting periods beginning after December 15, 2021 with early adoption permitted. The Foundation adopted this Accounting Standard Update (ASU) on January 1, 2022. The adoption did not have an impact on the Foundation's change in net assets.

Subsequent Events - Subsequent events were evaluated through May 19, 2023, the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The following represents the Foundation's financial assets available within one year of the statement of financial position date for general expenditures:

Cash and cash equivalents	\$ 196,252
Accounts receivable	<u>28,000</u>
	<u><u>\$ 224,252</u></u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

NOTE 3 - LEASE AND COMMITMENTS

The Foundation leases two facilities under month-to-month lease contracts. Total rent under these leases was \$14,392 for the year ended December 31, 2022.

NOTE 4 - RELATED PARTY TRANSACTIONS

Donations from Foundation board members totaled \$18,480 for the year ended December 31, 2022.

JOSE VALDES MATH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors (the Board) of the Foundation has designated \$20,000 of net assets without donor restrictions to be set aside for future software purchase. The remaining net assets without donor restrictions are undesignated. The Board may remove the restrictions on these funds at any time.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 are available for the following purposes or periods:

General operating expenses in 2023	\$ 25,000
Summer math program in 2023	<u>77,500</u>
	<u><u>\$ 102,500</u></u>

None of the net assets with donor restrictions is required to be held in perpetuity.

NOTE 7 - UNCERTAINTIES

The COVID-19 outbreak had disrupted events typically held by the Foundation. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the overall impact on the community, all of which are uncertain and cannot be predicted. As of the date of this report, the extent to which COVID-19 may impact the Foundation's financial condition or results of operations is uncertain. No adjustments relating to the effects of the pandemic have been recorded in the accompanying financial statements.