

Aurora Public Schools Foundation

(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)

Financial Statements and Independent Auditor's Report
June 30, 2018 and 2017

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Aurora Public Schools Foundation
June 30, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Aurora Public Schools Foundation
Aurora, Colorado

We have audited the accompanying financial statements of Aurora Public Schools Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

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. Those standards require that we plan and perform the audit 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.

Board of Directors
Aurora Public Schools Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, 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.

BKD, LLP

Denver, Colorado
October 16, 2018

Aurora Public Schools Foundation
Statements of Financial Position
June 30, 2018 and 2017

Assets

	2018	2017
Cash	\$ 966,236	\$ 1,187,680
Investments	179,707	-
Contributions receivable	84,750	140,000
Prepaid and other assets	4,500	-
Total assets	\$ 1,235,193	\$ 1,327,680

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 33,954	\$ 24,000
Total liabilities	33,954	24,000
Net assets		
Unrestricted	439,723	374,343
Temporarily restricted	661,516	829,337
Permanently restricted	100,000	100,000
Total net assets	1,201,239	1,303,680
Total liabilities and net assets	\$ 1,235,193	\$ 1,327,680

Aurora Public Schools Foundation
Statement of Activities
Year Ended June 30, 2018

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Contributions – general	\$ 51,537	\$ 508,666	\$ -	\$ 560,203
Special events revenue	160,692	21,000	-	181,692
Less special events direct expenses	(50,621)	-	-	(50,621)
Investment income	3,038	72	-	3,110
Net assets released from restrictions	697,559	(697,559)	-	-
	<u>862,205</u>	<u>(167,821)</u>	<u>-</u>	<u>694,384</u>
Total revenues, gains and other support				
Expenses				
Program services				
Scholarships	87,707	-	-	87,707
Special projects	339,005	-	-	339,005
College and Career Centers	224,799	-	-	224,799
	<u>651,511</u>	<u>-</u>	<u>-</u>	<u>651,511</u>
Total program services				
Support services				
General and administrative	124,762	-	-	124,762
Fundraising	20,552	-	-	20,552
	<u>796,825</u>	<u>-</u>	<u>-</u>	<u>796,825</u>
Total expenses				
Change in Net Assets	65,380	(167,821)	-	(102,441)
Net Assets, Beginning of Year	<u>374,343</u>	<u>829,337</u>	<u>100,000</u>	<u>1,303,680</u>
Net Assets, End of Year	<u>\$ 439,723</u>	<u>\$ 661,516</u>	<u>\$ 100,000</u>	<u>\$ 1,201,239</u>

Aurora Public Schools Foundation
Statement of Activities
Year Ended June 30, 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Contributions – general	\$ 174,897	\$ 851,675	\$ -	\$ 1,026,572
Special events revenue	91,561	56,625	-	148,186
Less special events direct expenses	(49,601)	-	-	(49,601)
Investment income	587	87	-	674
Net assets released from restrictions	903,204	(903,204)	-	-
	<u>1,120,648</u>	<u>5,183</u>	<u>-</u>	<u>1,125,831</u>
Total revenues, gains and other support				
Expenses				
Program services				
Scholarships	58,756	-	-	58,756
Special projects	622,981	-	-	622,981
College and Career Centers	173,127	-	-	173,127
	<u>854,864</u>	<u>-</u>	<u>-</u>	<u>854,864</u>
Total program services				
Support services				
General and administrative	82,682	-	-	82,682
Fundraising	14,170	-	-	14,170
	<u>951,716</u>	<u>-</u>	<u>-</u>	<u>951,716</u>
Total expenses				
Change in Net Assets	168,932	5,183	-	174,115
Net Assets, Beginning of Year	<u>205,411</u>	<u>824,154</u>	<u>100,000</u>	<u>1,129,565</u>
Net Assets, End of Year	<u>\$ 374,343</u>	<u>\$ 829,337</u>	<u>\$ 100,000</u>	<u>\$ 1,303,680</u>

Aurora Public Schools Foundation
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flow from Operating Activities		
Change in net assets	\$ (102,441)	\$ 174,115
Changes in		
Contributions receivable	55,250	26,000
Prepaid expenses	(4,500)	-
Accounts payable	9,954	9,854
Deferred revenue	-	(56,949)
	<u> -</u>	<u> -</u>
Net cash provided by (used in) operating activities	<u>(41,737)</u>	<u>153,020</u>
Cash Flow from Investing Activities		
Purchases of investments	<u>(179,707)</u>	<u>-</u>
	<u>(179,707)</u>	<u>-</u>
Net increase (decrease) in cash	<u>(221,444)</u>	<u>153,020</u>
Cash, Beginning of Year	<u>1,187,680</u>	<u>1,034,660</u>
Cash, End of Year	<u><u>\$ 966,236</u></u>	<u><u>\$ 1,187,680</u></u>

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2018 and 2017

Note 1: Organization

The Aurora Public Schools Foundation (the Foundation) was incorporated in 1987 as a nonprofit organization. The Foundation is a community-based advocate for high quality public education for all children in the Joint School District No. 28-J of the Counties of Adams and Arapahoe, Colorado (the District). The commitment to children is reflected in activities that facilitate understanding between schools and the community, foster innovations that enable schools and the District to meet the challenges of the future and secure resources from individuals, corporations and foundations to support programs for which federal, state and local funding is not available. Programs administered by the Foundation include grants, scholarship programs and special projects. These programs provide assistance to further the educational opportunities of District students.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

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

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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

Cash

Cash consists of demand deposits and money market accounts. At June 30, 2018, the Foundation's cash accounts exceeded federally insured limits by approximately \$724,000.

Investment and Investment Return

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment return includes dividend, interest and realized and unrealized gains and losses on investments carried at fair value.

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2018 and 2017

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Revenue Recognition

Exchange transactions are reciprocal transfers in which each party receives and sacrifices something of approximately equal value. Revenue is recognized when the benefits are provided.

Contributions, including unconditional promises to give, are considered to be non-exchange transactions and are recognized as revenue when the contributions are made. The Foundation reports contributions of cash and other assets as restricted support if they are received and donor stipulations limit the use of the donated assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restrictions.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the statements of activities. Indirect costs have been allocated between the various program and support services based on estimates, as determined by management.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation is not considered a private foundation.

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 certain reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

Future Change in Accounting Principle

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment applies to not-for-profit entities. The amendment reduces the classes of net assets to *net assets with donor restrictions* and *net assets without donor restrictions*; removes the reconciliation of cash flows to

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2018 and 2017

the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations and requires disclosure of expenses by both their natural and functional classification on the face of the statements of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017 with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented. The Foundation is in the process of evaluating the impact the amendment will have on the financial statements.

Subsequent Events

Subsequent events have been evaluated through October 22, 2018, which is the date the financial statements were available to be issued.

Note 3: Investments

Investments at June 30 consisted of the following:

	2018	2017
Money market fund	\$ 1,680	\$ -
Mutual funds	103,953	-
Exchange-traded mutual funds	74,074	-
	\$ 179,707	\$ -

Note 4: Contributions Receivable

Contributions receivable, which are temporarily restricted, consist of unconditional promises to give. For the years ended June 30, 2018 and 2017, the contribution receivable balance is \$84,750 and \$140,000, respectively, and is all due within one year.

Note 5: Related-party Transactions

The Board of Directors for the Foundation contributed \$0 in restricted gifts and \$45 in unrestricted gifts and \$0 in restricted gifts and \$1,005 in unrestricted gifts for the years ended June 30, 2018 and 2017, respectively.

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2018 and 2017

Note 6: Contributed Services, Office Space, Supplies and General Operating Expenses

The District contributes various services, office space, supplies and general operating expenses to the Foundation. In addition, the Foundation receives donations of supplies from various community members and organizations.

Additionally, the Foundation received contributed legal services from an ex-officio board member to update its policies and bylaws. The estimated fair value of the contributed services is reported as contribution revenue and as expense in the accompanying statements of activities.

The estimated fair value of the contributed services for specialized skills, office space, supplies and general operating expenses is reported as contributions revenue and as expenses in the accompanying statements of activities. The estimated fair value of such contributions for 2018 and 2017 is \$56,442 and \$33,884, respectively. The value of the support has been allocated to general and administrative expense.

Note 7: Fundraising Expenses

Fundraising expenses are incurred to persuade potential donors to make contributions to the Foundation and are expensed as incurred. For the years ended June 30, 2018 and 2017, fundraising expenses were composed of the following:

	<u>2018</u>	<u>2017</u>
Special event direct expenses	\$ 50,621	\$ 49,601
Gala and other fundraising salaries	<u>20,552</u>	<u>14,170</u>
Total	<u>\$ 71,173</u>	<u>\$ 63,771</u>

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Notes to Financial Statements
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Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted to program services, which include specific grants, scholarships, and special projects, as indicated by the donor. In addition, some temporarily restricted net assets are restricted due to time restrictions, which include contributions received for special events. As of June 30, 2018 and 2017, the amounts restricted for these purposes were as follows:

	2018	2017
Scholarships and endowed scholarships	\$ 384,006	\$ 392,636
Educator grants and classroom initiatives	5,703	10,035
College and career centers	250,807	406,466
Special events - Annual Gala	21,000	20,200
	\$ 661,516	\$ 829,337

Note 9: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring program service expenses satisfying the restricted purposes established by donors or expiration of time restrictions. Net assets released from restrictions for 2018 and 2017 were \$697,559 and \$903,204, respectively.

Note 10: Permanently Restricted Net Assets

In 1995, the Foundation received a bequest of \$100,000. The bequest agreement states that the amount to be used by the Foundation is not to exceed the annual interest earned. The principal amount is to remain intact. Additionally, the bequest agreement specifies that contributions to the fund in excess of the \$100,000 are to be used for scholarship purposes and are thus temporarily restricted. The earnings on the principal amount are to be used to help women who have overcome obstacles in their lives and are determined to change their direction and better themselves by pursuing a course of education or training that will help them become self-reliant. The net assets of the endowment fund as of June 30, 2018 and 2017 were \$100,000.

Note 11: Endowment

The Foundation's endowment consists of one fund for the purpose as discussed in Note 9. The endowment includes only donor-restricted endowment funds, as the Foundation does not have any funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (U.S. GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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The Foundation has interpreted the State of Colorado’s Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The composition of net assets by type of endowment fund at June 30, 2018 and 2017 was:

		2018			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Donor-restricted endowment funds	\$ -	\$ 6,131	\$ 100,000	\$ 106,131
		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Donor-restricted endowment funds	\$ -	\$ 8,132	\$ 100,000	\$ 108,132

Changes in endowment net assets for the years ended June 30, 2018 and 2017 were:

		2018			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Endowment net assets, beginning of year	\$ -	\$ 8,132	\$ 100,000	\$ 108,132
	Investment income	-	72	-	72
	Contributions	-	-	-	-
	Appropriation for expenditure	-	(2,073)	-	(2,073)
	Endowment net assets, end of year	\$ -	\$ 6,131	\$ 100,000	\$ 106,131

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2018 and 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ 8,045	\$ 100,000	\$ 108,045
Investment income	-	87	-	87
Contributions	-	-	-	-
Appropriation for expenditure	-	-	-	-
	-	-	-	-
Endowment net assets, end of year	\$ -	\$ 8,132	\$ 100,000	\$ 108,132

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the original donated value of the endowment. Endowment assets include only donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods.

Under the Foundation’s policies, endowment assets are deposited in a separate account with First Bank. These funds earn a low interest rate while assuming a low level of investment risk.

The Foundation appropriates expenditures, as needed, in accordance with the purpose restrictions as outlined by the donors.

Note 12: Disclosures about Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2018 and 2017

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018:

	2018			
	Fair Value Measurements Using			
	Total	Quoted Prices	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		in Active Markets for Identical Assets (Level 1)		
Assets				
Investments				
Money market fund	\$ 1,680	\$ 1,680	\$ -	\$ -
Mutual funds	103,953	103,953	-	-
Exchange traded mutual funds	74,074	74,074	-	-
	<u>\$ 179,707</u>	<u>\$ 179,707</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market and mutual funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Level 2 securities include certificates of deposit. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Foundation did not have any Level 2 or Level 3 securities as of June 30, 2018.

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2018 and 2017

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations.

Approximately 52% and 70% of general contributions were received from one donor and two donors during 2018 and 2017, respectively.

Cash

The Foundation maintains its cash balance in one financial institution located in Denver, Colorado. The Foundation's deposits at the financial institution at times exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.