

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, 2014 and 2013

Aurora Public Schools Foundation
June 30, 2014 and 2013

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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, 2014 and 2013, and the related statements of activities, changes in net assets 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. 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 Foundation'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 Foundation'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, 2014 and 2013, 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
September 10, 2014

Aurora Public Schools Foundation
Statements of Financial Position
June 30, 2014 and 2013

Assets

	2014	2013
Cash and cash equivalents	\$ 713,849	\$ 2,011,074
Contributions receivable	444,410	5,000
Prepaid and other assets	5,048	10,496
Total assets	\$ 1,163,307	\$ 2,026,570

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 9,319	\$ 70,714
Funds held on behalf of others	30,000	14,102
Total liabilities	39,319	84,816
Net assets		
Unrestricted	155,091	209,933
Temporarily restricted	868,897	1,631,821
Permanently restricted	100,000	100,000
Total net assets	1,123,988	1,941,754
Total liabilities and net assets	\$ 1,163,307	\$ 2,026,570

Aurora Public Schools Foundation
Statement of Activities
Year Ended June 30, 2014

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Contributions – general	\$ 172,379	\$ 848,610	\$ -	\$ 1,020,989
Contributions – payroll deductions	702	-	-	702
Special events revenue	111,821	57,500	-	169,321
Less special events direct expenses	(58,344)	-	-	(58,344)
Investment income	173	355	-	528
Net assets released from restrictions	1,669,389	(1,669,389)	-	-
	<u>1,896,120</u>	<u>(762,924)</u>	<u>-</u>	<u>1,133,196</u>
Total revenues, gains and other support				
Expenses				
Program services				
Program fees	68,210	-	-	68,210
Scholarships	57,363	-	-	57,363
Special projects	1,691,510	-	-	1,691,510
	<u>1,817,083</u>	<u>-</u>	<u>-</u>	<u>1,817,083</u>
Total program services				
Support services				
General and administrative	101,276	-	-	101,276
Fundraising	32,603	-	-	32,603
	<u>1,950,962</u>	<u>-</u>	<u>-</u>	<u>1,950,962</u>
Total expenses				
Change in Net Assets	(54,842)	(762,924)	-	(817,766)
Net Assets, Beginning of Year	<u>209,933</u>	<u>1,631,821</u>	<u>100,000</u>	<u>1,941,754</u>
Net Assets, End of Year	<u>\$ 155,091</u>	<u>\$ 868,897</u>	<u>\$ 100,000</u>	<u>\$ 1,123,988</u>

Aurora Public Schools Foundation
Statement of Activities
Year Ended June 30, 2013

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Contributions – general	\$ 170,546	\$ 1,399,054	\$ -	\$ 1,569,600
Contributions – payroll deductions	3,516	-	-	3,516
Special events revenue	96,718	17,500	-	114,218
Less special events direct expenses	(48,640)	-	-	(48,640)
Investment income	39	4	-	43
Net assets released from restrictions	220,041	(220,041)	-	-
	<u>442,220</u>	<u>1,196,517</u>	<u>-</u>	<u>1,638,737</u>
Total revenues, gains and other support				
Expenses				
Program services				
Grants	12,000	-	-	12,000
Scholarships	86,885	-	-	86,885
Special projects	186,226	-	-	186,226
	<u>285,111</u>	<u>-</u>	<u>-</u>	<u>285,111</u>
Total program services				
Support services				
General and administrative	79,547	-	-	79,547
Fundraising	82,593	-	-	82,593
	<u>447,251</u>	<u>-</u>	<u>-</u>	<u>447,251</u>
Total expenses				
Change in Net Assets	(5,031)	1,196,517	-	1,191,486
Net Assets, Beginning of Year	<u>214,964</u>	<u>435,304</u>	<u>100,000</u>	<u>750,268</u>
Net Assets, End of Year	<u>\$ 209,933</u>	<u>\$ 1,631,821</u>	<u>\$ 100,000</u>	<u>\$ 1,941,754</u>

Aurora Public Schools Foundation
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (817,766)	\$ 1,191,486
Changes in		
Contributions receivable	(439,410)	12,066
Prepaid expenses	5,448	(5,058)
Accounts payable	(61,395)	65,829
Funds held on behalf of others	<u>15,898</u>	<u>1,841</u>
Net cash provided by operating activities	<u>(1,297,225)</u>	<u>1,266,164</u>
Net increase (decrease) in cash and cash equivalents	(1,297,225)	1,266,164
Cash and Cash Equivalents, Beginning of Year	<u>2,011,074</u>	<u>744,910</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 713,849</u></u>	<u><u>\$ 2,011,074</u></u>

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2014 and 2013

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, scholarships 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 statement 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.

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 and Cash Equivalents

Cash and cash equivalents consist of demand deposits and money market accounts. At June 30, 2014, the Foundation's cash accounts exceeded federally insured limits by approximately \$467,000

Prepaid Expenses

Payments during the current period for expenses that related to subsequent periods are reported as prepaid expenses.

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2014 and 2013

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 statement of activities as net assets 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.

District employees may authorize the District to withhold contributions to the Foundation via payroll deductions. These amounts are recognized as revenues as they are made by District employees.

Funds Held on Behalf of Others

Funds held on behalf of others consist of monies received that are designated to be passed through to the various organizations within the District, which are not actively solicited by the Foundation.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the statement 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. The Foundation is no longer subject to federal or state income tax examinations by taxing authorities for years before 2010. The Foundation had no unrelated business taxable income for the years ended June 30, 2014 and 2013.

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.

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2014 and 2013

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Note 3: Contributions Receivable

Contributions receivable, which are temporarily restricted, consist of unconditional promises to give. For the years ended June 30, 2014 and 2013, the contribution receivable balance is \$444,410 and \$5,000, respectively, and is all due within one year.

Note 4: Related-Party Transactions

The Board of Directors for the Foundation contributed \$8,990 and \$1,951 in unrestricted gifts for the years ended June 30, 2014 and 2013, respectively.

Note 5: 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 2013, the Foundation's Director and staff salaries are also paid by the District. In 2014, the District and Foundation negotiated a memorandum of understanding where salaries were no longer paid by the District. In addition, the Foundation receives donations of supplies from various community members and organizations.

Additionally, the Foundation received contributed legal services from a 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 statement 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 statement of activities. The estimated fair value of such contributions for 2014 and 2013 is \$51,650 and \$135,199, respectively. The value of the support has been allocated to functions of expense as follows:

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2014 and 2013

	2014	2013
Scholarships	\$ -	\$ 16,257
Special projects	-	27,096
General and administrative	51,650	43,074
Fundraising	-	48,772
	\$ 51,650	\$ 135,199

Note 6: Special Projects

One method the Foundation uses to support the District is obtaining funding sources and backing certain special projects, which vary from year to year. During the years ended June 2014 and 2013, the Foundation supported the following special projects:

	2014	2013
Early Beginnings	\$ 1,566,420	\$ 58,581
Academic and Career Programs	11,358	-
Other special projects	113,732	85,645
Aurora Citizens for Excellence	-	42,000
Total	\$ 1,691,510	\$ 186,226

The Early Beginnings: Zoom Site is a standalone 8,500 square foot building adjacent to the APS Jamaica Child Development Center. This new early childhood education program is designed for children from 3 weeks to 5 years old. The overall program goal is to provide quality early childhood experiences for children of teen parents enrolled in APS so that these parents may graduate from high schools preparing them for a career or college. The site has the capacity to serve 72 children in 4 classrooms with a 10:2 child-to-staff ratio.

Academic and Career Programs represents support of students in terms of career and core academic exploration so that students can compete globally for high-demand, high-skill, and high-paying careers. It prepares students for college and careers with university credits, industry certifications and associate degrees.

Other special projects is an inclusive category related to other services and resources provided to the APS community including restricted donations associated with supporting summer education, performing arts, foreign teacher stipends, educational materials and athletic programs.

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2014 and 2013

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, 2014 and 2013, fundraising expenses were composed of the following:

	<u>2014</u>	<u>2013</u>
In-kind contributed services	\$ -	\$ 48,772
Special event direct expenses	58,344	48,640
Gala and other fundraising salaries	<u>32,603</u>	<u>33,821</u>
Total	<u>\$ 90,947</u>	<u>\$ 131,233</u>

Revenues related to the in-kind contributed services and donations are included under “Contributions – general” in the statement of activities.

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, 2014 and 2013, the amounts restricted for these purposes were \$868,897 and \$1,631,821, respectively. These categories are as follows:

	<u>2014</u>	<u>2013</u>
Scholarships and endowed scholarships	\$ 364,188	\$ 374,880
Educator grants and classroom initiatives	19,994	23,470
Jamaica Child Development Center	403,630	1,191,419
Special projects	23,585	24,552
Special events - Pathways to Success Gala	<u>57,500</u>	<u>17,500</u>
	<u>\$ 868,897</u>	<u>\$ 1,631,821</u>

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 2014 and 2013 were \$1,669,389 and \$220,041, respectively.

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013 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.

The Foundation has interpreted the State of Colorado Prudent Managements 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, 2014 and 2013, was:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 7,795	\$ 100,000	\$ 107,795
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 7,722	\$ 100,000	\$ 107,722

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2014 and 2013

Changes in endowment net assets for the years ended June 30, 2014 and 2013, were:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ 7,722	\$ 100,000	\$ 107,722
Investment income	-	73	-	73
Contributions	-	-	-	-
Appropriation for expenditure	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 7,795</u>	<u>\$ 100,000</u>	<u>\$ 107,795</u>

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ 7,721	\$ 100,000	\$ 107,721
Investment income	-	1	-	1
Contributions	-	-	-	-
Appropriation for expenditure	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 7,722</u>	<u>\$ 100,000</u>	<u>\$ 107,722</u>

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 has a spending policy of appropriating for expenditure each year the amounts needed and available for spending in accordance with the purpose restrictions as outlined by the donors.

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2014 and 2013

Note 12: 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 50% of general contributions were received from three donors during the year. These donations are restricted to support funding for the design, development and construction of the Jamaica Child Development Center, an early learning center located at Jamaica Elementary School.

Cash and Cash Equivalents

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.