

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, 2017 and 2016

Aurora Public Schools Foundation
June 30, 2017 and 2016

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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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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, 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.

BKD, LLP

Denver, Colorado
September 20, 2017

Aurora Public Schools Foundation
Statements of Financial Position
June 30, 2017 and 2016

Assets

| | 2017 | 2016 |
|--------------------------|---------------------|---------------------|
| Cash | \$ 1,187,680 | \$ 1,034,660 |
| Contributions receivable | 140,000 | 166,000 |
| Prepaid and other assets | - | - |
| Total assets | \$ 1,327,680 | \$ 1,200,660 |

Liabilities and Net Assets

| | | |
|----------------------------------|---------------------|---------------------|
| Liabilities | | |
| Accounts payable | \$ 24,000 | \$ 14,146 |
| Deferred revenue | - | 56,949 |
| Total liabilities | 24,000 | 71,095 |
| Net assets | | |
| Unrestricted | 374,343 | 205,411 |
| Temporarily restricted | 829,337 | 824,154 |
| Permanently restricted | 100,000 | 100,000 |
| Total net assets | 1,303,680 | 1,129,565 |
| Total liabilities and net assets | \$ 1,327,680 | \$ 1,200,660 |

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
Statement of Activities
Year Ended June 30, 2016

| | 2016 | | | Total |
|--|-------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Revenues, Gains and Other Support | | | | |
| Contributions – general | \$ 322,436 | \$ 412,023 | \$ - | \$ 734,459 |
| Special events revenue | 55,940 | 60,000 | - | 115,940 |
| Less special events direct expenses | (66,062) | - | - | (66,062) |
| Investment income | 890 | 102 | - | 992 |
| Net assets released from restrictions | 237,541 | (237,541) | - | - |
| | <u>550,745</u> | <u>234,584</u> | <u>-</u> | <u>785,329</u> |
| Total revenues, gains and other support | | | | |
| Expenses | | | | |
| Program services | | | | |
| Scholarships | 41,444 | - | - | 41,444 |
| Special projects | 296,307 | - | - | 296,307 |
| College and Career Centers | 60,927 | - | - | 60,927 |
| | <u>398,678</u> | <u>-</u> | <u>-</u> | <u>398,678</u> |
| Total program services | | | | |
| Support services | | | | |
| General and administrative | 97,568 | - | - | 97,568 |
| Fundraising | 5,661 | - | - | 5,661 |
| | <u>501,907</u> | <u>-</u> | <u>-</u> | <u>501,907</u> |
| Total expenses | | | | |
| Change in Net Assets | 48,838 | 234,584 | - | 283,422 |
| Net Assets, Beginning of Year | <u>156,573</u> | <u>589,570</u> | <u>100,000</u> | <u>846,143</u> |
| Net Assets, End of Year | <u>\$ 205,411</u> | <u>\$ 824,154</u> | <u>\$ 100,000</u> | <u>\$ 1,129,565</u> |

Aurora Public Schools Foundation
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|----------------------------|----------------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 174,115 | \$ 283,422 |
| Changes in | | |
| Contributions receivable | 26,000 | (66,753) |
| Prepaid expenses | - | 3,838 |
| Accounts payable | 9,854 | 5,668 |
| Deferred revenue | (56,949) | 12,664 |
| Funds held on behalf of others | - | (3,000) |
| | <u>153,020</u> | <u>235,839</u> |
| Net cash provided by operating activities | <u>153,020</u> | <u>235,839</u> |
| | <u>153,020</u> | <u>235,839</u> |
| Net increase in cash and cash equivalents | <u>153,020</u> | <u>235,839</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>1,034,660</u> | <u>798,821</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 1,187,680</u></u> | <u><u>\$ 1,034,660</u></u> |

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017, the Foundation's cash accounts exceeded federally insured limits by approximately \$944,000.

Deferred Revenue

The Foundation was awarded a three-year grant from the State of Colorado in 2015 for development of College and Career Centers in the District. Revenue from this grant is recognized as the services are performed and any grant funds received that have not been expended are recorded in deferred revenue.

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2017 and 2016

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. The Foundation had no unrelated business taxable income for the years ended June 30, 2017 and 2016.

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.

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.

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2017 and 2016

Note 3: Contributions Receivable

Contributions receivable, which are temporarily restricted, consist of unconditional promises to give. For the years ended June 30, 2017 and 2016, the contribution receivable balance is \$140,000 and \$166,000, respectively, and is all due within one year.

Note 4: Related-party Transactions

The Board of Directors for the Foundation contributed \$0 in restricted gifts and \$1,005 in unrestricted gifts and \$9,350 in restricted gifts and \$5,250 in unrestricted gifts for the years ended June 30, 2017 and 2016, 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 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 2017 and 2016 is \$33,884 and \$57,958, respectively. The value of the support has been allocated to general and administrative expense.

Note 6: 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, 2017 and 2016, fundraising expenses were composed of the following:

| | 2017 | 2016 |
|-------------------------------------|-------------|-------------|
| Special event direct expenses | \$ 49,601 | \$ 66,062 |
| Gala and other fundraising salaries | 14,170 | 5,661 |
| Total | \$ 63,771 | \$ 71,723 |

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2017 and 2016

Note 7: 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, 2017 and 2016, the amounts restricted for these purposes were as follows:

| | 2017 | 2016 |
|---|-------------|-------------|
| Scholarships and endowed scholarships | \$ 392,636 | \$ 417,753 |
| Educator grants and classroom initiatives | 10,035 | 6,717 |
| College and career centers | 406,466 | 339,164 |
| Special projects | - | 520 |
| Special events - Annual Gala | 20,200 | 60,000 |
| | \$ 829,337 | \$ 824,154 |

Note 8: 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 2017 and 2016 were \$903,204 and \$237,541, respectively.

Note 9: 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, 2017 and 2016 were \$100,000.

Note 10: 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.

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016 was:

| | | 2017 | | | |
|--|----------------------------------|---------------------|-------------------------------|-------------------------------|--------------|
| | | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| | Donor-restricted endowment funds | \$ - | \$ 8,132 | \$ 100,000 | \$ 108,132 |
| | | 2016 | | | |
| | | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| | Donor-restricted endowment funds | \$ - | \$ 8,045 | \$ 100,000 | \$ 108,045 |

Changes in endowment net assets for the years ended June 30, 2017 and 2016 were:

| | | 2017 | | | |
|--|---|---------------------|-------------------------------|-------------------------------|--------------|
| | | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| | 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 |

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2017 and 2016

| | 2016 | | | Total |
|--|--------------|---------------------------|---------------------------|------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment net assets, beginning of year | \$ - | \$ 7,943 | \$ 100,000 | \$ 107,943 |
| Investment income | - | 102 | - | 102 |
| Contributions | - | - | - | - |
| Appropriation for expenditure | - | - | - | - |
| | - | - | - | - |
| Endowment net assets, end of year | \$ - | \$ 8,045 | \$ 100,000 | \$ 108,045 |

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 11: 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 70% and 49% of general contributions were received from three donors and two donors during 2017 and 2016, 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.