

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, 2020 and 2019

Aurora Public Schools Foundation
June 30, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities, 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. 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, 2020 and 2019, 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.

Emphasis of Matters

As described in Note 3 to the financial statements, in 2020, the Foundation adopted Accounting Standards Update No. 2018-08 (ASU 2018-08), *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to this matter.

BKD, LLP

Denver, Colorado
September 25, 2020

Aurora Public Schools Foundation
Statements of Financial Position
June 30, 2020 and 2019

Assets

	2020	2019
Cash	\$ 1,214,228	\$ 1,019,805
Investments	197,997	191,209
Contributions receivable	3,000	87,300
Pass-through contributions receivable	250,000	-
Prepaid and other assets	-	6,000
Total assets	\$ 1,665,225	\$ 1,304,314

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 106,406	\$ 31,970
Pass-through contributions payable	243,750	-
Refundable advance (PPP loan)	36,500	-
Deferred revenue	-	18,021
Total liabilities	386,656	49,991

Net Assets

Without donor restrictions	310,621	232,863
With donor restrictions		
Perpetual in nature	100,000	100,000
Purpose restricted	867,948	921,460
Total restricted net assets	967,948	1,021,460
Total net assets	1,278,569	1,254,323
Total liabilities and net assets	\$ 1,665,225	\$ 1,304,314

Aurora Public Schools Foundation
Statement of Activities
Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions – general	\$ 162,225	\$ 2,138,348	\$ 2,300,573
Pass-through fee income	31,392	-	31,392
Special events revenue	173,227	23,500	196,727
Less special events direct expenses	(77,934)	-	(77,934)
Investment return, net	2,106	10,650	12,756
Net assets released from restrictions	<u>2,226,010</u>	<u>(2,226,010)</u>	<u>-</u>
Total revenues, gains and other support	<u>2,517,026</u>	<u>(53,512)</u>	<u>2,463,514</u>
Expenses			
Program services			
College and Career Centers	420,190	-	420,190
Scholarships	38,368	-	38,368
Special projects	1,506,859	-	1,506,859
Food Crisis Relief	<u>205,953</u>	<u>-</u>	<u>205,953</u>
Total program services	2,171,370	-	2,171,370
Support services			
General and administrative	147,799	-	147,799
Fundraising	<u>120,099</u>	<u>-</u>	<u>120,099</u>
Total support services	<u>267,898</u>	<u>-</u>	<u>267,898</u>
Total expenses	<u>2,439,268</u>	<u>-</u>	<u>2,439,268</u>
Change in Net Assets	77,758	(53,512)	24,246
Net Assets, Beginning of Year	<u>232,863</u>	<u>1,021,460</u>	<u>1,254,323</u>
Net Assets, End of Year	<u>\$ 310,621</u>	<u>\$ 967,948</u>	<u>\$ 1,278,569</u>

Aurora Public Schools Foundation
Statement of Activities
Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions – general	\$ 72,644	\$ 793,181	\$ 865,825
Special events revenue	131,666	96,800	228,466
Less special events direct expenses	(69,295)	-	(69,295)
Investment return, net	2,684	16,823	19,507
Net assets released from restrictions	859,718	(859,718)	-
	<u>997,417</u>	<u>47,086</u>	<u>1,044,503</u>
Expenses			
Program services			
College and Career Centers	282,142	-	282,142
Scholarships	48,401	-	48,401
Special projects	516,147	-	516,147
	<u>846,690</u>	<u>-</u>	<u>846,690</u>
Total program services	846,690	-	846,690
Support services			
General and administrative	109,467	-	109,467
Fundraising	35,262	-	35,262
	<u>144,729</u>	<u>-</u>	<u>144,729</u>
Total support services	144,729	-	144,729
Total expenses	<u>991,419</u>	<u>-</u>	<u>991,419</u>
Change in Net Assets	5,998	47,086	53,084
Net Assets, Beginning of Year	<u>226,865</u>	<u>974,374</u>	<u>1,201,239</u>
Net Assets, End of Year	<u>\$ 232,863</u>	<u>\$ 1,021,460</u>	<u>\$ 1,254,323</u>

Aurora Public Schools Foundation
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services					Support Services				Total
	College and Career Centers	Scholarships	Special Projects	Food & Crisis Relief	Total Program Services	Management and General	Fundraising	Special Events Expenses	Total Support Services	
Salaries, taxes and benefits	\$ 395,584	\$ 2,326	\$ -	\$ -	\$ 397,910	\$ 76,817	\$ 110,546	\$ -	\$ 187,363	\$ 585,273
Scholarships	-	29,650	-	-	29,650	-	-	-	-	29,650
Professional fees	-	-	25,000	-	25,000	56,414	-	10,670	67,084	92,084
Marketing and promotion	21,202	-	-	-	21,202	2,036	2,036	4,375	8,447	29,649
Meals and entertainment	-	-	-	-	-	-	-	54,243	54,243	54,243
Occupancy	-	-	-	-	-	6,296	2,099	5,320	13,715	13,715
Donor directed programs and projects	-	-	1,481,511	205,953	1,687,464	-	-	-	-	1,687,464
Other	3,404	6,392	348	-	10,144	6,236	5,418	3,326	14,980	25,124
Total expenses by function	<u>\$ 420,190</u>	<u>\$ 38,368</u>	<u>\$ 1,506,859</u>	<u>\$ 205,953</u>	<u>\$ 2,171,370</u>	<u>\$ 147,799</u>	<u>\$ 120,099</u>	<u>\$ 77,934</u>	345,832	2,517,202
Less expenses included with revenues on the Statement of Activities										
Special Events Expenses									<u>77,934</u>	<u>77,934</u>
Total expenses included in the expense section on the Statement of Activities									<u>\$ 267,898</u>	<u>\$ 2,439,268</u>

Aurora Public Schools Foundation
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services				Support Services				Total
	College and Career Centers	Scholarships	Special Projects	Total Program Services	Management and General	Fundraising	Special Events Expenses	Total Support Services	
Salaries, taxes and benefits	\$ 280,963	\$ -	\$ -	\$ 280,963	\$ 29,794	\$ 27,947	\$ -	\$ 57,741	\$ 338,704
Scholarships	-	43,649	-	43,649	-	-	-	-	43,649
Professional fees	-	-	-	-	71,089	-	16,668	87,757	87,757
Marketing and promotion	981	-	-	981	-	-	2,646	2,646	3,627
Meals and entertainment	-	-	-	-	-	-	36,290	36,290	36,290
Occupancy	-	-	-	-	6,362	2,121	5,987	14,470	14,470
Donor directed programs and projects	-	-	516,147	516,147	-	-	-	-	516,147
Other	198	4,752	-	4,950	2,222	5,194	7,704	15,120	20,070
Total expenses by function	<u>\$ 282,142</u>	<u>\$ 48,401</u>	<u>\$ 516,147</u>	<u>\$ 846,690</u>	<u>\$ 109,467</u>	<u>\$ 35,262</u>	<u>\$ 69,295</u>	214,024	1,060,714
Less expenses included with revenues on the Statement of Activities Special Events Expenses							69,295	<u>69,295</u>	<u>69,295</u>
Total expenses included in the expense section on the Statement of Activities							<u>\$ 144,729</u>	<u>\$ 991,419</u>	

Aurora Public Schools Foundation
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flow from Operating Activities		
Change in net assets	\$ 24,246	\$ 53,084
Changes in		
Contributions receivable	84,300	(2,550)
Pass-through contributions receivable	(250,000)	-
Prepaid expenses	6,000	(1,500)
Accounts payable	74,436	(1,984)
Pass-through contributions payable	243,750	-
Deferred revenue	(18,021)	18,021
	<u>164,711</u>	<u>65,071</u>
Cash Flow from Investing Activities		
Purchases of investments	<u>(6,788)</u>	<u>(11,502)</u>
	<u>(6,788)</u>	<u>(11,502)</u>
Cash Flow from Financing Activities		
Note payable	<u>36,500</u>	<u>-</u>
	<u>36,500</u>	<u>-</u>
Net Increase in Cash	194,423	53,569
Cash, Beginning of Year	<u>1,019,805</u>	<u>966,236</u>
Cash, End of Year	<u>\$ 1,214,228</u>	<u>\$ 1,019,805</u>

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2020 and 2019

Note 1: Organization

The Aurora Public Schools Foundation (the Foundation) was incorporated in 1987 as a nonprofit organization. The Foundation exists to support students, families and staff of the Joint School District No. 28-J of the Counties of Adams and Arapahoe, Colorado (the District). The Foundation has a commitment to cultivate community investment to enrich student opportunity across the District, through the development of partnerships and the leveraging of programs that drive innovation and excellence for the students of the District. Programs administered by the Foundation include scholarship programs, special projects and College and Career Centers.

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:

Cash

Cash consists of demand deposits and money market accounts. At June 30, 2020, the Foundation's cash accounts exceeded federally insured limits by approximately \$1,028,000.

Investment and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2020 and 2019

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Pass-through activity occurs when the Foundation works with donors on a specific donor directed gift. The nature of activity varies by donor, but always supports a financially inter-related APS program or school.

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2020 and 2019

Deferred Revenue

Deferred revenue exists when conditional contributions are received in advance of conditions being met. Such contributions are deferred when received and recognized as conditions are met such as the occurrence of eligible expenses. Deferred revenue was \$0 and \$18,021 as of June 30, 2020 and 2019, respectively.

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.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the estimates of time expended and other methods.

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.

Note 3: Change in Accounting Principle

ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Made

On January 1, 2019, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*, (ASU 2018-08) using a modified prospective basis method of adoption for all agreements with donors that are either not completed as of January 1, 2019 or were entered into during the 2019 fiscal year.

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2020 and 2019

The core guidance in ASU 2018-08 is to help entities in evaluating whether transactions are considered nonreciprocal transactions and should be accounted for as contributions or if the transactions are considered reciprocal and should be accounted for as exchange transactions, and help entities evaluate whether a contribution is conditional or unconditional.

Adoption of ASU 2018-08 resulted in classification of certain donor agreements as contributions, not exchange transactions, thereby requiring disclosure of any conditional contributions (*i.e.* contributions that are available to the Foundation upon the satisfaction of certain conditions and the submission of the related invoice to the donor) see Note 4. In accordance with ASU 2018-08, the Foundation’s grants are accounted for as contributions as the Foundation is not providing commensurate value to the resource provider in exchange for the funds received.

Note 4: Conditional Contributions

The Foundation receives grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Foundation are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2020, have been recorded as receivables. Following are the unearned grant commitments that extend beyond June 30, 2020:

Grant	Condition	Grant Amount	Earned Through 6/30/2020	Funding Available
Foundations	Aurora Science & Tech Phase II Construction 2020-2022	<u>\$ 1,250,000</u>	<u>\$ 125,000</u>	<u>\$ 1,125,000</u>

Note 5: Contributions Receivable

Contributions receivable, which are restricted for a specified purpose consist of unconditional promises to give. For the years ended June 30, 2020 and 2019, the contributions receivable balance is \$253,000 and \$87,300, respectively, and is all due within one year.

Note 6: Related-party Transactions

The Board of Directors of the Foundation contributed \$35,513 and \$8,410 in contributions without restriction during the years ended June 30, 2020 and 2019, respectively.

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2020 and 2019

Note 7: Contributed Services, Office Space, Supplies and General Operating Expenses

The District contributes various services, office space, supplies and general operating expenses to the Foundation.

Additionally, the Foundation received specialized skills in the form of legal services from an ex-officio board member to create and advise on policies, contracts and board resolutions. The estimated fair value of the contributed services is reported as contribution revenue and as expense in the accompanying statements of activities. The fair value of contributed legal services for the years ended June 30, 2020 and 2019, is \$10,280 and \$14,340, respectively.

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 2020 and 2019 is \$97,004 and \$58,719, respectively. The value of the support has been allocated to general and administrative expense.

Note 8: 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, 2020 and 2019, fundraising expenses were composed of the following:

	<u>2020</u>	<u>2019</u>
Special event direct expenses - Annual Gala	\$ 77,934	\$ 69,295
Indirect Annual Gala and other fundraising expenses	<u>120,099</u>	<u>35,262</u>
Total	<u>\$ 198,033</u>	<u>\$ 104,557</u>

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2020 and 2019

Note 9: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Scholarships	\$ 540,401	\$ 586,772
Donor-directed pass through grants	6,250	6,000
Educator grants and classroom initiatives	5,946	5,911
Food and crisis relief	78,987	-
College and Career Centers	199,703	215,457
Special events - Annual Gala	23,500	96,800
	<u>854,787</u>	<u>910,940</u>
Endowment		
Subject to expenditure when a specified event occurs - scholarships	13,161	10,520
Perpetual in nature	100,000	100,000
	<u>113,161</u>	<u>110,520</u>
Total net assets with donor restrictions	<u>\$ 967,948</u>	<u>\$ 1,021,460</u>

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Purpose restrictions		
Scholarships	\$ 91,547	\$ 46,320
Donor-directed pass through grants	1,456,616	516,148
College and Career Centers	373,697	274,199
Board directed special projects	206,197	-
Special events - Annual Gala	96,800	21,000
	<u>2,224,857</u>	<u>857,667</u>
Endowment		
Scholarships	1,153	2,051
Total net assets with donor restrictions	<u>\$ 2,226,010</u>	<u>\$ 859,718</u>

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2020 and 2019

Note 10: Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	2020	2019
Undesignated	\$ 185,612	\$ 10,429
Board-designated reserve for operations	125,009	222,434
Net assets without donor restrictions	\$ 310,621	\$ 232,863

Note 11: Endowment

The Foundation’s endowment consists of one fund. 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’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 its donor-restricted endowment fund as net assets with donor restrictions at the original value of gifts donated to the perpetual endowment. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2020 and 2019

The composition of net assets by type of endowment fund at June 30, 2020 and 2019 was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 113,161	\$ 113,161

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 110,520	\$ 110,520

Changes in endowment net assets for the years ended June 30, 2020 and 2019 were:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 110,520	\$ 110,520
Investment return, net	-	3,794	3,794
Appropriation for expenditure	-	(1,153)	(1,153)
Endowment net assets, end of year	\$ -	\$ 113,161	\$ 113,161

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 106,131	\$ 106,131
Investment return, net	-	6,440	6,440
Appropriation for expenditure	-	(2,051)	(2,051)
Endowment net assets, end of year	\$ -	\$ 110,520	\$ 110,520

Aurora Public Schools Foundation
Notes to Financial Statements
June 30, 2020 and 2019

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.

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

Underwater Endowments

The governing body of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund, and;
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted UPMIFA to permit not spending from underwater funds in accordance with the prudent measures required under the law.

Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, comprise the following:

	2020	2019
Total financial assets, excluding pass-through contributions receivable	\$ 1,415,225	\$ 1,298,314
Donor imposed restrictions		
Endowments	(100,000)	(100,000)
Board-designated operating reserve	(125,009)	(222,434)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,190,216</u>	<u>\$ 975,880</u>

The Foundation receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. As described in Note 7, the District also contributes various services, office space, supplies and general operating expenses to the Foundation.

Aurora Public Schools Foundation

Notes to Financial Statements

June 30, 2020 and 2019

The Foundation's endowment fund consist of a donor-restricted endowment. Income from the donor-restricted endowment is restricted for scholarships. The donor-restricted endowment fund is not available for general expenditure. The Foundation has a board-designated operating reserve, intended to provide an internal resource of funds for unexpected funding situations. The reserve is equal to six months of budgeted expenses associated with recurring Foundation activities. The Foundation does not intend to spend from this reserve, but amounts could be made available if necessary.

The Foundation manages its liquidity and reserves following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets, including maintaining investments in marketable securities, which provide a high level of liquidity for the Foundation
- Maintaining sufficient reserves to provide reasonable assurance that long-term program commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation

Note 13: 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

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Recurring Measurements

The following tables present 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, 2020 and 2019:

		2020			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets	Total				
Investments					
Money market fund	\$ 1,982	\$ 1,982	\$ -	\$ -	
Mutual funds	145,093	145,093	-	-	
Exchange traded mutual funds	50,922	50,922	-	-	
	\$ 197,997	\$ 197,997	\$ -	\$ -	
		2019			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets	Total				
Investments					
Money market fund	\$ 2,394	\$ 2,394	\$ -	\$ -	
Mutual funds	55,814	55,814	-	-	
Exchange traded mutual funds	133,001	133,001	-	-	
	\$ 191,209	\$ 191,209	\$ -	\$ -	

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.

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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, 2020.

Note 14: 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.

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.

Concentrations

During the year ended June 30, 2020, two donors contributed 34% and 22% of total contribution revenue. During the year ended June 30, 2019, two different donors contributed 31% and 23% of total contribution revenue. These contributions were pass-through contributions resulting in corresponding expenses that would not have occurred otherwise.

Note 15: Refundable Advance

The Foundation received a Paycheck Protection Program (PPP) loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. If conditions are met, the amount of the refundable advance will be forgiven. As of June 30, 2020 no amount has been recorded as being forgiven as conditions have not been met, including the covered period, which ended after June 30, 2020.

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Note 16: Subsequent Events

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through September 25, 2020, which is the date the financial statements were available to be issued.