ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

Independent Auditor's Report
and Financial Statements
For the Year Ended
December 31, 2017

ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Arcadia Educational Foundation
Arcadia, California

We have audited the accompanying financial statements of Arcadia Educational Foundation (the Foundation), a California nonprofit public benefit corporation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 of 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 Trustees
Arcadia Educational Foundation

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen, LLP
Glendora, CA
April 6, 2018

ARCADIA EDUCATIONAL FOUNDATION
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STATEMENT OF FINANCIAL POSITION
December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 954,429	$ 11,550	$ 1,510	$ 967,489
Investments (Note 6)	100	28,364	134,467	162,931
Accounts receivable	4,068	-	-	4,068
Scrip inventory, at cost	151,852	-	-	151,852
Prepaid expenses	8,966	-	-	8,966
Total current assets	1,119,415	39,914	135,977	1,295,306
LONG-TERM ASSETS:				
Office improvements, computers and software, net	1,383	-	-	1,383
Total long-term assets	1,383	-	-	1,383
Total assets	$ 1,120,798	$ 39,914	$ 135,977	$ 1,296,689
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 20,469	$ -	$ -	$ 20,469
Due to schools	184,043	-	-	184,043
Total current liabilities	204,512	-	-	204,512
NET ASSETS:				
Net assets - general	916,286	11,550	-	927,836
Net assets - endowment (Note 4)	-	28,364	135,977	164,341
Total net assets	916,286	39,914	135,977	1,092,177
Total liabilities and net assets	$ 1,120,798	$ 39,914	$ 135,977	$ 1,296,689

The accompanying notes are an integral part of these financial statements.

ARCADIA EDUCATIONAL FOUNDATION
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STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:				
Scrip sales	$ 1,125,872	$ -	$ -	$ 1,125,872
Summer school tuition	1,166,131	-	-	1,166,131
Contributions	191,089	1,500	8,910	201,499
Investment return	3,063	19,216	-	22,279
Total revenues	2,486,155	20,716	8,910	2,515,781
EXPENSES:				
Expenses of fundraising activities:				
Cost of scrip program	1,145,343	-	-	1,145,343
General fundraising	5,174	-	-	5,174
Summer school	926,660	-	-	926,660
Contributions made to District	272,821	-	-	272,821
Contribution to Support Measure A (Note 8)	50,000	-	-	50,000
Administrative expense	135,792	-	-	135,792
Total expenses	2,535,790	-	-	2,535,790
Change in net assets	(49,635)	20,716	8,910	(20,009)
Beginning net assets	965,921	19,198	127,067	1,112,186
Ending net assets	$ 916,286	$ 39,914	$ 135,977	$ 1,092,177

The accompanying notes are an integral part of these financial statements.

ARCADIA EDUCATIONAL FOUNDATION
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STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS from OPERATING ACTIVITIES:	
Change in net assets	$ (20,009)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	1,291
Net unrealized gain on investments	(15,968)
Change in operating assets:	
Accounts receivable	8,428
Scrip inventory	28,396
Prepaid expenses	(1,391)
Change in operating liabilities:	
Accounts payable and accrued liabilities	8,373
Due to schools	25,458
Net cash flows from operating activities	34,578
CASH FLOWS from INVESTING ACTIVITIES:	
Net purchases of investments	(12,129)
Purchases of office improvements, computers and software	(780)
Net cash flows from investing activities	(12,909)
Net change in cash and cash equivalents	21,669
Cash and cash equivalents at the beginning of the year	945,820
Cash and cash equivalents at the end of the year	$ 967,489

The accompanying notes are an integral part of these financial statements.

ARCADIA EDUCATIONAL FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Arcadia Educational Foundation (the Foundation) is a nonprofit 501(c)(3) corporation, organized under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The Foundation's purpose is to provide financial support in order to assist the Arcadia Unified School District (the District). The Foundation raises funds to help preserve, maintain and improve educational programs and facilities for the students of the schools within the District, operates a summer school program in order to further the educational opportunities for students, and performs additional activities to promote the quality and growth of the District, its schools and its students.

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 the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Net Asset Classes – The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the Foundation are defined as:

- Unrestricted: All resources over which the Board of Trustees has discretionary control to use in carrying on the general operations of the Foundation. Donations, undesignated monies generated by fundraising, and investment income are all accounted for in this classification.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. As transfers are made to the District, the assets are transferred to the unrestricted net assets released from restriction. At December 31, 2017, the Foundation had $39,914 in temporarily restricted net assets.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the Foundation. At December 31, 2017, the Foundation had $135,977 in permanently restricted net assets relating to the endowment fund.

Receivables – Accounts receivable primarily represent amounts due from donors as of December 31, 2017. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Office Improvements, Computers and Software, net – Office improvements, computers and software are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a double declining basis over the estimated useful lives of the asset.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scrip Inventory – The Foundation purchases scrip from local supermarkets and various vendors. Volunteers of the Foundation sell the scrip to the general public at face value and the schools within the District are allocated eighty percent of the discount rate based on where the sales took place. As of December 31, 2017, due to schools in the Statement of Financial Position represents the scrip earnings allocated to the schools and scrip inventory in the Statement of Financial Position represents the amount of unsold scrip, at cost.

Donated Services – A number of volunteers donate their time to the Foundation's programs and supporting services. These donated services have not been reflected in the financial statements as no objective basis is available to measure the value of their services.

Investments – Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the Statement of Activities if they are material.

Compensated Absences – Accumulated unpaid employee vacation benefits are recognized as a liability of the Foundation. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the Statement of Financial Position. Employees of the Foundation are paid for days or hours worked based upon Board approved schedules which include vacation. Sick leave with pay is provided when employees are absent for health reasons. Sick leave is accumulated at one hour for every 30 hours worked for part-time employees; this can be carried over into the following year up to a maximum of 48 hours. Full time employees have seven days of sick leave per year, which resets at the beginning of each year with no carry-over. There were no accumulated compensated absence benefits at December 31, 2017.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Income Taxes – The Foundation is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Foundation files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Evaluation of Subsequent Events – The Foundation has evaluated subsequent events through April 6, 2018, the date these financial statements were available to be issued.

NOTE 2: CONCENTRATION OF CREDIT RISK

The Foundation maintains its interest bearing cash operating accounts with four financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) up to $250,000 per financial institution. The Foundation occasionally has a need to maintain a cash balance in excess of the insured amount, actively participates in a diversification program, and accepts the risk of maintaining excess cash balances. The Foundation has not incurred any losses in these accounts.

NOTE 3: DISTRICT TRANSACTIONS

The Foundation actively conducts fundraising campaigns to benefit the District. During 2017, the Foundation raised $29,073 to fund mini-grants and $243,748 to fund transitional counselors and other highly valued programs.

In September 2016, the Foundation entered into a one year lease agreement with the District to rent an office space at Holly Avenue Elementary School for $10,828 a year, due in 12 monthly installments, and for the use of facilities, technology, and materials owned by the District and used by the Foundation for its summer school program. Charges for the summer school facilities, technology, and materials are based on the number of students enrolled in the summer school program. In September 2017, the Foundation entered a new annual agreement at the same terms as the 2016 agreement. Total charges for the Foundation's summer school program under the 2016 agreement was $114,300 and rent expense for the Foundation's office space was $10,828. Future payments to the District for the Foundation's office lease will be $7,219 in 2018; charges for summer school will be based on the number of students enrolled in 2018.

NOTE 4: ENDOWMENT AND NET ASSETS CLASSIFICATION

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the 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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently

NOTE 4: ENDOWMENT AND NET ASSETS CLASSIFICATION

restricted net assets 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 purpose of the Endowment Fund is to ensure stable, long term funding for the benefit of the students of the Arcadia Unified School District. To meet this goal, the Fund is to accumulate principal until it reaches a minimum year-end value (minimum disbursement value) currently set at $1,000,000. The Board of Trustees has reserved the right to change the minimum disbursement value to a lower value in order to distribute the funds sooner.

The Foundation has adopted policies for return on investments to achieve a moderate rate of return and risk for initial investments. Appropriations of expenditures, after the minimum disbursement value is achieved, are made by approval of the Board of Trustees.

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

(1) The duration and preservation of the various funds
(2) The purposes of the donor-restricted endowment funds
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources
(7) The investment policies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Foundation to retain as a fund of perpetual duration. Subsequent gains that restore the fair value of the endowment fund to the required level are classified as an increase in unrestricted net assets and temporarily restricted net assets, as appropriate. There were no deficiencies of this nature as of December 31, 2017.

NOTE 4: ENDOWMENT AND NET ASSETS CLASSIFICATION

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 9,148	$ 127,067	$ 136,215
Contributions	-	-	8,910	8,910
Investment return				
Dividends	-	3,353	-	3,353
Interest	-	5	-	5
Net gain (loss)	-	15,968	-	15,968
Total investment return	-	19,326	-	19,326
Transfer in (out)	-	(110)	-	(110)
Endowment net assets, end of year	$ -	$ 28,364	$ 135,977	$ 164,341

NOTE 5: OFFICE IMPROVEMENTS, COMPUTERS AND SOFTWARE

Office improvements, computers and software in the accompanying financial statements is presented net of accumulated depreciation. The Foundation capitalizes all expenditures for office improvements, computers and software in excess of $500. Depreciation expense was $1,291 as of December 31, 2017.

The components of office improvements, computers and software as of December 31, 2017 are as follows:

Office improvements, computers and software	$ 77,108
Less accumulated depreciation	(75,725)
Office improvements, computers and software, net	$ 1,383

NOTE 6: INVESTMENTS

In accordance with fair value reporting standards, levels 1 through 3 have been assigned to the fair value measurement of investment. The fair value level of measurement is determined as follows:

Level 1 – quoted prices in an active market for identical assets.

Level 2 – quoted prices for similar assets and market-corroborated inputs.

Level 3 – the organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Investments at December 31, 2017 consisted of the following:

Investment Type (Level)	Cost	Fair Value
Money market account (1)	$ 100	$ 100
Vanguard investment account (1)	143,621	162,831
Total investments	$ 143,721	$ 162,931

For the year ended December 31, 2017, investment returns consisted of the following:

Interest	$ 2,958
Dividends	3,353
Net unrealized gains (loss)	15,968
Total investment return	$ 22,279

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017, temporarily restricted net assets were made up of the following:

Mini-grants	$ 1,500
College Counseling	10,050
Endowment earnings	28,364
Total temporarily restricted net assets	$ 39,914

NOTE 8: CONTRIBUTION TO MEASURE A CAMPAIGN

In January 2017, the Foundation made a $50,000 donation, from discretionary funds, to The Committee to Protect Arcadia Schools 2017 campaign in support for Measure A, a parcel tax to renew local school funding. Measure A was passed by city voters in March 2017 and will raise approximately $4.3 million in annual local funding for the District's schools for a period of eighteen years.