ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

Independent Auditors’ Report
and Financial Statements
For the Year Ended
December 31, 2019

ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' 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, 2019, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 auditors' 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.

A member of Nexia International

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, 2019, 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
May 22, 2020

ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents	$	1,090,488
Investments (Note 7)		100
Accounts Receivable		200
Scrip Inventory, at Cost		170,748
Prepaid Expenses		8,448
Total Current Assets		1,269,984
LONG-TERM ASSETS		
Office Improvements, Computers and Software, net		1,037
Endowment Investment (Note 5)		218,749
Total Long-Term Assets		219,786
Total Assets	$	1,489,770

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$	11,166
Due to Schools		188,246
Total Liabilities		199,412
NET ASSETS		
Without Donor Restrictions		1,057,750
With Donor Restrictions (Note 8)		232,608
Total Net Assets		1,290,358
Total Liabilities and Net Assets	$	1,489,770

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

ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Scrip Sales	$ 1,067,811	$ -	$ 1,067,811
Summer School Tuition	1,011,443	-	1,011,443
Contributions	146,786	24,893	171,679
Investment Return	6,649	34,252	40,901
Net Assets Released From Restrictions	2,000	(2,000)	-
Total Revenues	2,234,689	57,145	2,291,834
EXPENSES			
Program Services	1,933,367	-	1,933,367
Management and General	153,130	-	153,130
Fundraising	6,920	-	6,920
Total Expenses	2,093,417	-	2,093,417
CHANGE IN NET ASSETS	141,272	57,145	198,417
Net Assets, Beginning of Year	916,478	175,463	1,091,941
NET ASSETS, END OF YEAR	$ 1,057,750	$ 232,608	$ 1,290,358

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	198,417
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		408
Net Unrealized Gains on Investments		(30,486)
Change in Operating Assets:		
Accounts Receivable		2,270
Scrip Inventory		3,473
Prepaid Expenses		(289)
Change in Operating Liabilities:		
Accounts Payable and Accrued Liabilities		907
Due to Schools		6,184
Net Cash Provided by Operating Activities		180,884
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments		(34,100)
Purchases of Office Improvements, Computers and Software		(654)
Net Cash Used in Investing Activities		(34,754)
CHANGE IN NET ASSETS		146,130
Cash and Cash Equivalents, Beginning of Year		944,358
CASH AND CASH EQUIVALENTS, END OF YEAR	$	1,090,488

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

ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total Expenses
Contributions to District	$ 66,156	$ -	$ -	$ 66,156
Cost of Scrip	1,058,960	-	1,475	1,060,435
Summer School Programs	177,453	-	-	177,453
Other Salaries and Wages	573,351	98,106	-	671,457
Other Employee Benefits	7,207	729	-	7,936
Payroll Taxes	49,962	7,656	-	57,618
Other Fees	-	10,840	-	10,840
Advertising and Marketing	-	725	-	725
Office Expenses	-	1,317	-	1,317
Information Technology	-	4,079	-	4,079
Occupancy Expense	-	10,828	-	10,828
Depreciation Expense	278	130	-	408
Insurance Expense	-	17,163	-	17,163
Other Expenses	-	1,557	5,445	7,002
Total	$ 1,933,367	$ 153,130	$ 6,920	$ 2,093,417

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

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.

Basis of Accounting

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

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and wages, other employee benefits, payroll taxes, and depreciation, which are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents

The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.] Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Investments

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

Accounts Receivable

Accounts receivable primarily represent amounts due from donors as of December 31, 2019. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

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, 2019, 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.

Office Improvements, Computers and Software

Office improvements, computers and software are stated at cost, if purchased, or at estimated fair value if donated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Foundation recognizes scrip sales at the point of purchase from the customer. Summer school tuition is recognized ratably in the summer sessions as students are serviced over the academic term. Refunds issued reduce the amount of revenue recognized.

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. 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 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.

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.

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, 2019.

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 is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Foundation files informational returns in the U.S. federal jurisdiction, and the state of California.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenues from Contracts with Customers (Topic 606). The update establishes the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. There was no material impact on the Foundation's financial position and results of operations upon adoption of the new standard.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The Foundation has implemented ASU 2018-08 under the full retrospective approach.

Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through May 22, 2020, the date these financial statements were available to be issued.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures comprise of the following:

Cash and Cash Equivalents	$1,090,488
Investments (Note 7)	100
Accounts Receivable	200
Less: Net Assets with Donor Restrictions	(232,608)
	$ 858,180

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of its liquidity management plan, the Foundation monitors liquidity required and cash flows to meet operating needs on a monthly basis. The Foundation structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3: 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 4: DISTRICT TRANSACTIONS

The Foundation actively conducts fundraising campaigns to benefit the District. During 2019, the Foundation raised $174,297 to fund programs at the District. The District charges the Foundation for summer school facilities, technology, and materials based on the number of students enrolled in the summer school program. The amount paid to the District for these costs in 2019 was $89,458.

The Foundation entered into a lease agreement with the District to rent an office space at Holly Avenue Elementary School for $10,828 per 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. This lease has been renewed on an annual basis since then. The amount paid in 2019 under this agreement was $10,828.

NOTE 5: 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.

The board of directors 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 restricted net assets in perpetuity (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment in perpetuity 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 donor restricted net assets in perpetuity is classified as donor restricted net assets for purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 5: ENDOWMENT AND NET ASSETS CLASSIFICATION

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 spend rate is yet to be determined until the minimum disbursement value is met.

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 net assets without donor restrictions and net assets with donor restrictions, as appropriate. There were no deficiencies of this nature as of December 31, 2019.

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	$ 165,695
Investment return, net	39,659
Endowment net assets, end of year	$ 205,354

ARCADIA EDUCATIONAL FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 6: 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 $408 as of December 31, 2019.

The components of office improvements, computers and software as of December 31, 2019 are as follows:

Office improvements	$	11,836
Computers and software		65,926
Subtotal		77,762
Less accumulated depreciation		(76,725)
Total office improvements, computers and software	$	1,037

NOTE 7: INVESTMENTS, ENDOWMENTS AND FAIR VALUE MEASUREMENTS

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. The Foundation had no Level 2 investments at December 31, 2019.

Level 3 – The Foundation's own assumptions about market participation, including unobservable assumptions about risk, developed based on the best information available in the circumstances. The Foundation had no Level 3 investments at December 31, 2019.
Investments at December 31, 2019 consisted of the following:

Investment Type (Level)	Fair Value	
Money market account (1)	$	100
Domestic stocks (1)		113,579
International stocks (1)		52,513
Domestic bonds (1)		52,657
Total investments	$	218,849

NOTE 7: INVESTMENTS, ENDOWMENTS AND FAIR VALUE MEASUREMENTS

For the year ended December 31, 2019, investment returns consisted of the following:

Interest	$	5,102
Dividends		5,313
Net unrealized gains		30,486
Total investment return	$	40,901

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2019, net assets with donor restrictions are restricted for the following purposes:

Subject to Expenditure for Specified Purpose:	
College counseling	$ 7,550
Endowment earnings	19,704
Total	27,254
Endowments:	
Subject to appropriation and expenditure when a specified event occurs:	
Restricted by donors for:	
Available for general use	$ 205,354
Total	205,354
Total net assets with donor restrictions	$ 232,608

Net Assets were released from donor restrictions by incurring expenses satisfying the restrictions as follows for the year ended December 31, 2019:

Satisfaction of Purpose Restrictions:	
College counseling	$ (2,000)
Total Net Assets Released from Donor Restrictions	$ (2,000)

NOTE 9: SUBSEQUENT EVENTS

COVID-19 Impact

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our donors, philanthropies, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.