

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020



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**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
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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, 2020, 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 Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of 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, 2020, 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, California
April 23, 2021

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,281,580
Investments (Note 4)	100
Scrip Inventory, at Cost	59,816
Prepaid Expenses	13,608
Total Current Assets	1,355,104

LONG-TERM ASSETS

Office Improvements, Computers and Software, Net	629
Endowment Investment (Note 8)	241,575
Total Long-Term Assets	242,204

Total Assets	\$ 1,597,308
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 7,118
Due to Schools	186,274
Total Current Liabilities	193,392

LONG-TERM LIABILITIES

Note Payable (Note 6)	10,000
Total Long-Term Liabilities	10,000

Total Liabilities	203,392
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NET ASSETS

Without Donor Restrictions	1,114,026
With Donor Restrictions (Note 7)	279,890
Total Net Assets	1,393,916

Total Liabilities and Net Assets	\$ 1,597,308
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See accompanying Notes to Financial Statements.

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Scrip Sales	\$ 471,081	\$ -	\$ 471,081
Summer School Tuition	689,478	-	689,478
Contributions	99,033	26,242	125,275
Investment Return	3,499	22,240	25,739
Net Assets Released From Restrictions	1,200	(1,200)	-
Total Revenues	<u>1,264,291</u>	<u>47,282</u>	<u>1,311,573</u>
EXPENSES			
Program Services	1,095,829	-	1,095,829
Management and General	102,972	-	102,972
Fundraising	9,214	-	9,214
Total Expenses	<u>1,208,015</u>	<u>-</u>	<u>1,208,015</u>
CHANGE IN NET ASSETS	56,276	47,282	103,558
Net Assets - Beginning of Year	<u>1,057,750</u>	<u>232,608</u>	<u>1,290,358</u>
NET ASSETS - END OF YEAR	<u>\$ 1,114,026</u>	<u>\$ 279,890</u>	<u>\$ 1,393,916</u>

See accompanying Notes to Financial Statements.

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services	Management and General	Fundraising	Total Expenses
Contributions to District	\$ 75,442	\$ -	\$ -	\$ 75,442
Cost of Scrip	469,538	-	-	469,538
Summer School Programs	76,713	-	-	76,713
Other Salaries and Wages	419,295	63,643	-	482,938
Other Employee Benefits	5,273	177	-	5,450
Payroll Taxes	36,706	2,309	-	39,015
Other Fees	-	15,408	4,200	19,608
Advertising and Marketing	-	1,400	-	1,400
Office Expenses	-	974	-	974
Information Technology	-	1,263	2,563	3,826
Occupancy Expense	-	10,828	-	10,828
Depreciation Expense	343	65	-	408
Insurance Expense	12,519	5,365	-	17,884
Other Expenses	-	1,540	2,451	3,991
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,095,829</u>	<u>\$ 102,972</u>	<u>\$ 9,214</u>	<u>\$ 1,208,015</u>

See accompanying Notes to Financial Statements.

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 103,558
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	408
Net Unrealized Gains on Investments	(18,464)
Change in Operating Assets:	
Accounts Receivable	200
Scrip Inventory	110,932
Prepaid Expenses	(5,160)
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	(4,048)
Due to Schools	(1,972)
Net Cash Provided by Operating Activities	185,454

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(4,362)
Net Cash Used in Investing Activities	(4,362)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Borrowings	10,000
Net Cash Provided by Investing Activities	10,000

CHANGE IN NET ASSETS

191,092

Cash and Cash Equivalents - Beginning of Year

1,090,488

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,281,580

See accompanying Notes to Financial Statements.

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 Foundation 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.

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

Accounts Receivable

There were no accounts receivable due from donors as of December 31, 2020.

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, 2020, 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. The Foundation capitalizes all expenditures for office improvements, computers and software in excess of \$500.

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. As of December 31, 2020, the Foundation did not have any unearned revenue related to conditional grants.

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, 2020.

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.

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through April 23, 2021, 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	\$ 1,281,580
Investments (Note 7)	100
Less: Net Assets with Donor Restrictions	<u>(279,890)</u>
Total	<u><u>\$ 1,001,790</u></u>

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 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.

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 INVESTMENTS, ENDOWMENTS, AND FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020.

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, 2020.

Investments at December 31, 2020 consisted of the following:

<u>Investment Type (Level)</u>	<u>Fair Value</u>
Money Market Account (1)	\$ 100
Domestic Stocks (1)	129,290
International Stocks (1)	55,563
Domestic Bonds (1)	56,722
Total Investments	<u>\$ 241,675</u>

For the year ended December 31, 2020, investment returns consisted of the following:

Interest	\$ 4,779
Dividends	2,496
Net Unrealized Gains	18,464
Total Investment Return	<u>\$ 25,739</u>

NOTE 5 OFFICE IMPROVEMENTS, COMPUTERS, AND SOFTWARE

Office improvements, computers and software in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense was \$408 as of December 31, 2020.

The components of office improvements, computers and software as of December 31, 2020 are as follows:

Office Improvements	\$ 11,836
Computers and Software	65,926
Subtotal	<u>77,762</u>
Less: Accumulated Depreciation	<u>(77,133)</u>
Total Office Improvements, Computers and Software	<u>\$ 629</u>

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 DEBT

In May 2020, PSI received a loan from a financial institution in the amount of \$10,000 through the COVID-19 Economic Injury Disaster Loan Program (EIDL). The loan bears interest at a rate of 2.75% per annum, and commencing in June 2022, principal and interest payments will be required through the maturity date in June 2050.

<u>Year Ended December 31,</u>		
2021	\$	-
2022		167
2023		333
2024		333
2025		333
Thereafter		8,834
Total	<u>\$</u>	<u>10,000</u>

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020, net assets with donor restrictions are restricted for the following purposes:

Subject to Expenditure for Specified Purpose:

College Counseling	\$	6,350
Endowment Earnings		19,704
Total		<u>26,054</u>

Endowments:

Subject to Appropriation and Expenditure When a Specified Event Occurs:

Restricted by Donors for:

Available for General Use	253,836
Total	<u>253,836</u>

Total Net Assets with Donor Restrictions	<u>\$ 279,890</u>
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Net Assets were released from donor restrictions by incurring expenses satisfying the restrictions as follows for the year ended December 31, 2020:

Satisfaction of Purpose Restrictions:

College Counseling	<u>\$ (1,200)</u>
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**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 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.

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

**ARCADIA EDUCATIONAL FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 ENDOWMENT AND NET ASSETS CLASSIFICATION (CONTINUED)

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, 2020.

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	With Donor Restrictions
Endowment Net Assets, Beginning of Year	\$ 205,354
Investment Return, Net	48,482
Endowment Net Assets, End of Year	\$ 253,836

NOTE 9 DISTRICT TRANSACTIONS

The Foundation actively conducts fundraising campaigns to benefit the District. During 2020, the Foundation raised \$123,275 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 2020 was \$10,333.

The Foundation renewed the 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 2020 under this agreement was \$10,828. The minimum lease payment for 2021 is \$7,219.

NOTE 10 CONTINGENCIES, RISKS AND UNCERTAINTIES

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

