

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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Independent Auditors' Report

Board of Directors
Clark County Public Education Foundation, Inc.
Las Vegas, Nevada

We have audited the accompanying statements of financial position of Clark County Public Education Foundation, Inc. (a nonprofit organization) as of September 30, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Clark County Public Education Foundation, Inc. as of September 30, 2012 and 2011, and the changes in its net assets, its cash flows and functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Layton Layton & Tobler LLP

February 14, 2013

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30 , 2012 AND 2011

	ASSETS	
	2012	2011
	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 2,557,365	\$ 2,407,319
Current portion of grants and contributions receivable	462,765	647,380
Inventory	1,718,941	689,241
Prepaid expenses	200	200
Accrued income	3,662	5,700
Investments	6,519,005	5,780,001
Total current assets	<u>11,261,938</u>	<u>9,529,841</u>
Other assets:		
Portable buildings, furniture and equipment	248,176	240,430
Less accumulated depreciation	<u>(232,958)</u>	<u>(218,637)</u>
Net portable buildings, furniture and equipment	15,218	21,793
Grants and contributions receivable, less current portion	154,057	253,891
Charitable FLP investments	981,802	1,026,802
Total other assets	<u>1,151,077</u>	<u>1,302,486</u>
Total assets	<u>\$ 12,413,015</u>	<u>\$ 10,832,327</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 72,335	\$ 74,553
Agency liability	<u>15,621</u>	<u>15,723</u>
Total current liabilities	<u>87,956</u>	<u>90,276</u>
Net assets:		
Unrestricted	2,807,085	2,095,218
Temporarily restricted	<u>9,517,974</u>	<u>8,646,833</u>
Total net assets	<u>12,325,059</u>	<u>10,742,051</u>
Total liabilities and net assets	<u>\$ 12,413,015</u>	<u>\$ 10,832,327</u>

The accompanying notes are an integral part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Contributions and grants	\$ 6,281,180	\$ 2,450,892	\$ 8,732,072
Special events	572,887		572,887
Direct special event costs	(363,312)		(363,312)
Investment gain, net	<u>875,678</u>	<u>2,061</u>	<u>877,739</u>
Net revenues	<u>7,366,433</u>	<u>2,452,953</u>	<u>9,819,386</u>
Expenses:			
Program activities:	7,229,742		7,229,742
Supporting activities:			
Fundraising	328,749		328,749
General and administration	<u>677,887</u>		<u>677,887</u>
Total expenses	<u>8,236,378</u>		<u>8,236,378</u>
Excess of revenues over (under) expenses	(869,945)	2,452,953	1,583,008
Net assets released from restrictions:			
Satisfaction of restrictions	<u>1,581,812</u>	<u>(1,581,812)</u>	
Increase (decrease) in net assets	711,867	871,141	1,583,008
Net assets, beginning of year	<u>2,095,218</u>	<u>8,646,833</u>	<u>10,742,051</u>
Net assets, end of year	<u>\$ 2,807,085</u>	<u>\$ 9,517,974</u>	<u>\$ 12,325,059</u>

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part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Contributions and grants	\$ 2,577,621	\$ 2,217,640	\$ 4,795,261
Special events	559,490		559,490
Direct special event costs	(333,379)		(333,379)
Investment gain (loss), net	<u>(351,081)</u>	<u>256</u>	<u>(350,825)</u>
Net revenues	<u>2,452,651</u>	<u>2,217,896</u>	<u>4,670,547</u>
Expenses:			
Program activities:	4,743,479		4,743,479
Supporting activities:			
Fundraising	433,486		433,486
General and administration	<u>741,220</u>		<u>741,220</u>
Total expenses	<u>5,918,185</u>		<u>5,918,185</u>
Excess of revenues over (under) expenses	(3,465,534)	2,217,896	(1,247,638)
Net assets released from restrictions:			
Satisfaction of restrictions	<u>2,829,549</u>	<u>(2,829,549)</u>	
Increase (decrease) in net assets	(635,985)	(611,653)	(1,247,638)
Net assets, beginning of year	<u>2,731,203</u>	<u>9,258,486</u>	<u>11,989,689</u>
Net assets, end of year	<u>\$ 2,095,218</u>	<u>\$ 8,646,833</u>	<u>\$ 10,742,051</u>

The accompanying notes are an integral
part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Contributions	\$ 3,673,550	\$ 3,164,807
Return on investments	107,910	124,190
Change in agency liability	(102)	1,171
Interest paid		47
Grants and allocations paid	(1,484,510)	(1,734,777)
Cash paid to suppliers and employees	(2,216,918)	(2,105,874)
Net cash flow provided by operating activities	79,930	(550,436)
Cash flows from investing activities		
Proceeds from redemption and sale of investments	2,985,073	6,870,332
Purchase of investments	(2,907,211)	(6,670,332)
Purchase of equipment and licenses	(7,746)	(2,686)
Net cash flow provided by investing activities	70,116	197,314
Cash flows from financing activities		
Repayment on notes payable		(4,857)
Net cash flow provided by financing activities		(4,857)
Net increase (decrease) in cash and cash equivalents	150,046	(357,979)
Cash and cash equivalents, beginning of year	2,407,319	2,765,298
Cash and cash equivalents, end of year	\$ 2,557,365	\$ 2,407,319

The accompanying notes are an integral
part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS, CONTINUED

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

**Reconciliation of increase in net assets
to net cash flow from operating activities**

	<u>2012</u>	<u>2011</u>
Increase (decrease) in net assets	\$ 1,583,008	\$ (1,247,638)
Adjustments to reconcile excess support and revenue over expenses:		
Depreciation	14,322	21,136
Net realized and unrealized (gain) loss on investments	(771,866)	475,301
Noncash change in receivables	(99,906)	
Noncash donations	(5,815,952)	(2,192,657)
Noncash donated expenses	4,886,157	2,464,525
(Increase) decrease in:		
Receivables	284,449	2,712
Accrued income	2,038	(287)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,218)	(74,699)
Agency liability	(102)	1,171
 Total adjustments	 <u>(1,503,078)</u>	 <u>697,202</u>
Net cash provided by operating activities	\$ <u>79,930</u>	\$ <u>(550,436)</u>

The accompanying notes are an integral
part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2012

	Program Services				Supporting Activities		Total
	Projects & Services	Initiatives Technology	Initiatives Literacy	Initiatives Education Leadership	G&A	Fundraising	
Direct services	\$ 1,134,739	\$	\$ 88,544	\$ 261,227	\$	\$ 13,755	\$ 1,498,265
Depreciation and amortization					14,322		14,322
In-kind	317,051	21,457	252,799	3,767,163	200,518	169,541	4,728,529
Insurance	11,197				23,489		34,686
Meals and banquets	58,185		2,644	1,865	1,210	965	64,869
Miscellaneous	59,563		5,391	37,447	28,591	8,941	139,933
Occupancy	5,932		5,932	5,932	49,393	14,464	81,653
Printing and postage	17,564		2,993	13,667	11,136	50,708	96,068
Professional fees	145,255		50,047	210,506	46,325	3,500	455,633
Salaries and benefits	239,839	16,127	135,088	334,341	287,552	66,728	1,079,675
Software licenses					9,671		9,671
Training, travel and conferences	<u>16,477</u>	<u></u>	<u>1,381</u>	<u>9,389</u>	<u>5,680</u>	<u>147</u>	<u>33,074</u>
Total expenses	<u>\$ 2,005,802</u>	<u>\$ 37,584</u>	<u>\$ 544,819</u>	<u>\$ 4,641,537</u>	<u>\$ 677,887</u>	<u>\$ 328,749</u>	<u>\$ 8,236,378</u>
Total program services				<u>\$ 7,229,742</u>			

The accompanying notes are an integral part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2011

	Program Services				Supporting Activities		Total
	Projects & Services	Initiatives Technology	Initiatives Literacy	Initiatives Education Leadership	G&A	Fundraising	
Direct services	\$ 1,248,515	\$	\$ 203,953	\$ 282,308	\$	\$ 18,360	\$ 1,753,136
Depreciation and amortization					21,136		21,136
In-kind	307,981	20,836	210,531	1,342,010	259,634	251,199	2,392,191
Insurance	10,556				19,515	375	30,446
Meals and banquets	79,104		1,641	3,218	1,262	906	86,131
Miscellaneous	14,406	30	2,112	11,803	21,569	10,581	60,501
Occupancy	6,275		6,275	6,275	45,900	15,300	80,025
Printing and postage	6,798		2,580	1,969	3,371	63,052	77,770
Professional fees	107,560	22,243	81,176	154,661	46,409	3,500	415,549
Salaries and benefits	108,178	73,909	95,926	277,346	320,236	70,059	945,654
Software licenses					522		522
Training, travel and conferences	<u>8,236</u>		<u>13,084</u>	<u>31,984</u>	<u>1,666</u>	<u>154</u>	<u>55,124</u>
Total expenses	<u>\$ 1,897,609</u>	<u>\$ 117,018</u>	<u>\$ 617,278</u>	<u>\$ 2,111,574</u>	<u>\$ 741,220</u>	<u>\$ 433,486</u>	<u>\$ 5,918,185</u>
Total program services				<u>\$ 4,743,479</u>			

The accompanying notes are an integral part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 AND 2011

1. Nature of activities and significant accounting policies:

Organization:

The Clark County Public Education Foundation, dba The Public Education Foundation (Foundation), is a nonprofit Nevada corporation established in 1991 to mobilize global and community resources to support public education in Clark County, Nevada. The Foundation works collaboratively with educators in the Clark County School District to impact public education through initiatives, programs and promising practices designed to improve student performance and advance quality educational opportunities for all children.

In partnership and collaboration with local, regional and national businesses, governments and community organizations, the Foundation has developed dozens of innovative initiatives and programs that range from helping educators electronically share ideas to strengthening school leadership and recognizing best practices. Clark County READS, the Foundation's literacy initiative, has distributed more than 1,264,000 books to school libraries, classrooms and families as well as trained 1,847 volunteers to assist struggling readers, since inception in 2001. Clark County READS manages seven literacy programs, including Reading Is Fundamental and Reach Out and Read, all providing quality literacy programs to children and families in Southern Nevada. Every year, the Foundation awards grants to teachers and hundreds of scholarships to graduating seniors. Since establishing the Scholarship Program in 1994, the Foundation has awarded more than 3,300 scholarships totaling nearly \$7 million.

The Teacher EXCHANGE™ is a re-use and recycling resource center developed by the Foundation to support public school teachers while encouraging our community to protect and sustain the environment. Donations of supplies, surplus materials and office equipment are collected from the community and provided to teachers for use in their classrooms.

Project SMILE provides emergency treatment for students who are not eligible for any other dental assistance and have critical dental problems which interfere with learning. We R Community provides service learning to high school students by engaging them in the world of philanthropy and community service.

Artists 4 Kidz is an organized effort that connects the creative energy of the Las Vegas community with students in the Clark County School District in order to enrich their exposure to the arts and improve their education experience.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

1. Nature of activities and significant accounting policies, continued:

Organization, continued:

The InterAct™ Online Learning Community was developed in 1992 and now supports more than 43,000 district teachers, students and administrators who share curriculum, exchange ideas, develop projects outside the classroom and correspond via email.

The Foundation's newest initiative, The Leadership Institute of Nevada, is building a talent network of leaders from Nevada's public schools, business and industry, and schools throughout our nation to drive school improvement. The Leadership Institute of Nevada presently consists of two distinct programs. The first program includes the Education Leadership Summits, whereby principals, business leaders, elected officials, and stakeholders from across the state are invited two times per year to attend events featuring the world's best practitioners, scholars and business experts. The second program includes the Executive Leadership Academies, which are designed to provide an intensive executive leadership experience to a select group of education and business leaders.

Revenue and support:

The Foundation receives substantially all of its financial support from businesses and residents in the Las Vegas, Nevada area. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are not intended to be used in the current period or are restricted by the donor are reported as increases in temporarily restricted net assets. When the contribution becomes available or the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation follows the provisions of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Organizations*, which requires a foundation that receives assets for a financially interrelated beneficiary to recognize contribution revenue when the foundation receives assets from donors. Therefore, all contributions are recognized as revenues, even those contributions where the funds are specifically designated by donors for the benefit of Clark County School District programs and the Foundation does not have the discretion to redirect the use of the assets transferred. Consequently, cash or other assets received and transferred are also recognized as program or other expenses.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

1. Nature of activities and significant accounting policies, continued:

Donated services, use of facilities and equipment:

Certain contributed services and use of facilities are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. During the year, the Foundation received contributions of service and use of facilities and equipment from various donors, including Clark County School District, in the amount of \$667,350 in 2012, and \$804,721 in 2011. The Foundation also received a substantial amount of volunteer hours donated by individuals to the various programs that are not reflected in the financial statements since their services do not meet the recognition criteria.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

For purposes of the statements of financial position and statements of cash flows, the Foundation considers all highly liquid instruments purchased with the maturity of three months or less to be cash equivalents. The cash consists of demand, savings and money market accounts.

Investments:

All investments in mutual funds have readily determinable fair values and are measured at fair value in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases and decreases in unrestricted net assets unless restricted by the donor.

The investments in the charitable family limited partnerships (FLP) are valued based upon the Foundation's capital account in the partnerships which are then discounted for the lack of marketability and control over the partnership.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

1. Nature of activities and significant accounting policies, continued:

Property and equipment:

Expenditures for property and equipment are capitalized at cost when purchased or fair market value when donated. The Foundation's policy is to provide depreciation by use of the straight line method.

Inventory:

Inventory consists of donated school supplies, computers, books and various other items used in the Teacher EXCHANGE™ Program. Inventory also includes \$21,323 and \$23,979 in 2012 and 2011, respectively in donated items to be auctioned off at special events. The Foundation values inventory at estimated fair value at the time of contribution.

Income tax:

The Foundation has received a letter dated December 19, 1991 exempting it from federal income taxes under Internal Revenue Code section 501(c)(3) and is a publicly supported organization as described in Internal Revenue Code sections 509(a)(1) and 170(b)(1)(A)(vi).

The Foundation files its forms 990 in the U.S. federal jurisdiction. The Foundation is generally no longer subject to examination by the Internal Revenue Service three years after the forms were filed.

2. Temporarily restricted net assets:

Temporarily restricted net assets are restricted for the following purposes:

	<u>2012</u>	<u>2011</u>
Clark County READS Program	\$ 35,868	\$ 33,794
Charitable FLP Investments	820,483	865,483
Nevada PIE		63,898
Other programs	4,857,982	3,856,437
Scholarships	962,454	918,047
Smart Start	19,400	106,000
Wiegand investments	2,668,556	2,668,556
William McCool Science Center	<u>153,231</u>	<u>134,618</u>
Total	<u>\$9,517,974</u>	<u>\$8,646,833</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

3. Promises to give:

Certain Nevada businesses and individuals have made pledges in support of the Foundation. In accordance with FASB ASC 958 the promises to give are recorded at their present value of \$616,822 at September 30, 2012. Pledges of \$462,765 are scheduled to be received in 2013 with \$25,833 to be received in 2014, and \$166,178 to be received thereafter. A discount is applied to the promises to give that carryover into future years and amounts to \$37,954 as of September 30, 2012. The entire amount is considered collectible.

4. Investments:

The Foundation's investments consist of:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Market Value</u>
<u>2012</u>			
Mutual funds	\$ 5,588,075	\$ 201,851	\$ 5,789,926
Certificates of deposit	<u>729,079</u>	<u> </u>	<u>729,079</u>
Totals	<u>\$ 6,317,154</u>	<u>\$ 201,851</u>	<u>\$ 6,519,005</u>
	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Market Value</u>
<u>2011</u>			
Mutual funds	\$ 5,368,452	\$ (320,668)	\$ 5,047,784
Certificates of deposit	<u>732,217</u>	<u> </u>	<u>732,217</u>
Totals	<u>\$ 6,100,669</u>	<u>\$ (320,668)</u>	<u>\$ 5,780,001</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

4. **Investments, continued:**

Reported investment return for the years consist of:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 127,337	\$ 130,430
Charitable FLP investment earnings	(32,532)	(29,087)
Less investment expenses	<u>(19,426)</u>	<u>(19,344)</u>
	75,379	81,999
Realized gains (losses)	281,879	62,824
Net unrealized appreciation (depreciation)	<u>520,481</u>	<u>(495,648)</u>
Total	<u>\$ 877,739</u>	<u>\$ (350,825)</u>

5. **Charitable family limited partnership (FLP) investments:**

The Foundation was the recipient of a 97% limited partnership interest in two separate charitable family limited partnerships with all the rights, powers and privileges of a limited partner. Per the partnership agreements, each partnership is to operate as investment entities with the Foundation receiving annual distributions throughout the life of the partnerships. Upon the death of the general partner the Foundation will receive a buyout of the Foundation's capital account value at the time of death. The Foundation recorded as a donation at the time of receipt the capital account values of \$551,894 and \$1,210,932 less a 20% discount for the lack of control and marketability of the limited partnership interest. The Foundation adjusts the value of the partnership interests based upon the yearly activity of the partnerships.

In December 2010, one of the Foundation's charitable FLP investments amounting to \$446,879 was written off due to notification from the Trustee that the Trust is no longer receiving money and there is no monetary benefit to the Foundation. This amount is included in the investment loss on the statement of activities as of September 30, 2011.

As of September 30, 2012, the estimated value of the limited partnership interest was \$981,802 (partnership's ending capital account of \$1,201,802 less a discount of \$220,000).

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

6. Fair value measurements:

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or a liability in active markets the Foundation has the ability to access.
- Level 2 Inputs to the Valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liabilities;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to be the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the closing price reported on the active markets on which the mutual funds are traded.

Certificates of deposit: Valued at original cost plus accrued interest.

Charitable FLP investments: Valued at the donated value less discount for lack of control and marketability and adjusted for the yearly activity of the partnerships.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

6. Fair value measurements, continued:

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Further, although the Foundation believes its valuation methods are appropriate and consistent with other markets, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets and liabilities measured on a recurring basis at September 30, 2012 and 2011 are as follows:

	<u>Fair value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>September 30, 2012</u>				
Mutual funds:				
Intermediate-term bond	\$ 1,525,508	\$ 1,525,508	\$	\$
Large blend	1,787,011	1,787,011		
Large growth	919,881	919,881		
Large value	304,311	304,311		
Mid blend	412,747	412,747		
Short-term bond	726,047	726,047		
Small blend	114,421	114,421		
Certificates of deposit	729,079		729,079	
Charitable FLP investments	<u>981,802</u>			<u>981,802</u>
Total	<u>\$ 7,500,807</u>	<u>\$ 5,789,926</u>	<u>\$ 729,079</u>	<u>\$ 981,802</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

6. Fair value measurements, continued:

	<u>Fair value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>September 30, 2011</u>				
Mutual funds:				
Intermediate-term bond	\$ 2,024,776	\$ 2,024,776	\$	\$
Large blend	463,740	463,740		
Large growth	1,349,598	1,349,598		
Large value	922,614	922,614		
Small blend	287,056	287,056		
Certificates of deposit	732,217		732,217	
Charitable FLP investments	<u>1,026,802</u>			<u>1,026,802</u>
Total	<u>\$ 6,806,803</u>	<u>\$ 5,047,784</u>	<u>\$ 732,217</u>	<u>\$ 1,026,802</u>

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the plan's level 3 asset for the year ended September 30, 2012.

	<u>Charitable FLP Investments</u>
Balance, beginning of the year	\$ 1,026,802
Allocation of loss	(32,532)
Distributions	<u>(12,468)</u>
Balance, end of the year	<u>\$ 981,802</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

7. Property and equipment:

The cost, accumulated depreciation, and useful lives by assets classification are as follows:

	<u>Cost</u>	<u>Estimated Accumulated Depreciation</u>	<u>Useful Life</u>
<u>2012</u>			
Furniture and office equipment	\$ 27,812	\$ 26,616	5 Years
Computer equipment and software	196,660	184,965	5 Years
Building (portables) and improvements	<u>23,704</u>	<u>21,377</u>	15 Years
Total	<u>\$ 248,176</u>	<u>\$ 232,958</u>	
<u>2011</u>			
Furniture and office equipment	\$ 27,812	\$ 26,053	5 Years
Computer equipment and software	188,914	171,302	5 Years
Building (portables) and improvements	<u>23,704</u>	<u>21,282</u>	15 Years
Total	<u>\$ 240,430</u>	<u>\$ 218,637</u>	

8. Agency liability:

Agency liability consists of receipts where either the Foundation acts as a facilitator of the funds received or the receipts are repayable to the resource provider. In 2012, the Foundation had an agency liability of \$15,621 that will be disbursed in behalf of providers. In 2011, the Foundation had an agency liability of \$15,723 that was disbursed in behalf of providers.

9. Functional allocation of expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

9. Functional allocation of expenses, continued:

The program services shown on the functional expenses are broken out by projects and services, initiatives technology, initiatives literacy, and initiatives education leadership. Projects and services includes grants, scholarship development, school projects and school services. Initiatives technology includes InterAct. Initiatives literacy includes Clark County READS, Reach Out and Read, Family Literacy, and Library Enhancement. Initiatives education leadership includes the Teacher EXCHANGE™, Schools of Distinction, Empowerment Program, and Leadership Institute.

The in-kind line item consists of in-kind salaries, rent, equipment, printing, advertising, Teacher EXCHANGE™ donations, and fundraising facilities.

10. Operating lease:

The Foundation leases office facilities under an operating lease that terminated in November 2011, but continues thereafter for successive six month periods until such time as the Foundation terminates the lease. Monthly rent payments are \$7,545.

Rent expense paid totaled \$81,653 for September 30, 2012 and \$80,025 for September 30, 2011. Donated in-kind rent for the office totaled \$52,486 for September 30, 2012 and \$89,263 for September 30, 2011.

Minimum rent payments due under the lease are as follows:

Year ending September 30:	
2013	<u>\$ 37,727</u>
Total	<u>\$ 37,727</u>

The Foundation receives donated in-kind rent for warehouse space for the Teacher EXCHANGE™ that totaled \$105,945 and \$48,000 for September 30, 2012 and 2011, respectively.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012 AND 2011

11. Concentration of credit risk and uncertainties:

The Foundation receives its support from the general public as well as the Clark County School District. Accordingly, future support and activities could be affected by adverse changes in economic and political conditions in the Las Vegas area, including public perception of the needs and performance of the Foundation and the CCSD.

Cash in one bank account exceeded the current FDIC insurance limit by \$950,496 at September 30, 2012 and \$859,374 at September 30, 2011.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the Foundation's balances and the amounts reported in the statement of financial position. Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments.

12. Reclassifications:

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year statements. There was no effect on net assets.

13. Subsequent events:

In February 2013, the Foundation entered into an escrow agreement to purchase an approximately 40,000 square foot retail building. This site will house the Foundation's operations, programs and services. The Foundation funded \$75,000 into the escrow deposit account towards the purchase.

Subsequent events were evaluated through February 14, 2013, which is the date the financial statements were available to be issued.