

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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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 Clark County Public Education Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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.

Members of:

Private Companies Practice Section of the American Institute of Certified Public Accountants
Nevada Society of Certified Public Accountants
Independent Member of CPA Associates International, Inc.

Board of Directors
Clark County Public Education Foundation, Inc.
Independent Auditors' Report
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clark County Public Education Foundation, Inc. as of September 30, 2015 and 2014, and the changes in its net assets, its cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Layton Layton & Tollen LLP

March 4, 2016

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30 , 2015 AND 2014

ASSETS		
	2015	2014
Current assets:		
Cash and cash equivalents	\$ 2,210,144	\$ 2,449,330
Current portion of grants and contributions receivable	1,400,391	498,237
Inventory	6,009,166	4,263,466
Accrued income		50
Total current assets	9,619,701	7,211,083
Other assets:		
Cash and cash equivalents - restricted	102,271	
Buildings, furniture and equipment	7,129,094	6,988,187
Less accumulated depreciation	(456,343)	(319,297)
Net property and equipment	6,672,751	6,668,890
Investments	4,445,149	4,477,114
Grants and contributions receivable, less current portion	141,174	233,280
Other assets	4,990	6,730
Charitable FLP investments	887,660	894,019
Total other assets	12,253,995	12,280,033
Total assets	\$ 21,873,696	\$ 19,491,116
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 457,373	\$ 59,471
Agency liability	226	226
Current portion of long term debt	79,992	77,206
Unearned revenue		2,435
Total current liabilities	537,591	139,338
Long term liabilities:		
Note payable, less current portion	2,811,629	2,890,139
Total long term liabilities	2,811,629	2,890,139
Total liabilities	3,349,220	3,029,477
Net assets:		
Unrestricted	4,268,458	4,246,858
Temporarily restricted	14,153,747	12,214,781
Permanently restricted	102,271	
Total net assets	18,524,476	16,461,639
Total liabilities and net assets	\$ 21,873,696	\$ 19,491,116

The accompanying notes are an integral
part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Contributions and grants	\$ 1,151,727	\$ 9,167,555	\$ 102,271	\$10,421,553
Special events	495,705			495,705
Direct special event costs	(478,885)			(478,885)
Investment gain (loss), net	(26,215)	29		(26,186)
Net revenues	1,142,332	9,167,584	102,271	10,412,187
Expenses:				
Program activities	6,549,249			6,549,249
Supporting activities				
Fundraising	238,509			238,509
General and administration	1,561,592			1,561,592
Total expenses	8,349,350			8,349,350
Excess of revenues over (under) expenses	(7,207,018)	9,167,584	102,271	2,062,837
Net assets released from restrictions:				
Satisfaction of restrictions	7,228,618	(7,228,618)		
Increase in net assets	21,600	1,938,966	102,271	2,062,837
Net assets, beginning of year	4,246,858	12,214,781		16,461,639
Net assets, end of year	\$ 4,268,458	\$14,153,747	\$ 102,271	\$18,524,476

The accompanying notes are an integral
part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contributions and grants	\$ 881,213	\$ 8,377,647	\$ 9,258,860
Special events	520,792		520,792
Direct special event costs	(336,578)		(336,578)
Investment gain, net	267,056	1,222	268,278
Net revenues	1,332,483	8,378,869	9,711,352
Expenses:			
Program activities	4,832,225		4,832,225
Supporting activities			
Fundraising	476,207		476,207
General and administration	1,051,183		1,051,183
Total expenses	6,359,615		6,359,615
Excess of revenues over (under) expenses	(5,027,132)	8,378,869	3,351,737
Net assets released from restrictions:			
Satisfaction of restrictions	5,593,024	(5,593,024)	
Increase (decrease) in net assets	565,892	2,785,845	3,351,737
Net assets, beginning of year	3,680,966	9,428,936	13,109,902
Net assets, end of year	\$ 4,246,858	\$ 12,214,781	\$ 16,461,639

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, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Contributions	\$ 4,849,729	\$ 4,995,434
Return on investments	67,033	72,305
Interest	(105,556)	
Grants and allocations paid	(1,819,497)	(1,432,516)
Cash paid to suppliers and employees	(2,872,628)	(2,978,539)
 Net cash flow provided by (used in) operating activities	 119,081	 656,684
Cash flows from investing activities:		
Proceeds from redemption and sale of investments	683,011	2,849,154
Purchase of investments	(722,375)	(1,917,160)
Purchase of property and equipment	(140,908)	(790,960)
 Net cash flow provided by (used in) investing activities	 (180,272)	 141,034
Cash flows from financing activities:		
Payments on note payable	(75,724)	
 Net cash flow used in financing activities	 (75,724)	
 Net increase (decrease) in cash and cash equivalents	 (136,915)	 797,718
 Cash and cash equivalents, beginning of year	 2,449,330	 1,651,612
 Cash and cash equivalents, end of year	 \$ 2,312,415	 \$ 2,449,330

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, 2015 AND 2014

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

	<u>2015</u>	<u>2014</u>
Increase in net assets	\$ 2,062,837	\$ 3,351,737
Adjustments to reconcile excess support and revenue over expenses:		
Depreciation	137,047	83,017
Net realized and unrealized (gain) loss on investments	93,169	(196,018)
Noncash change in receivables		(66,650)
Noncash donations	(5,255,046)	(4,998,206)
Noncash donated expenses	3,493,865	2,512,479
(Increase) decrease in:		
Receivables	(810,048)	280,638
Accrued income	50	46
Construction in progress		
Other assets	1,740	1,743
Increase (decrease) in:		
Accounts payable and accrued expenses	397,902	(312,102)
Agency liability		
Unearned revenue	(2,435)	
Total adjustments	<u>(1,943,756)</u>	<u>(2,695,053)</u>
Net cash provided by operating activities	<u>\$ 119,081</u>	<u>\$ 656,684</u>

Supplemental information on non-cash transactions

Purchases of building and furnishings	\$	\$ 2,580,942
Cash purchases		<u>767,948</u>
Building and furnishings acquired through borrowings	\$	<u>\$ 1,812,994</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, 2015

	Program Services				Supporting Activities		Total
	Projects & Services	Initiatives Technology	Initiatives Literacy	Initiatives Education Leadership	G&A	Fundraising	
Direct services	\$ 1,611,281	\$	\$ 107,555	\$ 100,661	\$	\$ 1,600	\$ 1,821,097
Depreciation and amortization					137,047		137,047
In-kind	316,489	124,941	7,175	2,212,461	573,883	50,899	3,285,848
Insurance					34,410		34,410
Interest expense					105,556		105,556
Maintenance and utilities					112,508		112,508
Meals and banquets	56,457		1,454	31,273	1,908	3,667	94,759
Miscellaneous	70,129	6,434	5,071	20,907	56,749	12,696	171,986
Printing and postage	16,866		377	9,350	32,359	53,123	112,075
Professional fees	283,666		102,475	251,387	68,344	3,500	709,372
Salaries and benefits	285,123	5,501	333,081	367,563	425,642	113,024	1,529,934
Software licenses					8,792		8,792
Training, travel and conferences	9,787			2,457	4,394		16,638
Write-off uncollectible receivables	<u>209,328</u>						<u>209,328</u>
Total expenses	<u>\$ 2,859,126</u>	<u>\$ 136,876</u>	<u>\$ 557,188</u>	<u>\$2,996,059</u>	<u>\$ 1,561,592</u>	<u>\$ 238,509</u>	<u>\$ 8,349,350</u>
Total program services				<u>\$6,549,249</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, 2014

	Program Services			Supporting Activities			Total
	Projects & Services	Initiatives Technology	Initiatives Literacy	Initiatives Education Leadership	G&A	Fundraising	
Direct services	\$ 1,232,235	\$	\$ 92,663	\$ 107,617	\$	\$ 200	\$ 1,432,715
Depreciation and amortization					83,017		83,017
In-kind	194,782	117,369	6,978	1,463,982	346,142	307,443	2,436,696
Insurance	10,556				34,134		44,690
Meals and banquets	51,398		1,303	21,387	2,618	3,648	80,354
Miscellaneous	51,336	7,350	3,852	22,340	147,248	8,137	240,263
Occupancy	3,240		3,451	3,240	17,700	7,900	35,531
Printing and postage	16,829		786	32,407	24,171	49,762	123,955
Professional fees	219,060	15,000	95,935	241,013	75,552	3,500	650,060
Salaries and benefits	247,704		230,242	317,283	304,978	94,738	1,194,945
Software licenses	7,718	1,153			12,877		21,748
Training, travel and conferences	4,733			7,283	2,746	879	15,641
Total expenses	\$ 2,039,591	\$ 140,872	\$ 435,210	\$2,216,552	\$ 1,051,183	\$ 476,207	\$ 6,359,615
Total program services				\$4,832,225			

The accompanying notes are an integral part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

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, to establishing early childhood and parent engagement literacy programs.

The Foundation's Early Learning, Family Engagement and Literacy programs include Literacy Liftoff, Family Literacy and Reach Out and Read which seek to increase development for children of non-English speaking families and to promote school readiness and early literacy. The goal of these programs is also to provide children from low-income families with access to quality pre-school, after-school and out-of-school experiences to close the readiness gap in the early stages of learning.

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 4,800 scholarships totaling over \$9.5 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.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015 AND 2014

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

Organization, continued:

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.

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 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, year-long 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, 2015 AND 2014

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 \$959,466 in 2015, and \$1,075,234 in 2014. 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, 2015 AND 2014

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 \$22,670 in 2015 and \$22,846 in 2014 of 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, except on net income derived from unrelated business activities, 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 and 990-T (unrelated business activity) and believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's federal exempt organization's tax returns are subject to examination by the IRS for three years after the forms were filed.

2. Temporarily restricted net assets:

Temporarily restricted net assets are restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
Literacy programs	\$ 762,541	\$ 413,284
Charitable FLP investments	732,700	778,834
Other programs	8,653,561	6,956,749
Scholarships	1,116,890	1,148,318
Focus on Youth	111,527	111,527
Wiegand investments	2,668,556	2,668,556
William McCool Science Center	<u>107,972</u>	<u>137,513</u>
Total	<u>\$14,153,747</u>	<u>\$12,214,781</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015 AND 2014

3. Permanently restricted net assets:

Permanently restricted net assets consist of life insurance proceeds received where the donor stipulated that the original principal of the proceeds, \$102,271, be held and invested by the Foundation indefinitely. The income earned annually by the segregated funds is to be expended and used for the support of a particular elementary school named after the donor.

4. Promises to give:

Certain Nevada businesses and individuals have made pledges in support of the Foundation. In accordance with FASB ASC 958, *Not-for-Profit Entities*, the promises to give are recorded at their present value of \$1,541,565 at September 30, 2015. Pledges of \$1,425,178 are scheduled to be received in 2016 with \$10,500 to be received in 2017, and \$159,845 to be received thereafter. A discount is applied to the promises to give that carryover into future years and amounts to \$53,958 as of September 30, 2015. The entire amount is considered collectible.

5. Investments:

The Foundation's investments consist of:

	Cost	Unrealized Gain (Loss)	Market Value
<u>2015</u>			
Mutual funds	\$ 3,689,488	\$ 261,187	\$ 3,950,675
Certificates of deposit	494,474	_____	494,474
Totals	\$ 4,183,962	\$ 261,187	\$ 4,445,149
	Cost	Unrealized Gain (Loss)	Market Value
<u>2014</u>			
Mutual funds	\$ 3,595,155	\$ 378,567	\$ 3,973,722
Certificates of deposit	503,392	_____	503,392
Totals	\$ 4,098,547	\$ 378,567	\$ 4,477,114

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015 AND 2014

5. Investments, continued:

Reported investment return for the years consist of:

	2015	2014
Interest and dividend income	\$ 82,120	\$ 83,603
Charitable FLP investment earnings	4,781	(34,533)
Less investment expenses	(15,137)	(11,389)
	71,764	37,681
Realized gains	19,478	330,759
Net unrealized appreciation (depreciation)	(117,428)	(100,162)
Total	\$ (26,186)	\$ 268,278

6. Charitable family limited partnership (FLP) investments:

The Foundation was the recipient of a 97% limited partnership interest in a charitable family limited partnership with all the rights, powers and privileges of a limited partner. Per the partnership agreement, the partnership is to operate as an investment entity with the Foundation receiving annual distributions throughout the life of the partnership. 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 value of \$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.

As of September 30, 2015, the estimated value of the limited partnership interest was \$887,660 (partnership's ending capital account of \$1,107,660 less a discount of \$220,000).

7. 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:

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015 AND 2014

7. Fair value measurements, continued:

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.

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.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015 AND 2014

7. Fair value measurements, continued:

Fair values of assets and liabilities measured on a recurring basis at September 30, 2015 and 2014 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, 2015</u>				
Mutual funds:				
Intermediate-term bond	\$ 939,748	\$ 939,748	\$	\$
Large blend	487,593	487,593		
Emerg/Dev mkts	517,130	517,130		
Large growth	328,074	328,074		
Large value	320,187	320,187		
Mid blend	274,082	274,082		
Short-term bond	917,090	917,090		
Small blend	166,771	166,771		
Certificates of deposit	494,474		494,474	
Charitable FLP investments	<u>887,660</u>			<u>887,660</u>
 Total	 <u>\$ 5,332,809</u>	 <u>\$ 3,950,675</u>	 <u>\$ 494,474</u>	 <u>\$ 887,660</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015 AND 2014

7. 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, 2014</u>				
Mutual funds:				
Intermediate-term bond	\$ 463,445	\$ 463,445	\$	\$
Large blend	481,217	481,217		
Emerg/Dev mkts	525,035	525,035		
Large growth	336,103	336,103		
Large value	332,981	332,981		
Mid blend	287,938	287,938		
Short-term bond	1,388,830	1,388,830		
Small blend	158,173	158,173		
Certificates of deposit	503,392		503,392	
Charitable FLP investments	<u>894,019</u>			<u>894,019</u>
Total	<u>\$ 5,371,133</u>	<u>\$ 3,973,722</u>	<u>\$ 503,392</u>	<u>\$ 894,019</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, 2015.

	<u>Charitable FLP Investments</u>
Balance, beginning of the year	\$ 894,019
Allocation of income	4,781
Distributions	<u>(11,140)</u>
Balance, end of the year	<u>\$ 887,660</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015 AND 2014

8. 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>2015</u>			
Vehicle	\$ 6,865	\$ 3,089	5 Years
Furniture and office equipment	126,874	44,621	5 Years
Computer equipment and software	417,925	259,636	5 Years
Buildings and improvements	<u>6,577,430</u>	<u>148,997</u>	40 Years
Total	<u>\$ 7,129,094</u>	<u>\$ 456,343</u>	
<u>2014</u>			
Vehicle	\$ 6,865	\$ 1,716	5 Years
Furniture and office equipment	121,514	32,895	5 Years
Computer equipment and software	408,034	214,283	5 Years
Buildings and improvements	<u>6,451,774</u>	<u>70,403</u>	40 Years
Total	<u>\$ 6,988,187</u>	<u>\$ 319,297</u>	

9. 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.

10. Note payable:

The Foundation obtained a note payable from a financial institution in an amount up to \$3,000,000 to purchase and remodel a building to house the Foundation's operations. The Foundation was able to draw upon the note, with interest fixed at a rate of 3.55% which accrued monthly, until the conversion date. The conversion of the note occurred on June 16, 2014 with a total principal amount of \$2,985,711. The note is amortized based upon a maturity of 25 years which requires monthly payments of \$15,107 at an interest rate of 3.55%. The actual note matures on June 10, 2018 at which time all unpaid principal and

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015 AND 2014

10. Note payable, continued:

accrued interest shall be due and payable. The note is collateralized by the purchased building. As of September 30, 2015, the balance on the note is \$2,891,621. Long term debt maturities for each of the four subsequent years are as follows: \$79,992; \$82,878; \$85,869; and \$2,642,882.

11. 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.

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 Reach Out and Read, Family Literacy, and Library Enhancement. Initiatives education leadership includes the Teacher EXCHANGE™, 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.

12. 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 \$2,257,676 at September 30, 2015 and \$1,646,521 at September 30, 2014.

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.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015 AND 2014

13. Subsequent events:

The Foundation has evaluated subsequent events through March 4, 2016, the date the financial statements were available to be issued.