

**CLARK COUNTY PUBLIC
EDUCATION FOUNDATION, INC.**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

**CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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Independent Auditor's Report

To the Board of Directors
Clark County Public Education Foundation, Inc.

We have audited the accompanying financial statements of Clark County Public Education Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ellsworth & Stout, LLC

Las Vegas, Nevada
February 1, 2021



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Acuity Financial Center
7881 W. Charleston Blvd., Ste. 155 • Las Vegas, NV 89117
p 702-871-2727 f 702-876-0040

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CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,708,520	\$ 3,540,858
Current portion of unconditional promises to give	434,378	652,594
Grants receivable	-	30,323
Inventory	4,584,866	5,307,513
Prepaid expenses and other assets	81,594	72,941
Total current assets	<u>8,809,358</u>	<u>9,604,229</u>
Property and Equipment, net	<u>5,708,409</u>	<u>5,877,115</u>
Other Assets:		
Certificates of deposit	667,456	498,019
Investments	4,687,484	4,797,472
Unconditional promises to give, net of current portion	-	20,000
Charitable FLP Investments, net	773,182	936,105
Total other assets	<u>6,128,122</u>	<u>6,251,596</u>
Total Assets	<u>\$ 20,645,889</u>	<u>\$ 21,732,940</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 238,900	\$ 254,398
Agency liability	1,650,774	1,096,755
Current maturities of long-term debt	2,774,404	80,220
Total current liabilities	<u>4,664,078</u>	<u>1,431,373</u>
Long-Term Liabilities:		
Long-term debt, net of current maturities	<u>132,134</u>	<u>2,527,949</u>
Total Liabilities	<u>4,796,212</u>	<u>3,959,322</u>
Net Assets:		
Without donor restrictions	3,536,155	3,737,418
With donor restrictions	12,313,522	14,036,200
Total net assets	<u>15,849,677</u>	<u>17,773,618</u>
Total Liabilities and Net Assets	<u>\$ 20,645,889</u>	<u>\$ 21,732,940</u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Net Assets Without Donor Restrictions		
Revenue and other support:		
Contributions and grants	\$ 1,056,950	\$ 1,069,301
Special events, less expenses of \$225,956 and \$296,976, respectively	271,393	329,549
In-kind donations	313,677	-
Investment income	204,319	267,473
Net assets released from donor restrictions	<u>8,187,973</u>	<u>8,434,672</u>
	<u>10,034,312</u>	<u>10,100,995</u>
Expenses:		
Program services	8,619,008	9,093,036
Supporting services:		
Management and general	1,003,101	1,086,097
Fundraising	<u>613,466</u>	<u>488,191</u>
	<u>10,235,575</u>	<u>10,667,324</u>
Decrease in net assets without donor restrictions	<u>(201,263)</u>	<u>(566,329)</u>
Net Assets With Donor Restrictions		
Contributions and grants	4,261,277	5,393,838
In-kind donations	2,131,146	2,889,088
Investment income	72,872	18,199
Net assets released from donor restrictions	<u>(8,187,973)</u>	<u>(8,434,672)</u>
Decrease in net assets with donor restrictions	<u>(1,722,678)</u>	<u>(133,547)</u>
Decrease in Net Assets	(1,923,941)	(699,876)
Net Assets, Beginning of Year	<u>17,773,618</u>	<u>18,473,494</u>
Net Assets, End of Year	<u><u>\$ 15,849,677</u></u>	<u><u>\$ 17,773,618</u></u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services				Total Program Services	Management & General		Fundraising	Total
	Project & Services	Technology	Literacy	Education Leadership					
Advertising	\$ 84	\$ -	\$ -	\$ 168	\$ 252	\$ -	\$ 261	\$ 513	
Bad debt expense	-	-	-	-	-	54,769	-	54,769	
Bank fees	-	-	-	-	-	16,001	2,058	18,059	
Depreciation and amortization	-	-	-	-	-	177,388	-	177,388	
Direct services	3,410,569	-	-	5,460	3,416,029	1	585	3,416,615	
In-kind	160,473	74,657	-	2,649,422	2,884,552	118,677	195,000	3,198,229	
Insurance	174	95	520	9,828	10,617	40,144	675	51,436	
Interest expense	1,229	678	3,657	48,134	53,698	34,366	4,772	92,836	
Meals and banquets	7,249	-	132	30,769	38,150	4,771	1,103	44,024	
Office expense	19,012	267	9,552	63,191	92,022	15,019	2,235	109,276	
Printing and postage	9,873	357	1,936	20,000	32,166	15,630	37,508	85,304	
Professional fees	109,889	3,040	9,473	363,956	486,358	30,464	11,391	528,213	
Repairs and maintenance	715	394	2,483	29,744	33,336	19,869	2,870	56,075	
Salaries and benefits	397,938	140,899	156,021	798,183	1,493,041	412,513	350,971	2,256,525	
Software licenses	13,346	1,430	-	1,199	15,975	38,681	-	54,656	
Training, travel and conferences	1,688	-	8,101	22,966	32,755	277	1,264	34,296	
Utilities	684	377	2,236	26,760	30,057	24,531	2,773	57,361	
	<u>\$ 4,132,923</u>	<u>\$ 222,194</u>	<u>\$ 194,111</u>	<u>\$ 4,069,780</u>	<u>\$ 8,619,008</u>	<u>\$ 1,003,101</u>	<u>\$ 613,466</u>	<u>\$ 10,235,575</u>	

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	Program Services				Total Program Services	Management & General	Fundraising	Total
	Project & Services	Technology	Literacy	Education Leadership				
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,702	\$ -	\$ 16,702
Bank fees	-	-	-	-	-	25,481	2,252	27,733
Depreciation and amortization	-	-	-	-	-	196,563	-	196,563
Direct services	2,840,020	-	253	17,805	2,858,078	100	500	2,858,678
In-kind	162,277	-	-	3,205,707	3,367,984	217,883	150,315	3,736,182
Insurance	98	43	1,300	10,821	12,262	39,980	551	52,793
Interest expense	830	361	11,260	50,555	63,006	27,676	4,682	95,364
Repairs and maintenance	693	302	9,341	45,988	56,324	24,982	3,913	85,219
Meals and banquets	34,160	-	962	72,329	107,451	6,490	1,790	115,731
Miscellaneous	-	-	-	-	-	1,258	-	1,258
Office Expense	26,396	3,093	8,286	64,873	102,648	15,376	3,582	121,606
Printing and postage	12,477	397	4,876	13,058	30,808	22,383	81,318	134,509
Professional fees	425,946	30	4,843	360,624	791,443	30,736	10,773	832,952
Salaries and benefits	332,306	96,379	406,752	699,809	1,535,246	413,272	224,314	2,172,832
Software licenses	10,838	3,427	-	900	15,165	25,377	-	40,542
Training, travel and conferences	77,209	-	14,774	24,240	116,223	437	1,221	117,881
Utilities	781	447	6,232	28,938	36,398	21,401	2,980	60,779
	<u>\$ 3,924,031</u>	<u>\$ 104,479</u>	<u>\$ 468,879</u>	<u>\$ 4,595,647</u>	<u>\$ 9,093,036</u>	<u>\$ 1,086,097</u>	<u>\$ 488,191</u>	<u>\$ 10,667,324</u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ (1,923,941)	\$ (699,876)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	54,769	16,702
Depreciation and amortization	177,388	196,563
Net realized and unrealized gain on investments	(135,634)	(174,493)
In-kind inventory adjustment	722,647	846,018
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	183,448	1,581,217
(Increase) decrease in grants receivable	30,323	(30,323)
(Increase) decrease in prepaid expenses and other assets	(8,653)	(51,281)
Increase (decrease) in accounts payable and accrued expenses	(15,498)	(84,937)
Increase (decrease) in agency liability	554,019	196,755
Net cash provided by (used in) operating activities	<u>(361,132)</u>	<u>1,796,345</u>
Cash Flows from Investing Activities		
Net purchases in certificates of deposit	(169,437)	(1,738)
Proceeds from redemption and sale of investments	746,115	590,101
Purchase of investments	(337,571)	(671,467)
Purchase of property and equipment	(8,682)	(2,176)
Net cash provided by (used in) investing activities	<u>230,425</u>	<u>(85,280)</u>
Cash Flows from Financing Activities		
Proceeds from long term debt	377,000	-
Principal payments on long-term debt	(78,631)	(76,100)
Net cash provided by (used in) financing activities	<u>298,369</u>	<u>(76,100)</u>
Net Change in Cash and Cash Equivalents	167,662	1,634,965
Cash and Cash Equivalents, Beginning of Year	<u>3,540,858</u>	<u>1,905,893</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,708,520</u>	<u>\$ 3,540,858</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest	<u>\$ 92,836</u>	<u>\$ 95,364</u>

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Clark County Public Education Foundation, Inc. dba The Public Education Foundation (the “Foundation”), is presented to assist in understanding the Foundation’s financial statements. The financial statements and notes are representations of the Foundation’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of the Foundation

The 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.

The Scholarship PLUS program provides an extensive variety of scholarships to increase student access to post-secondary opportunities in support of their educational goals. Every year, the Foundation awards grants to teachers and hundreds of scholarships to graduating seniors. Since 1995, approximately \$19 million in scholarships have been awarded by the Foundation to more than 8,600 individuals.

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.

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 Leadership Institute of Nevada (Institute) is teaching the leadership of our schools, both at the executive level and in the classroom, to be strategic thinkers. It takes great leaders to solve the problems facing public education and deliver improved outcomes for students. The Institute consists of several high-impact programs: the Executive Leadership Academy, the Teacher Leader Academy, the 21st Century Site-based Leadership Program and regional summits. The Institute’s programs are designed to catalyze a culture-shift by creating and supporting a critical mass of good-to-great leaders throughout the state. Designed with nationally recognized thought leaders, the Institute offers a responsive and cutting-edge curriculum within a Nevada context. This place-based approach is not only cost efficient but also allows participants to immediately apply big ideas to local challenges.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Foundation presents a classified statement of financial position with additional qualitative information about availability of resources and liquidity in Note 2.

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to not-for-profit organizations, principally Accounting Standard Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958 (as amended by Accounting Standards Update (ASU) 2016-14), the Foundation is required to report information regarding its financial position and changes in financial position according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. The classification of net assets is based on the existence or absence of donor-imposed restrictions. Net assets are released by donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

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 judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

At various times throughout the year, the Foundation maintained deposits in financial institutions which exceeded federally insured amounts. The Public Education Foundation has not experienced any losses in these accounts.

Grants Receivable

Grant revenues are recorded as they are earned, according to the provisions of the grant. The Foundation does not anticipate any collection losses with respect to the receivable balance. As of September 30, 2020 and 2019, no allowance for doubtful accounts was deemed necessary as it relates to grants receivable.

Inventory

Inventory consists of donated school supplies, computers, books and various other items used in the Teacher EXCHANGE™ Program and for various other purposes. The Foundation values inventory at estimated fair value at the date of donation.

Property and Equipment

The Foundation capitalizes significant expenditures for property and equipment at cost, generally those that exceed \$2,500. Property and equipment that are contributed to the Foundation are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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 net assets without donor restrictions unless restricted by the donor.

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.

Revenue Recognition

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.

Certain contributions that have been received that meet the definition of a conditional contribution, which have not yet been expended for the purpose of the contributions, are recorded as an agency liability. Unspent funds at the end of the grant must be returned to the grantor. Those monies are considered conditional.

Donated Materials and Services

Generally, donated materials and facilities, if significant in amount, are recorded at their fair market value, provided the Foundation has a clearly measurable and objective basis for determining the value. In the case of materials where such values cannot reasonably be determined, the donation is not recorded. Donated professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation recognized the following in-kind donations as of September 30:

	<u>2020</u>	<u>2019</u>
Donated use of facilities	\$ 18,000	\$ 100,710
Materials and supplies	1,589,119	1,992,576
Professional services	837,705	644,185
Special events	141,461	251,213
	<u>\$ 2,586,285</u>	<u>\$ 2,988,684</u>

Unpaid volunteers have donated their time to the Foundation’s programs. The value of such services has not been reflected in the accompanying financial statements since the volunteers’ time does not meet the criteria for recognition as contributed services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

In December 1991, the Foundation received notification from the Internal Revenue Service that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity under Section 509(a)(2). Therefore, no provision for income taxes is made in the accompanying financial statements.

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.

Allocation Methodology

The statement of functional expenses presents expenditures by both their nature and their function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated based on management's estimate of time and effort, except for those expenditures that are considered direct expenses.

New Accounting Pronouncements

In March 2020, the World Health Organization officially characterized a novel strain of the coronavirus (COVID-19) as a global pandemic. Due to the pandemic, ASU 2020-05 was issued that gives an extension of implementation of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) for certain entities that have not yet issued their financial statements reflecting the adoption of Revenue by June 2020. Management has elected this deferral and will implement this standard subsequent to fiscal year end.

In February 2016, the FASB issued ASU 2016-02 (Topic 842) pertaining to Leases. Due to the pandemic, ASU 2020-05 was issued that gives an extension of implementation of ASU 2016-02 for certain entities that have not yet issued their financial statements reflecting the adoption of Leases by June 2020. Therefore, under the amendment, Leases is effective for non-public entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application continues to be permitted. Management has not yet evaluated the effects of this standard on the Organization's financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of September 30, 2020, the Foundation has \$2,499,174 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$2,284,493 and unconditional promises to give of \$214,681. Contractual or donor-imposed restrictions are not available for general expenditure. As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2020 AND 2019

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Certain Nevada businesses and individuals have made pledges in support of the Foundation. In accordance with ASC 958, *Not-for-Profit Entities*, the promises to give are recorded at their present value.

Unconditional promises to give consisted of the following as of September 30:

	2020	2019
Receivable in less than one year	\$ 449,997	\$ 689,870
Receivable in one to five years	-	20,000
Less: allowance for doubtful accounts	(15,619)	(37,275)
Total unconditional promises to give	\$ 434,378	\$ 672,595

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30:

	2020	2019
Building and improvements	\$ 5,776,471	\$ 5,778,646
Computer equipment and software	366,807	355,950
Furniture, fixtures and equipment	104,692	104,692
Land	777,254	777,254
Vehicle	6,865	6,865
	7,032,089	7,023,407
Less: accumulated depreciation and amortization	(1,323,680)	(1,146,292)
	\$ 5,708,409	\$ 5,877,115

Depreciation and amortization expense for the years ended September 30, 2020 and 2019 was \$177,388 and \$196,563, respectively.

NOTE 5 – 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 discount of approximately 20%, for the lack of control and marketability of the limited partnership interest. The Foundation adjusts the value of the partnership interest based upon the yearly activity of the partnership.

For the years ended September 30, 2020 and 2019, the estimated value of the limited partnership interest was \$773,182 and \$936,105, respectively.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2020 AND 2019

NOTE 6 – FAIR VALUE MEASUREMENT

The Foundation measures certain financial assets and liabilities at fair value on a recurring basis, and certain non-financial assets and liabilities on a nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.

Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Fair values of assets and liabilities measured on a recurring basis at September 30, 2020 consisted of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Recurring fair value measurements:				
Mutual Funds	\$ 4,687,575	\$ 4,687,575	\$ -	\$ -
Charitable FLP Investments	773,182	-	-	773,182
	<u>\$ 5,460,757</u>	<u>\$ 4,687,575</u>	<u>\$ -</u>	<u>\$ 773,182</u>

Fair values of assets and liabilities measured on a recurring basis at September 30, 2019 consisted of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Recurring fair value measurements:				
Mutual Funds	\$ 4,797,472	\$ 4,797,472	\$ -	\$ -
Charitable FLP Investments	936,105	-	-	936,105
	<u>\$ 5,733,577</u>	<u>\$ 4,797,472</u>	<u>\$ -</u>	<u>\$ 936,105</u>

Following is a description of the valuation methodologies used for assets measured at Level 3 fair value hierarchy:

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 method may produce a fair value calculation that is not 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 THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2020 AND 2019

NOTE 6 – FAIR VALUE MEASUREMENT (Continued)

The following table sets forth a summary of changes in the fair value of the Charitable FLP Investments which are considered Level 3 assets for the years ended September 30:

<u>Charitable FLP Investments</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 936,105	\$ 911,911
Allocation of income (loss)	(162,923)	25,819
Distributions	-	(1,625)
Balance, end of year	<u>\$ 773,182</u>	<u>\$ 936,105</u>

NOTE 7 – COMMITMENTS AND CONTIGENCIES

On October 1, 2018, the Foundation entered into memorandum of understanding with the Vegas Strong Fund (“VSF”), a Nevada nonprofit corporation. The agreement was set up as a partnership between the two non-profits to execute the Vegas Strong Compassion Scholarship set up to benefit the dependents defined by the Vegas Strong Fund. Initially, VSF transferred \$1,000,000 to PEF with 10% of the initial amount transferred to go towards administering the funds. The balance in the fund as of September 30, 2020 and 2019 is \$1,299,341 and \$1,096,755, respectively. The Vegas Strong Fund, as long as it exists, makes decisions for the eligibility of the individuals who will benefit from these funds. This fund will cease to exist on October 1, 2045.

On May 11, 2020, the Foundation entered into memorandum of understanding with Chris and Debbie Davis and Mynda Smith (the “Family”). The purpose of the agreement was to execute the Children of the 58 Scholarship which was set up to provide scholarship to identified 55 legally dependent children who are the survivors of the 57 people who lost their lives at the tragic event that day. The Foundation will administer the scholarship and any unused funds noted on May 11, 2021 are to be given to an endowment at the UNLV Library. Initially, the Family transferred \$354,879 to PEF with 10% of the initial amount transferred to go towards administering the funds. The balance of the fund as of September 30, 2020 is \$285,528.

NOTE 8 – LONG-TERM DEBT

Building Loan: 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 was refinanced in April 2017 and requires monthly payments of \$14,289 at an interest rate of 3.55%. The note matures on September 10, 2021 at which time all unpaid principal and accrued interest shall be due and payable. The note is collateralized by the purchased building. As of September 30, 2019 and 2018, the balance on the note was \$2,529,538 and \$2,608,169, respectively.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2020 AND 2019

NOTE 8 – LONG-TERM DEBT(Continued)

PPP Loan: On April 21, 2020, the Foundation was granted a loan from a financial institution in the aggregate amount of \$377,000, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan matures on April 1, 2022 and bears interest as a fixed rate of 1% per annum, payable monthly commencing on November 21, 2020. Funds from the loan may only be used for payroll costs used in continue group health care, benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Subsequently to year end, on December 21, 2020. Western Alliance Bank notified PEF that their loan had been forgiven in full by the Small Business Administration (“SBA”).

Long-term debt is summarized below at September 30, 2020:

Building Loan	\$ 2,529,538
PPP Loan	377,000
Less: current maturities	<u>(2,774,404)</u>
	<u>\$ 132,134</u>

Long-term debt at September 30, matures as follows:

2021	\$ 132,134
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NOTE 9 – 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. 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 statements of financial position. Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments.

Management is currently responding to the existing effects of the global pandemic and planning for the potential future effects that the pandemic may have on the Foundation’s operations, including the overall health of the economy and consumer spending. At the current time, management is unable to quantify the potential effects of this pandemic on the Foundation’s future financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2020 AND 2019

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have been purchased with monies from grantors as well as donated and are only to be used for their related program. If the Foundation ceases to operate the program the assets would be given to the succeeding organization.

Net assets with donor restrictions are restricted for the following purposes for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose and/or passage of time:		
Charles William Memorial Endowment	\$ 133,144	\$ 115,039
Capital/Annual Campaign	1,151,206	1,168,883
General and Administration	-	156,497
Lamping Endowment	15,838	7,172
Leadership	767,634	1,252,955
Literacy	-	124,931
Other	-	586
Projects and Services	5,341,495	5,540,234
SCH-LV Hospitality Association Investment	149,074	102,973
Scholarships (held in investments)	111,185	154,419
Teacher Exchange	4,541,676	5,310,241
	<u>12,211,252</u>	<u>13,933,930</u>
Not subject to appropriation or expenditure:		
Lamping Endowment held in perpetuity	<u>102,270</u>	<u>102,270</u>
Total net assets with donor restrictions	<u>\$ 12,313,522</u>	<u>\$ 14,036,200</u>

Net assets with donor restrictions are made up the following for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,424,027	\$ 1,806,623
Grants receivable	-	30,323
Certificates of deposit	667,456	498,019
Inventory (only Exchange)	4,541,676	5,295,081
Investments	4,687,484	4,797,472
Unconditional promises to give	219,697	672,577
Charitable FLP Investments	773,182	936,105
	<u>\$ 12,313,522</u>	<u>\$ 14,036,200</u>

NOTE 11 – ENDOWMENTS

Net assets with donor restrictions result from contributions of assets whose use by the Foundation is specified by our donors through time restrictions and purpose specified. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

In accordance with the interpretation of applicable laws and as set forth in the endowment declarations, the Foundation has the following endowment funds: (a) Frank J. Lamping Endowment includes donor-stipulated perpetual endowment principal of which generated income is restricted and can be used to support Lamping Elementary, and (b) Charles William Carter Endowment which includes an initial endowment donation that is non-perpetual and generated income on initial investment has a purpose restriction for scholarships. The management of the endowments is delegated to an outside investment manager.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 net assets with restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund are classified as net assets with restrictions until those amounts are appropriated for expenditure by the Foundation in accordance with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, 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 fund
2. The purposes of the donor-restricted endowment fund
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 of the Foundation
7. The investment policies of the Foundation

Return Objectives and Risk Parameters

In accordance with the interpretation of applicable laws and as set forth in the endowment declarations, the Foundation has the following endowment funds: (a) Lamping includes donor-stipulated perpetual endowment principal of which generated income is unrestricted and is restricted for the purpose of the Lamping Elementary (b) Charles William endowment includes donor-stipulated non-perpetual endowment principal of which generated income has a purpose restriction for scholarships. The management of the endowments is delegated to an outside investment manager.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2020 AND 2019

NOTE 11 – ENDOWMENTS (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature reported in net assets without donor restrictions as of September 30, 2020 and 2019.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has an unwritten spending policy in which the principal is not to be spent unless it is absolutely necessary for mission critical expenditures. To achieve that objective, the Foundation has adopted an investment policy and has created an investment and finance committee dedicated to ensuring investment procedures are followed.

Endowment net asset composition by type of fund as of September 30, 2020:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted	\$ -	\$ 251,252	\$ 251,252

Endowment net asset composition by type of fund as of September 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted	\$ -	\$ 224,470	\$ 224,470

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2020 AND 2019

NOTE 11 – ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended September 30, 2020:

	Without donor restrictions	With donor restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, beginning of year	\$ -	\$ 224,470	\$ 224,470
Investment income	-	4,789	4,789
Net appreciation	-	16,993	16,993
Contributions	-	5,000	5,000
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 251,252</u>	<u>\$ 251,252</u>

NOTE 12 – LEASE AGREEMENTS

The Foundation leases copy machines under a non-cancelable operating lease with US Bank. The leases commenced at the beginning of November 2018, with monthly payments of \$1,153, and expire in April 2024.

Future minimum lease payments are as follows for the years ending September 30:

2021	\$ 13,836
2022	13,836
2023	13,836
2024	<u>6,918</u>
	<u>\$ 48,426</u>

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 1, 2021, which is the date the financial statements were available to be issued.