CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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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, 2013 and 2012, 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.

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, 2013 and 2012, 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.

Lopez Lopez - Tolle LLP

February 13, 2014

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012

ASSETS

	2013	2012
Current assets:		
Cash and cash equivalents	$ 1,651,612	$ 2,557,365
Current portion of grants and contributions receivable	747,598	462,765
Inventory	1,782,786	1,718,941
Accrued income	95	3,662
Construction in progress	616,086	
Total current assets	4,798,177	4,742,733
Other assets:		
Buildings, furniture and equipment	3,714,191	248,176
Less accumulated depreciation	(236,279)	(232,958)
Net property and equipment	3,477,912	15,218
Investments	5,167,581	6,519,005
Grants and contributions receivable, less current portion	264,557	154,057
Other assets	8,473	200
Charitable FLP investments	940,153	981,802
Total other assets	9,858,676	7,670,282
Total assets	$ 14,656,853	$ 12,413,015

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	$ 371,573	$ 72,335
Agency liability	226	15,621
Unearned revenue	2,435	
Total current liabilities	374,234	87,956
Long term liabilities:		
Note payable	1,172,717	
Total long term liabilities	1,172,717	
Total liabilities	1,546,951	87,956
Net assets:		
Unrestricted	3,680,966	2,807,085
Temporarily restricted	9,428,936	9,517,974
Total net assets	13,109,902	12,325,059
Total liabilities and net assets	$ 14,656,853	$ 12,413,015

The accompanying notes are an integral part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contributions and grants	$ 4,755,360	$ 3,247,823	$ 8,003,183
Special events	601,384		601,384
Direct special event costs	(324,208)		(324,208)
Investment gain, net	544,160	2,435	546,595
Net revenues	5,576,696	3,250,258	8,826,954
Expenses:			
Program activities:	6,946,224		6,946,224
Supporting activities:			
Fundraising	399,720		399,720
General and administration	696,167		696,167
Total expenses	8,042,111		8,042,111
Excess of revenues over (under) expenses	(2,465,415)	3,250,258	784,843
Net assets released from restrictions:			
Satisfaction of restrictions	3,339,296	(3,339,296)	
Increase (decrease) in net assets	873,881	(89,038)	784,843
Net assets, beginning of year	2,807,085	9,517,974	12,325,059
Net assets, end of year	$ 3,680,966	$ 9,428,936	$ 13,109,902

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

	Unrestricted	Temporarily Restricted	Total
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 (loss), net	875,678	2,061	877,739
Net revenues	7,366,433	2,452,953	9,819,386
Expenses:			
Program activities:	7,229,742		7,229,742
Supporting activities:			
Fundraising	328,749		328,749
General and administration	677,887		677,887
Total expenses	8,236,378		8,236,378
Excess of revenues over (under) expenses	(869,945)	2,452,953	1,583,008
Net assets released from restrictions:			
Satisfaction of restrictions	1,581,812	(1,581,812)	
Increase (decrease) in net assets	711,867	871,141	1,583,008
Net assets, beginning of year	2,095,218	8,646,833	10,742,051
Net assets, end of year	$ 2,807,085	$ 9,517,974	$ 12,325,059

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, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Contributions	$ 4,058,021	$ 3,673,550
Return on investments	94,501	107,910
Change in agency liability	(15,395)	(102)
Grants and allocations paid	(1,694,575)	(1,484,510)
Cash paid to suppliers and employees	(2,901,510)	(2,216,918)
Net cash flow provided by (used in) operating activities	(458,958)	79,930
Cash flows from investing activities		
Proceeds from redemption and sale of investments	3,365,038	2,985,073
Purchase of investments	(1,516,304)	(2,907,211)
Purchase of property and equipment	(2,295,529)	(7,746)
Net cash flow provided by (used in) investing activities	(446,795)	70,116
Net increase (decrease) in cash and cash equivalents	(905,753)	150,046
Cash and cash equivalents, beginning of year	2,557,365	2,407,319
Cash and cash equivalents, end of year	$ 1,651,612	$ 2,557,365

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, 2013 AND 2012

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

	2013	2012
Increase in net assets	$ 784,843	$ 1,583,008
Adjustments to reconcile excess support and revenue over expenses:		
Depreciation	5,515	14,322
Net realized and unrealized (gain) loss on investments	(455,662)	(771,866)
Noncash change in receivables	(27,574)	(99,906)
Noncash donations	(4,126,074)	(5,815,952)
Noncash donated expenses	4,089,839	4,886,157
(Increase) decrease in:		
Receivables	(395,333)	284,449
Accrued income	3,569	2,038
Construction in progress	(616,086)	
Other assets	(8,273)	
Increase (decrease) in:		
Accounts payable and accrued expenses	299,238	(2,218)
Agency liability	(15,395)	(102)
Unearned revenue	2,435	
Total adjustments	(1,243,801)	(1,503,078)
Net cash provided by operating activities	$ (458,958)	$ 79,930

Supplemental information on non-cash transactions

Purchases of building and land	$ 3,441,616	$
Cash purchases	2,268,899	
Building and land acquired through borrowings	$ 1,172,717	$

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, 2013

	Program Services				Supporting Activities		
	Projects & Services	Initiatives Technology	Initiatives Literacy	Initiatives Education Leadership	G&A	Fundraising	Total
Direct services	$ 1,397,849	$	$ 79,408	$ 217,317	$	$ 150	$ 1,694,724
Depreciation and amortization					5,515		5,515
In-kind	288,862	18,332	189,122	3,065,777	195,110	228,262	3,985,465
Insurance					31,444	385	31,829
Meals and banquets	51,730		1,413	14,894	1,670	4,008	73,715
Miscellaneous	72,836		2,047	52,753	38,384	8,447	174,467
Occupancy	7,325		7,325	7,325	53,582	17,861	93,418
Printing and postage	16,499		2,251	15,658	11,166	62,628	108,202
Professional fees	228,136	10,000	48,827	345,676	79,996		712,635
Salaries and benefits	219,970	34,610	202,900	308,528	265,435	77,759	1,109,202
Software licenses	11,000			119	12,962		24,081
Training, travel and conferences	10,128			17,607	903	220	28,858
Total expenses	$ 2,304,335	$ 62,942	$ 533,293	$4,045,654	$ 696,167	$ 399,720	$ 8,042,111
Total program services				$6,946,224			

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		
	Projects & Services	Initiatives Technology	Initiatives Literacy	Initiatives Education Leadership	G&A	Fundraising	Total
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	16,477		1,381	9,389	5,680	147	33,074
Total expenses	$ 2,005,802	$ 37,584	$ 544,819	$4,641,537	$ 677,887	$ 328,749	$ 8,236,378
Total program services				$7,229,742			

The accompanying notes are an integral part of these financial statements

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

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.

Clark County READS, the Foundation's literacy initiative, has distributed more than 1,285,000 books to school libraries, classrooms and families as well as trained 2,117 volunteers to assist struggling readers, since inception in 2001. The Foundation's renewed efforts include the Family Literacy and Literacy Liftoff programs to increase language development for children of immigrant families and to promote school readiness and early literacy. The goal of these programs is to provide children from low-income and/or non-English speaking 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 3,600 scholarships totaling nearly $7.5 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.

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.

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 $699,474 in 2013, and $667,350 in 2012. 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.

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 $22,846 and $21,323 in 2013 and 2012, 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, 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:

	2013	2012
Clark County READS Program	$ 6,710	$ 35,868
Charitable FLP investments	778,834	820,483
Other programs	4,817,207	4,857,682
Scholarships	1,064,998	962,454
Smart Start	3,950	19,400
Wiegand investments	2,668,556	2,668,556
William McCool Science Center	88,681	153,231
Total	$9,428,936	$9,517,974

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 $1,012,155 at September 30, 2013. Pledges of $774,102 are scheduled to be received in 2014 with $60,833 to be received in 2015, and $231,178 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, 2013. The entire amount is considered collectible.

4. Construction in progress:

Construction in progress consists of amounts the Foundation paid for remodeling the building that has not yet been put in service as of September 30, 2013.

5. Investments:

The Foundation's investments consist of:

	Cost	Unrealized Gain (Loss)	Market Value
2013			
Mutual funds	$ 4,186,040	$ 478,775	$ 4,664,815
Certificates of deposit	502,766		502,766
Totals	$ 4,688,806	$ 478,775	$ 5,167,581

	Cost	Unrealized Gain (Loss)	Market Value
2012			
Mutual funds	$ 5,588,075	$ 201,851	$ 5,789,926
Certificates of deposit	729,079		729,079
Totals	$ 6,317,154	$ 201,851	$ 6,519,005

5. Investments, continued:

Reported investment return for the years consist of:

	2013	2012
Interest and dividend income	$ 112,674	$ 127,337
Charitable FLP investment earnings	(29,631)	(32,532)
Less investment expenses	(18,171)	(19,426)
	64,872	75,379
Realized gains	208,368	281,879
Net unrealized appreciation	273,355	520,481
Total	$ 546,595	$ 877,739

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, 2013, the estimated value of the limited partnership interest was $940,153 (partnership's ending capital account of $1,160,153 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:

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.

7. **Fair value measurements, continued:**

Fair values of assets and liabilities measured on a recurring basis at September 30, 2013 and 2012 are as follows:

	Fair value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2013				
Mutual funds:				
Intermediate-term bond	$ 1,184,440	$ 1,184,440	$	$
Large blend	1,293,629	1,293,629		
Large growth	615,495	615,495		
Large value	447,711	447,711		
Mid blend	351,483	351,483		
Short-term bond	578,635	578,635		
Small blend	193,422	193,422		
Certificates of deposit	502,766		502,766	
Charitable FLP investments	940,153			940,153
Total	$ 6,107,734	$ 4,664,815	$ 502,766	$ 940,153

7. Fair value measurements, continued:

	Fair value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2012				
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	981,802			981,802
Total	$ 7,500,807	$ 5,789,926	$ 729,079	$ 981,802

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, 2013.

	Charitable FLP Investments
Balance, beginning of the year	$ 981,802
Allocation of loss	(29,631)
Distributions	(12,018)
Balance, end of the year	$ 940,153

8. Property and equipment:

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

	Cost	Estimated Accumulated Depreciation	Useful Life
2013			
Vehicle	$ 6,865	$ 343	5 Years
Furniture and office equipment	27,812	27,179	5 Years
Computer equipment and software	214,194	187,285	5 Years
Buildings and improvements	3,465,320	21,472	15 Years
Total	$ 3,714,191	$ 236,279	
2012			
Furniture and office equipment	$ 27,812	$ 26,616	5 Years
Computer equipment and software	196,660	184,965	5 Years
Building (portables) and improvements	23,704	21,377	15 Years
Total	$ 248,176	$ 232,958	

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. In 2013, the Foundation had an agency liability of $226 that will be disbursed in behalf of providers. In 2012, the Foundation had an agency liability of $15,621 that was disbursed in behalf of providers.

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 can draw upon the note, which bears interest at a fixed rate of 3.55% with accrued interest due monthly, until the conversion date of March 10, 2014. After the conversion date, a payment of $15,183 is payable on the first payment date and the remaining unpaid balance will be amortized over 25 years to determine a monthly payment. The actual

10. Note payable, continued:

note matures on June 10, 2018 at which time all unpaid principle and accrued interest shall be due and payable. The note is collateralized by the purchased building. As of September 30, 2013, the Foundation had borrowed $1,172,717 leaving a remaining balance of $1,827,283 that may be drawn upon.

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 Clark County READS, 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. 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 $8,264.

Rent expense paid totaled $93,418 for September 30, 2013 and $81,653 for September 30, 2012. Donated in-kind rent for the office totaled $31,618 for September 30, 2013 and $52,486 for September 30, 2012.

Minimum rent payments due under the lease are as follows:

Year ending September 30:	
2014	$ 41,320
Total	$ 41,320

12. Operating lease, continued:

The Foundation receives donated in-kind rent for warehouse space for the Teacher EXCHANGE™ that totaled $123,060 and $105,945 for September 30, 2013 and 2012, respectively.

13. 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 $628,043 at September 30, 2013 and $950,496 at September 30, 2012.

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.

14. 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.

15. Subsequent events:

As of February 13, 2014, subsequent borrowings on the construction note payable, see Note 10, totaled approximately $1,496,193.

The Foundation has evaluated subsequent events through February 13, 2014, the date the financial statements were available to be issued.