

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

**CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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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 statement of financial position as of September 30, 2019, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Clark County Public Education Foundation, Inc. as of September 30, 2018, were audited by other auditors whose report dated April 3, 2019, expressed an unmodified opinion on those statements.

Ellsworth & Stout, LLC

Las Vegas, Nevada
February 11, 2020



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CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,540,858	\$ 1,905,893
Current portion of unconditional promises to give	652,594	2,091,167
Grants receivable	30,323	-
Inventory	5,307,513	6,153,531
Prepaid expenses and other assets	72,941	21,660
Total current assets	<u>9,604,229</u>	<u>10,172,251</u>
Property and Equipment, net	<u>5,877,115</u>	<u>6,071,503</u>
Other Assets:		
Certificates of deposit	498,019	496,281
Investments	4,797,472	4,565,807
Unconditional promises to give, net of current portion	20,000	179,345
Charitable FLP investments, net	936,105	911,911
Total other assets	<u>6,251,596</u>	<u>6,153,344</u>
Total Assets	<u>\$ 21,732,940</u>	<u>\$ 22,397,098</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 254,398	\$ 339,335
Agency liability	1,096,755	900,000
Current maturities of long-term debt	80,220	77,497
Total current liabilities	<u>1,431,373</u>	<u>1,316,832</u>
Long-Term Liabilities:		
Long-term debt, net of current maturities	<u>2,527,949</u>	<u>2,606,772</u>
Total Liabilities	<u>3,959,322</u>	<u>3,923,604</u>
Net Assets:		
Without donor restrictions	3,737,418	4,303,747
With donor restrictions	14,036,200	14,169,747
Total net assets	<u>17,773,618</u>	<u>18,473,494</u>
Total Liabilities and Net Assets	<u>\$ 21,732,940</u>	<u>\$ 22,397,098</u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
Revenue and other support:		
Contributions and grants	\$ 1,069,301	\$ 949,030
Special events, less expenses of \$296,976 and \$436,491, respectively	329,549	329,222
Investment income	267,473	301,458
Net assets released from donor restrictions	8,434,672	7,487,435
	<u>10,100,995</u>	<u>9,067,145</u>
Expenses:		
Program services	9,093,036	8,213,133
Supporting services:		
Management and general	1,086,097	1,226,032
Fundraising	488,191	479,430
	<u>10,667,324</u>	<u>9,918,595</u>
Decrease in net assets without donor restrictions	<u>(566,329)</u>	<u>(851,450)</u>
Net Assets With Donor Restrictions		
Contributions and grants	5,393,838	4,981,750
In-kind donations	2,889,088	3,541,676
Investment income	18,199	11,848
Net assets released from donor restrictions	(8,434,672)	(7,487,435)
	<u>(133,547)</u>	<u>1,047,839</u>
Increase (decrease) in net assets with donor restrictions		
	<u>(699,876)</u>	<u>196,389</u>
Increase (Decrease) in Net Assets		
Net Assets, Beginning of Year	<u>18,473,494</u>	<u>18,277,105</u>
Net Assets, End of Year	<u>\$ 17,773,618</u>	<u>\$ 18,473,494</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
Direct services	2,840,020	-	253	17,805	2,858,078	100	500	2,858,678
Depreciation and amortization	-	-	-	-	-	196,563	-	196,563
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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program Services				Total Program Services	Management & General	Fundraising	Total
	Project & Services	Technology	Literacy	Education Leadership				
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,216	\$ -	\$ 30,216
Direct services	2,323,371	-	13,110	3,515	2,339,996	107	3,275	2,343,378
Depreciation and amortization	-	-	-	-	-	222,313	-	222,313
In-kind	125,431	-	42,186	2,954,964	3,122,581	354,775	167,342	3,644,698
Insurance	101	44	1,515	13,688	15,348	29,900	569	45,817
Interest expense	853	371	12,813	51,979	66,016	30,557	4,815	101,388
Meals and banquets	34,771	-	5,628	68,760	109,159	5,559	1,967	116,685
Miscellaneous	-	-	-	-	-	860	-	860
Office expense	59,490	743	32,760	63,185	156,178	6,103	4,426	166,707
Printing and postage	11,642	348	6,338	27,317	45,645	14,595	61,890	122,130
Professional fees	300,669	19	37,734	433,114	771,536	33,959	14,679	820,174
Repairs and maintenance	576	251	8,650	37,215	46,692	21,583	4,250	72,525
Salaries and benefits	199,170	89,350	512,107	565,480	1,366,107	423,079	211,652	2,000,838
Software licenses	18,930	150	-	899	19,979	29,401	-	49,380
Training, travel and conferences	100,473	-	6,190	9,417	116,080	525	1,694	118,299
Utilities	488	292	7,324	29,712	37,816	22,500	2,871	63,187
	<u>\$ 3,175,965</u>	<u>\$ 91,568</u>	<u>\$ 686,355</u>	<u>\$ 4,259,245</u>	<u>\$ 8,213,133</u>	<u>\$ 1,226,032</u>	<u>\$ 479,430</u>	<u>\$ 9,918,595</u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (699,876)	\$ 196,389
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Bad debt expense	16,702	-
Depreciation and amortization	196,563	222,313
Net realized and unrealized gain on investments	(174,493)	(189,437)
In-kind inventory adjustment	846,018	102,331
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	1,581,217	(1,053,374)
(Increase) decrease in grants receivable	(30,323)	-
(Increase) decrease in prepaid expenses and other assets	(51,281)	19,711
Increase (decrease) in accounts payable and accrued expenses	(84,937)	85,447
Increase (decrease) in agency liability	196,755	900,000
Net cash provided by operating activities	<u>1,796,345</u>	<u>283,380</u>
Cash Flows from Investing Activities		
Net change in certificates of deposit	(1,738)	-
Proceeds from redemption and sale of investments	590,101	318,194
Purchase of investments	(671,467)	(565,887)
Purchase of property and equipment	(2,176)	(1,307)
Net cash used in investing activities	<u>(85,280)</u>	<u>(249,000)</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	(76,100)	(70,076)
Net cash used in financing activities	<u>(76,100)</u>	<u>(70,076)</u>
Net Change in Cash and Cash Equivalents	1,634,965	(35,696)
Cash and Cash Equivalents, Beginning of Year	<u>1,905,893</u>	<u>1,941,589</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,540,858</u>	<u>\$ 1,905,893</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest	<u>\$ 95,364</u>	<u>\$ 101,388</u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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 Organization

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.

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 7,726 scholarships totaling over \$16 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.

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, 2019, no allowance for doubtful accounts was deemed necessary.

Inventory

Inventory consists of donated school supplies, computers, books and various other items used in the Teacher EXCHANGE™ Program. 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, 2019 AND 2018

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>2019</u>	<u>2018</u>
Donated use of facilities	\$ 100,710	\$ 92,965
Materials and supplies	1,992,576	2,443,288
Professional services	644,185	838,710
Special events	251,213	366,053
	<u>\$ 2,988,684</u>	<u>\$ 3,741,016</u>

The amount of in-kind included above that is being recorded to net special events revenue on the statement of activities for the years ended September 30, 2019 and 2018 is \$98,545 and \$198,537, respectively. 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.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Net assets were unchanged due to these reclassifications.

New Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*. This ASU provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. The ASU requires a retrospective application; however, if it is impracticable to apply the guidance retrospectively for some of the issues, the guidance for those issues would be applied prospectively as of the earliest date practicable. The ASU is effective for nonprofit organizations for annual reporting periods beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

In May 2014, the FASB issued ASU 2014-09 (Topic 606) pertaining to revenue from contracts with customers, including a number of subsequent updating pronouncements. This pronouncement is effective for non-public companies for annual periods beginning after December 15, 2018, with early adoption permitted for periods beginning after December 15, 2016. Although a final determination of the potential impact of this new accounting pronouncement has not yet been completed, it appears that the substance of the new accounting principle, which is to change current revenue recognition guidance to a single, principle-based model that requires an entity to recognize revenue in a manner that depicts the transfer of goods or services to its customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, is consistent with the position of the Foundation's existing revenue recognition practices.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In August 2015, the original effective dates of ASU 2014-09 were deferred by one year through the issuance of ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. For most nonprofit organizations, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is allowed, but no earlier than annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. Alternatively, the ASU can be applied to annual reporting periods beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the year of initial adoption. Management does not believe the effects of this standard will materially impact the Foundation's financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which, among other things, requires the recognition of lease assets and lease liabilities by lessees, including for those leases classified as operating leases under previous GAAP, along with the disclosure of key information about leasing arrangements. When effective, the ASU will supersede FASB ASC 840, Leases, and add Topic 842, Leases, to the FASB ASC. The ASU is effective for most nonprofit organizations for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. In addition to replacing FASB ASC 840 with FASB ASC 842, the ASU amends and supersedes a number of other Topics throughout the FASB ASC. Management does not believe the effects of this standard will materially impact the Foundation's financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of September 30, 2019 the Foundation has \$1,734,235 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 \$1,734,235. 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.

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:

	2019	2018
Receivable in less than one year	\$ 689,870	\$ 2,111,740
Receivable in one to five years	20,000	179,345
Less: allowance for doubtful accounts	(37,275)	(20,573)
Total unconditional promises to give	<u>\$ 672,595</u>	<u>\$ 2,270,512</u>

**CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019 AND 2018**

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 5,865,401	\$ 5,865,402
Computer equipment and software	358,126	355,950
Furniture, fixtures and equipment	104,692	104,692
Land	688,323	688,323
Vehicle	6,865	6,865
	<u>7,023,407</u>	<u>7,021,232</u>
Less: accumulated depreciation and amortization	<u>(1,146,292)</u>	<u>(949,729)</u>
	<u>\$ 5,877,115</u>	<u>\$ 6,071,503</u>

Depreciation and amortization expense for the years ended September 30, 2019 and 2018 was \$196,563 and \$212,313, 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, 2019 and 2018, the estimated value of the limited partnership interest was \$936,105 and \$911,911, respectively.

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.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019 AND 2018

NOTE 6 – FAIR VALUE MEASUREMENT (Continued)

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.

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

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.

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>
<u>Recurring fair value measurements:</u>				
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>

Fair values of assets and liabilities measured on a recurring basis at September 30, 2018 consisted of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Recurring fair value measurements:</u>				
Mutual Funds	\$ 4,565,807	\$ 4,565,807	\$ -	\$ -
Charitable FLP investments	911,911	-	-	911,911
	<u>\$ 5,477,718</u>	<u>\$ 4,565,807</u>	<u>\$ -</u>	<u>\$ 911,911</u>

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>2019</u>	<u>2018</u>
Charitable FLP Investments		
Balance, beginning of the year	\$ 911,911	\$ 898,228
Allocation of income	25,819	24,865
Distributions	(1,625)	(11,182)
Balance, end of year	<u>\$ 936,105</u>	<u>\$ 911,911</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018 was \$1,096,755 and \$900,000, 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.

NOTE 8 – LONG-TERM DEBT

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 \$2,608,169 and \$2,684,269, respectively.

Long-term debt at September 30, 2019 matures as follows:

2020	\$	80,220
2021		2,527,949
	\$	<u>2,608,169</u>

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.

The Foundation had a certificate of deposit balance with US Bank in the amount of \$234,060 which was wrongfully sent to the State of Nevada after a period of inactivity. The Foundation went through the process of going through claims to recoup those funds. The Foundation has recouped those fund subsequent to year end.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019 AND 2018

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 Organization ceases to operate the program the assets would be given to the succeeding organization.

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

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,806,623	\$ 153,176
Grants receivable	30,323	-
Unconditional promises to give	672,577	2,270,512
Inventory (only Exchange)	5,295,081	6,142,150
Certificates of desposit	498,019	126,191
Investments	4,797,472	4,565,807
Charitable FLP investments	936,105	911,911
	<u>\$ 14,036,200</u>	<u>\$ 14,169,747</u>

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

	<u>2019</u>	<u>2018</u>
Charles William Memorial investment	\$ 115,039	\$ 91,967
Lamping endowment	109,442	104,505
Fundraising	1,168,883	1,136,190
General and Admin	156,497	152,844
Leadership	1,252,955	1,187,388
Literacy	124,931	623,207
Other	586	19,305
Projects and Services	5,540,234	4,314,818
SCH-LV Hospitality Association Investment	102,973	98,235
Scholarships (held in investments)	154,419	130,744
Teacher Exchange	5,310,241	6,310,444
Technology Development	-	100
	<u>\$ 14,036,200</u>	<u>\$ 14,169,747</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 GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019 AND 2018

NOTE 11 – ENDOWMENTS (Continued)

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

Endowment net asset composition by type of fund as of September 30, 2018:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted	\$ -	\$ 196,464	\$ 196,464

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 Organization 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 Organization 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 Organization in accordance with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization 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 organization
7. The investment policies of the organization

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019 AND 2018

NOTE 11 – ENDOWMENTS (Continued)

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 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.

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, 2019 and 2018.

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.

Changes in endowment net assets for the year ended September 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	\$ -	\$ 196,464	\$ 196,464
Investment income	-	5,388	5,388
Net appreciation	-	4,618	4,618
Contributions	-	18,000	18,000
Endowment net assets, end	<u>\$ -</u>	<u>\$ 224,470</u>	<u>\$ 224,470</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019 AND 2018

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 as of September 30, are as follows:

2020	\$	13,836
2021		13,836
2022		13,836
2023		13,836
2024		5,765
		<u>5,765</u>
	\$	<u>61,109</u>

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 11, 2020, which is the date the financial statements were available to be issued.