

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

**CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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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, 2021 and 2020, 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, 2021 and 2020, 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
January 25, 2022



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CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,129,767	\$ 3,708,520
Unconditional promises to give	15,200	434,378
Grants receivable	26,576	-
Inventory	2,370,357	4,584,866
Prepaid expenses and other assets	54,157	81,594
Total current assets	<u>3,596,057</u>	<u>8,809,358</u>
Property and Equipment, net	<u>5,550,121</u>	<u>5,708,409</u>
Other Assets:		
Certificates of deposit	2,726,046	667,456
Investments	5,306,683	4,687,484
Charitable FLP Investments, net	750,286	773,182
Total other assets	<u>8,783,015</u>	<u>6,128,122</u>
Total Assets	<u><u>\$ 17,929,193</u></u>	<u><u>\$ 20,645,889</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 239,688	\$ 238,900
Agency liability	1,701,827	1,650,774
Current maturities of long-term debt	2,516,588	2,774,404
Total current liabilities	<u>4,458,103</u>	<u>4,664,078</u>
Long-Term Liabilities:		
Long-term debt, net of current maturities	<u>305,075</u>	<u>132,134</u>
Total Liabilities	<u>4,763,178</u>	<u>4,796,212</u>
Net Assets:		
Without donor restrictions	3,722,253	3,536,155
With donor restrictions	9,443,762	12,313,522
Total net assets	<u>13,166,015</u>	<u>15,849,677</u>
Total Liabilities and Net Assets	<u><u>\$ 17,929,193</u></u>	<u><u>\$ 20,645,889</u></u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Revenue and other support:		
Contributions	\$ 57,913	\$ 1,056,950
Grant income	287,279	
Special events, less expenses of \$444,903 and \$497,350, respectively	249,188	271,393
In-kind donations	345,482	313,677
Investment income, net	64,589	61,393
Net assets released from donor restrictions	<u>7,641,935</u>	<u>8,187,973</u>
	<u>8,646,386</u>	<u>9,891,386</u>
Expenses:		
Program services	7,668,855	8,619,008
Supporting services:		
Management and general	1,180,074	1,003,101
Fundraising	<u>531,932</u>	<u>613,466</u>
	<u>9,380,861</u>	<u>10,235,575</u>
Other income:		
Net realized and unrealized gain	543,573	142,926
Gain on extinguishment of debt	<u>377,000</u>	<u>-</u>
	<u>920,573</u>	<u>142,926</u>
Increase (decrease) in net assets without donor restrictions	<u>186,098</u>	<u>(201,263)</u>
Net Assets With Donor Restrictions		
Contributions	3,675,203	4,261,277
In-kind donations	1,059,144	2,131,146
Investment income	37,828	72,872
Net assets released from donor restrictions	<u>(7,641,935)</u>	<u>(8,187,973)</u>
Decrease in net assets with donor restrictions	<u>(2,869,760)</u>	<u>(1,722,678)</u>
Decrease in Net Assets	<u>(2,683,662)</u>	<u>(1,923,941)</u>
Net Assets, Beginning of Year	<u>15,849,677</u>	<u>17,773,618</u>
Net Assets, End of Year	<u><u>\$ 13,166,015</u></u>	<u><u>\$ 15,849,677</u></u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services				Total Program Services	Management & Fundraising		Total
	Project & Services	Technology	Literacy	Education Leadership		General	Fundraising	
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178	\$ 985	\$ 1,163
Bad debt expense	-	-	-	-	-	100,931	-	100,931
Bank fees	26	14	-	837	877	18,682	-	19,559
Depreciation and amortization	-	-	-	-	-	166,693	-	166,693
Direct services	2,330,477	-	-	60,355	2,390,832	-	-	2,390,832
In-kind	130,800	82,835	-	3,048,334	3,261,969	134,881	210,600	3,607,450
Insurance	207	114	-	10,451	10,772	41,919	1,174	53,865
Interest expense	1,188	655	-	38,473	40,316	50,627	4,611	95,554
Meals and banquets	224	-	-	220	444	1,354	144	1,942
Office expense and other	670	2,804	-	116,900	120,374	13,120	1,796	135,290
Printing and postage	1,870	418	2,100	14,009	18,397	13,556	26,792	58,745
Professional fees	62,358	500	-	373,482	436,340	81,310	92,445	610,095
Repairs and maintenance	795	438	-	26,729	27,962	31,303	3,084	62,349
Salaries and benefits	373,894	138,338	183,807	613,107	1,309,146	466,831	187,173	1,963,150
Software licenses	10,827	3,616	-	3,196	17,639	31,295	-	48,934
Training, travel and conferences	13,059	-	-	580	13,639	1,199	704	15,542
Utilities	594	327	-	19,227	20,148	26,195	2,424	48,767
	<u>\$ 2,926,989</u>	<u>\$ 230,059</u>	<u>\$ 185,907</u>	<u>\$ 4,325,900</u>	<u>\$ 7,668,855</u>	<u>\$ 1,180,074</u>	<u>\$ 531,932</u>	<u>\$ 9,380,861</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 & Fundraising		Total
	Project & Services	Technology	Literacy	Education Leadership		General	Fundraising	
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ (2,683,662)	\$ (1,923,941)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Bad debt expense	100,931	54,769
Depreciation and amortization	166,693	177,388
Net realized and unrealized gain on investments	(543,573)	(135,634)
Gain on extinguishment of debt	(377,000)	-
In-kind inventory adjustment	2,214,509	722,647
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	318,248	183,448
(Increase) decrease in grants receivable	(26,576)	30,323
(Increase) decrease in prepaid expenses and other assets	27,437	(8,653)
Increase (decrease) in accounts payable and accrued expenses	788	(15,498)
Increase (decrease) in agency liability	51,053	554,019
Net cash used in operating activities	<u>(751,152)</u>	<u>(361,132)</u>
Cash Flows from Investing Activities		
Net purchases of certificates of deposit	(2,058,590)	(169,437)
Proceeds from redemption and sale of investments	373,569	746,115
Purchase of investments	(426,299)	(337,571)
Purchase of property and equipment	(8,405)	(8,682)
Net cash provided by (used in) investing activities	<u>(2,119,725)</u>	<u>230,425</u>
Cash Flows from Financing Activities		
Proceeds from long term debt	361,250	377,000
Principal payments on long-term debt	(69,126)	(78,631)
Net cash provided by financing activities	<u>292,124</u>	<u>298,369</u>
Net Change in Cash and Cash Equivalents	(2,578,753)	167,662
Cash and Cash Equivalents, Beginning of Year	<u>3,708,520</u>	<u>3,540,858</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,129,767</u>	<u>\$ 3,708,520</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest	<u>\$ 95,554</u>	<u>\$ 92,836</u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020, 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.

When a decision is made to markdown inventory, the recognition of the mark down is recorded in the year of the decision. During the year ended September 30, 2021, the Foundation determined that many donated inventory items that have been sitting in the warehouse for an extended period of time and were not part of the Foundation's mission should be marked down. Total inventory discounted as of September 30, 2021 is \$741,710 and total deemed obsolete is \$887,051. Items that were not a part of the mission were discounted 75% and obsolete items were not included in year end inventory.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The amount of expenses netted with revenues was \$18,249 and \$17,458 for the years ended September 30, 2021 and 2020, respectively.

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

Beginning in 2014, the Financial Accounting Standards Board ("FASB") issued standards to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries ("Topic 606"). The Foundation adopted Topic 606 at the beginning of the year ended September 30, 2021 using the modified retrospective method. The timing and amount of revenue recognized was not impacted by the adoption of Topic 606.

All 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 statement of activities as net assets released from donor restrictions.

Contributions may be considered conditional or non-conditional. A conditional contribution exists if a) one or more barrier exists and b) the right to receive or retain payment or delivery of the promised asset depends on meeting those barriers. In cases of ambiguous donor stipulations or stipulations that are not clearly unconditional are presumed to be conditional. Conditional contributions are recognized when conditions have been substantially met or waived by the donor. Non-conditional contributions are recognized when received or right to receive is obtained through documentation.

Grant revenue may be considered a contribution, entirely an exchange transaction, or a combination of the two. If a grant is considered a contribution, it is recognized as described in the above paragraph. If a grant is considered an exchange transaction, it falls under the guidance of Topic 606 and additional steps are taken to ensure correct recording of revenue. The performance obligation is satisfied when the services outlined in the grant contract are rendered. As of September 30, 2021, all exchange grant revenue was recognized at a point in time when services are performed.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amounts reflected in the accompanying financial statements as in-kind donations include several line items on the statement of activities. Those line items are titled “special events” and “in-kind donations” in the without donor restrictions section, as well as “in-kind donations” with donor restrictions section.

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

	<u>2021</u>	<u>2020</u>
Donated use of facilities	\$ 4,500	\$ 18,000
Materials and supplies	657,299	1,589,119
Professional services	742,827	837,705
Special events	68,158	141,461
	<u>\$ 1,472,784</u>	<u>\$ 2,586,285</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.

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.

Reclassification

Certain amounts have been reclassified in the prior year statement to conform to current year presentation.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

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, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. In addition to replacing FASB ASC 840 with FASB ASC 842, the ASU amends and supersedes other Topics throughout the FASB ASC. Management has not yet evaluated the effects of this standard on the Foundation's financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of September 30, 2021 and 2020, the Foundation has \$1,179,326 and \$848,400, respectively, 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 \$139,907 and \$633,719, unconditional promises to give of \$15,200 and \$214,681, and certificate of deposits of \$1,024,219 and \$0. 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:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 15,200	\$ 449,997
Less: allowance for doubtful accounts	<u>-</u>	<u>(15,619)</u>
Total unconditional promises to give	<u>\$ 15,200</u>	<u>\$ 434,378</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2021 AND 2020

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 5,779,436	\$ 5,776,471
Computer equipment and software	372,248	366,807
Furniture, fixtures and equipment	104,692	104,692
Land	777,254	777,254
Vehicle	6,865	6,865
	<u>7,040,495</u>	<u>7,032,089</u>
Less: accumulated depreciation and amortization	<u>(1,490,374)</u>	<u>(1,323,680)</u>
	<u><u>\$ 5,550,121</u></u>	<u><u>\$ 5,708,409</u></u>

Depreciation and amortization expense for the years ended September 30, 2021 and 2020 was \$166,693 and \$177,388, 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, 2021 and 2020, the estimated value of the limited partnership interest was \$750,286 and \$773,182, respectively. Refer to Note 6 for additional information.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2021 AND 2020

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, 2021 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	\$ 5,306,683	\$ 5,306,683	\$ -	\$ -
Charitable FLP Investments	750,286	-	-	750,286
	<u>\$ 6,056,969</u>	<u>\$ 5,306,683</u>	<u>\$ -</u>	<u>\$ 750,286</u>

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	\$ 4,687,484	\$ 4,687,484	\$ -	\$ -
Charitable FLP Investments	773,182	-	-	773,182
	<u>\$ 5,460,666</u>	<u>\$ 4,687,484</u>	<u>\$ -</u>	<u>\$ 773,182</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, 2021 AND 2020

NOTE 6 – FAIR VALUE MEASUREMENT (Continued)

As of the date of the financial statements, the Foundation was unable to obtain a value of the investment from the related K-1 tax return. The Foundation used an average of the changes in the investment from 2016 to 2020 to estimate a current year loss of \$22,896. The actual change in the Charitable FLP investments could have a significant effect on the Foundation’s earning within the subsequent year.

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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 773,182	\$ 936,105
Allocation of income (loss)	(22,896)	(162,923)
Distributions	-	-
Balance, end of year	<u>\$ 750,286</u>	<u>\$ 773,182</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

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, 2021 and 2020 is \$1,273,300 and \$1,299,341, 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, 2021 and 2020 is \$255,362 and \$285,528, respectively.

NOTE 8 – LONG-TERM DEBT

Building Loan: The Foundation obtained a note payable from a financial institution in the amount of \$2,460,412 on September, 9, 2021 to pay off an existing loan that came due. The original note was obtained for a building to house the Foundation’s operations. The existing note is collateralized by money in a CD account. The note accrues interest at a rate of 2.35% and matures on September 9, 2022 at which time all unpaid principal and accrued interest shall be due and payable. Beginning October 9, 2021 interest payments will be due monthly. As of September 30, 2021 and 2020, the balance on the note was \$2,460,413 and \$2,529,538, respectively.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2021 AND 2020

NOTE 8 – LONG-TERM DEBT (Continued)

PPP Loan 2: On January 1, 2021 the Foundation was granted a loan from a financial institution in the aggregate amount of \$361,250, 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 January 1, 2026 and bears interest as a fixed rate of 1% per annum, payable monthly commencing on February 1, 2022. 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.

On December 21, 2020, the first round of PPP loan the Foundation obtained was forgiven by the Small Business Administration (the “SBA”). Therefore, during the year ended September 30, 2021, the first round of PPP loan was recognized as a gain on extinguishment of debt in the amount of \$377,000.

Long-term debt is summarized below as of September 30, 2021:

Building Loan	\$ 2,460,413
PPP Loan 2	361,250
Less: current maturities	<u>(2,516,588)</u>
	<u>\$ 305,075</u>

As of September 30, long-term debt matures as follows:

2022	\$ 2,516,588
2023	90,457
2024	91,366
2025	92,284
2026	<u>30,968</u>
	<u>\$ 2,821,663</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.

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, 2021 AND 2020

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>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose and/or passage of time:		
Charles William Memorial Endowment	\$ 153,321	\$ 133,144
Charitable FLP investment	750,286	772,183
Capital/Annual capaign	-	379,023
Family learning	20,330	-
Lamping Endowment	33,475	15,838
Leadership	370,372	767,634
Literacy	12,635	-
Projects and Services	5,254,358	5,341,495
Technology	22,868	-
Unconditional grants	27,270	-
SCH-LV Hospitality Association Investment	149,089	149,074
Scholarships (held in investments)	94,928	111,185
Teacher Exchange	2,452,560	4,541,676
	<u>9,341,492</u>	<u>12,211,252</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>\$ 9,443,762</u>	<u>\$ 12,313,522</u>

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 989,860	\$ 1,424,027
Grants receivable	26,576	-
Certificates of deposit	-	667,456
Inventory (only Exchange)	2,370,357	4,541,676
Investments	5,306,683	4,687,484
Unconditional promises to give	-	219,697
Charitable FLP Investments	750,286	773,182
	<u>\$ 9,443,762</u>	<u>\$ 12,313,522</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, 2021 AND 2020

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, 2021 and 2020.

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, 2021:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted	\$ -	\$ 289,066	\$ 289,066

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

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2021 AND 2020

NOTE 11 – ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended September 30, 2021:

	Without donor restrictions	With donor restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, beginning of year	\$ -	\$ 251,252	\$ 251,252
Investment income	-	4,328	4,328
Net appreciation	-	30,265	30,265
Contributions	-	3,220	3,220
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 289,066</u>	<u>\$ 289,066</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:

2022	\$ 13,836
2023	13,836
2024	<u>8,071</u>
	<u>\$ 35,743</u>

NOTE 13 – RELATED PARTY TRANSACTIONS

The board of directors, as a group, for the year ended September 30, 2021, contributed a total of \$83,503. Of that amount, \$12,800 was included in in-kind.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 25, 2022, which is the date the financial statements were available to be issued.