

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

**CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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Independent Auditor's Report

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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. (the "Foundation") as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ellsworth & Stout, LLC

Las Vegas, Nevada
January 25, 2023

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,577,088	\$ 1,129,767
Unconditional promises to give	-	15,200
Grants receivable	94,148	26,576
Inventory	1,245,084	2,370,357
Prepaid expenses and other assets	17,130	54,157
Total current assets	<u>11,933,450</u>	<u>3,596,057</u>
Property and Equipment, net	<u>34,901</u>	<u>5,550,121</u>
Other Assets:		
Certificates of deposit	-	2,726,046
Refundable security deposit	4,800	-
Investments	4,502,771	5,306,683
Charitable FLP Investments, net	653,440	750,286
Total other assets	<u>5,161,011</u>	<u>8,783,015</u>
Total Assets	<u>\$ 17,129,362</u>	<u>\$ 17,929,193</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 266,689	\$ 237,172
Agency liability	1,687,276	1,701,827
Deferred lease liability	11,827	-
Deferred revenue	4,168,143	1,824,608
Current maturities of long-term debt	-	2,516,588
Total current liabilities	<u>6,133,935</u>	<u>6,280,195</u>
Long-Term Liabilities:		
Long-term debt, net of current maturities	<u>-</u>	<u>305,075</u>
Total Liabilities	<u>6,133,935</u>	<u>6,585,270</u>
Net Assets:		
Without donor restrictions	4,583,888	3,722,253
With donor restrictions	6,411,539	7,621,669
Total net assets	<u>10,995,427</u>	<u>11,343,922</u>
Total Liabilities and Net Assets	<u>\$ 17,129,362</u>	<u>\$ 17,929,193</u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions		
Revenue and other support:		
Contributions	\$ 499,563	\$ 57,913
Grant income	972,201	287,279
Special events, less expenses of \$368,260 and \$195,715, respectively	206,591	249,188
In-kind donations	662,426	345,482
Investment income, net	80,767	64,589
Net assets released from donor restrictions	<u>5,977,952</u>	<u>7,641,935</u>
	<u>8,399,500</u>	<u>8,646,386</u>
Expenses:		
Program services	8,065,651	7,668,855
Supporting services:		
Management and general	1,325,895	1,180,074
Fundraising	<u>571,011</u>	<u>531,932</u>
	<u>9,962,557</u>	<u>9,380,861</u>
Other income:		
Net realized and unrealized gain (loss)	(983,079)	543,573
Gain on sale of building	3,046,521	-
Gain on extinguishment of debt	<u>361,250</u>	<u>377,000</u>
	<u>2,424,692</u>	<u>920,573</u>
Increase in net assets without donor restrictions	<u>861,635</u>	<u>186,098</u>
Net Assets With Donor Restrictions		
Contributions	4,763,720	1,853,110
In-kind donations	-	1,059,144
Investment income	4,102	37,828
Net assets released from donor restrictions	<u>(5,977,952)</u>	<u>(7,641,935)</u>
Decrease in net assets with donor restrictions	<u>(1,210,130)</u>	<u>(4,691,853)</u>
Decrease in Net Assets	<u>(348,495)</u>	<u>(4,505,755)</u>
Net Assets, Beginning of Year, As Previously Reported	13,166,015	15,849,677
Prior Period Adjustment (Note 12)	<u>(1,822,093)</u>	-
Net Assets, Beginning of Year, As Restated	<u>11,343,922</u>	-
Net Assets, End of Year	<u>\$ 10,995,427</u>	<u>\$ 11,343,922</u>

See accompanying notes to the financial statements.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services				Total Program Services	Management & Fundraising		Total
	Project & Services	Technology	Literacy	Education Leadership		General	Fundraising	
Advertising	\$ -	\$ -	\$ -	\$ 55	\$ 55	\$ 545	\$ 1,600	\$ 2,200
Bad debt expense	-	-	-	-	-	5,335	-	5,335
Bank fees	-	-	-	-	-	18,067	-	18,067
Depreciation and amortization	-	-	-	-	-	71,638	-	71,638
Direct services	3,952,284	-	-	-	3,952,284	-	-	3,952,284
In-kind	190,645	84,780	1,113,187	-	1,388,612	127,804	257,400	1,773,816
Insurance	249	137	-	6,310	6,696	56,419	1,477	64,592
Interest expense	411	226	-	-	637	16,574	1,589	18,800
Meals and banquets	140	-	-	27,682	27,822	6,096	150	34,068
Office expense and other	8,427	1,091	-	96,103	105,621	39,905	21,858	167,384
Printing and postage	1,768	489	2,192	6,464	10,913	12,227	5,894	29,034
Professional fees	9,919	5,009	16,250	552,298	583,476	117,595	88,163	789,234
Program expenses	-	-	-	570,000	570,000	-	-	570,000
Rent expense	-	-	-	15,577	15,577	-	-	15,577
Repairs and maintenance	987	544	-	56,153	57,684	14,678	3,817	76,179
Salaries and benefits	285,076	83,155	220,254	689,476	1,277,961	771,270	185,405	2,234,636
Software licenses	7,495	8,105	7,608	9,023	32,231	26,544	-	58,775
Training, travel and conferences	18,895	-	-	5,558	24,453	4,071	330	28,854
Utilities	860	474	-	10,295	11,629	37,127	3,328	52,084
	<u>\$ 4,477,156</u>	<u>\$ 184,010</u>	<u>\$ 1,359,491</u>	<u>\$ 2,044,994</u>	<u>\$ 8,065,651</u>	<u>\$ 1,325,895</u>	<u>\$ 571,011</u>	<u>\$ 9,962,557</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 & General	Fundraising	Total
	Project & Services	Technology	Literacy	Education Leadership				
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ (348,495)	\$ (2,683,662)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	5,335	100,931
Depreciation and amortization	71,638	166,693
Gain on sale of building	(3,046,521)	-
Net realized and unrealized (gain) loss on investments	983,079	(543,573)
Gain on extinguishment of debt	(361,250)	(377,000)
In-kind inventory adjustment	1,125,273	2,214,509
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	9,865	318,248
(Increase) decrease in grants receivable	(67,572)	(26,576)
(Increase) decrease in prepaid expenses and other assets	37,027	27,437
(Increase) decrease in refundable security deposit	(4,800)	-
Increase (decrease) in accounts payable and accrued expenses	29,517	788
Increase (decrease) in agency liability	(14,551)	51,053
Increase (decrease) in deferred lease liability	11,827	-
Increase (decrease) in grants received in advance	2,343,535	-
Net cash provided by (used in) operating activities	<u>773,907</u>	<u>(751,152)</u>
Cash Flows from Investing Activities		
Net purchases of certificates of deposit	-	(2,058,590)
Proceeds from certificates of deposit	2,726,046	-
Proceeds from redemption and sale of investments	879,681	373,569
Proceeds from sale of building	8,511,080	-
Purchase of investments	(962,002)	(426,299)
Purchase of property and equipment	(20,977)	(8,405)
Net cash provided by (used in) investing activities	<u>11,133,828</u>	<u>(2,119,725)</u>
Cash Flows from Financing Activities		
Proceeds from long term debt	-	361,250
Principal payments on long-term debt	(2,460,414)	(69,126)
Net cash provided by (used in) financing activities	<u>(2,460,414)</u>	<u>292,124</u>
Net Change in Cash and Cash Equivalents	9,447,321	(2,578,753)
Cash and Cash Equivalents, Beginning of Year	<u>1,129,767</u>	<u>3,708,520</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,577,088</u>	<u>\$ 1,129,767</u>
<u>Supplemental disclosure of cash flow information:</u>		
Interest paid	<u>\$ 18,800</u>	<u>\$ 95,554</u>

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of the Foundation

Vision: A community united to ensure every public-school student in Clark County can succeed.

Mission: The Public Education Foundation partners with the community and the Clark County School District to meet immediate, critical education needs that will strengthen our public schools.

Foundation Description: The Public Education Foundation (PEF) unites the community to inspire support for our public schools. In partnership with the Clark County School District (CCSD), PEF helps guide effective investments in education to meet the critical needs of our students, families, and educators.

Thanks to our many community partners, we provide a variety of support to public schools, including the following programs:

Scholarships Plus provides \$5 million in scholarships each year to help students pursue their dreams of attending college or vocational school.

PEF Teacher Superstore provides school supplies to teachers to reduce their out-of-pocket expenses. These supplies are then shared with students who often can’t afford them.

Teacher Pathway recruits, supports, and retains local diverse, qualified individuals committed to a teaching career in CCSD. This “grow your own” teacher training program focuses on addressing Clark County’s chronic teacher shortage.

Artists with Kids inspires CCSD students to express their creativity and foster a lifelong engagement in the arts by creating experiences that connect them with community artists.

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, 2022 and 2021, 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 Superstore 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 investment revenues was \$14,489 and \$18,249 for the years ended September 30, 2022 and 2021, 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

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. For the years ending September 30, 2022 and 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, 2022 AND 2021

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>2022</u>	<u>2021</u>
Donated use of facilities	\$ 114,310	\$ 4,500
Materials and supplies	245,314	657,299
Professional services	288,918	742,827
Special events	231,805	68,158
	<u>\$ 880,347</u>	<u>\$ 1,472,784</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.

For the year ending September 30, 2022, the tax years that remain subject to potential examination by taxing authorities begin with 2019.

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.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022 AND 2021

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.

Reclassification

Certain comparative figures have been reclassified to conform to current year presentation.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of September 30, 2022 and 2021, the Foundation has \$4,805,573 and \$1,176,811, 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 \$4,711,425 and \$137,392, grants receivable of \$94,148 and \$0, unconditional promises to give of \$0 and \$15,200, certificate of deposits of \$0 and \$1,024,219, respectively.

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:

	2022	2021
Receivable in less than one year	\$ -	\$ 15,200
Less: allowance for doubtful accounts	-	-
Total unconditional promises to give	<u>\$ -</u>	<u>\$ 15,200</u>

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022 AND 2021

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 18,061	\$ 5,779,436
Computer equipment and software	184,979	372,248
Furniture, fixtures and equipment	109,107	104,692
Land	-	777,254
Vehicle	-	6,865
	<u>312,147</u>	<u>7,040,495</u>
Less: accumulated depreciation and amortization	<u>(277,246)</u>	<u>(1,490,374)</u>
	<u>\$ 34,901</u>	<u>\$ 5,550,121</u>

Depreciation and amortization expense for the years ended September 30, 2022 and 2021 was \$71,638 and \$166,693, 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, 2022 and 2021, the estimated value of the limited partnership interest was \$653,440 and \$750,286, respectively. Refer to Note 6 for additional information.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022 AND 2021

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, 2022 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	\$ 4,502,771	\$ 4,502,771	\$ -	\$ -
Charitable FLP Investments	653,440	-	-	653,440
	<u>\$ 5,156,211</u>	<u>\$ 4,502,771</u>	<u>\$ -</u>	<u>\$ 653,440</u>

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>

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 a 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. The discount for the years ending September 31, 2022 and 2021 is \$220,000.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022 AND 2021

NOTE 6 – FAIR VALUE MEASUREMENT (Continued)

For the year ended September 30, 2022, the K-1 was obtained and the Charitable FLP investments were recorded as of its balance in ending equity, net of the discount.

For the year ended September 30, 2021, 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 loss of \$22,896.

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>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 750,286	\$ 773,182
Allocation of income (loss)	(96,846)	(22,896)
Distributions	-	-
Balance, end of year	<u>\$ 653,440</u>	<u>\$ 750,286</u>

NOTE 7 – COMMITMENTS AND CONTIGENCIES

On October 1, 2018, the Foundation entered into memorandum of understanding with the Vegas Strong Fund (“VSF”), a Nevada nonprofit corporation. The agreement was set up as a partnership between the two non-profits to execute the Vegas Strong Compassion Scholarship set up to benefit the dependents defined by the Vegas Strong Fund. Initially, VSF transferred \$1,000,000 to PEF with 10% of the initial amount transferred to go towards administering the funds. The balance in the fund as of September 30, 2022 and 2021 is \$1,237,683 and \$1,273,300, 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. This fund is reported in the agency liability on the statement of activity.

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, 2022 and 2021 is \$259,824 and \$255,362, respectively. This fund is reported in the agency liability on the statement of activity.

Various other scholarship support has been received in which the Foundation acts as a pass-through agency and control over who receives the scholarship is maintained by the donor. The accumulated balance of these fund as of September 30, 2022 and 2021 is \$189,769 and \$173,165, respectively. These funds are reported in the agency liability on the statement of activity.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022 AND 2021

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 note was collateralized by money in a certificate of deposit account. The note accrued interest at a rate of 2.35% and matured on September 9, 2022. All unpaid principal and accrued interest was paid when the building was sold on February 28, 2022.

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.

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022 AND 2021

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have been purchased with monies from grantors and donors 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>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose and/or passage of time:		
Charles William Memorial Endowment	\$ 129,859	\$ 153,321
Charitable FLP investment	653,440	750,286
Family learning	41,758	20,330
Lamping Endowment	13,996	33,475
Leadership	74,951	370,372
Literacy	36,760	12,635
Scholarships	1,571,407	2,032,428
Special projects	2,216,717	1,671,124
Teacher Superstore	1,560,286	2,452,560
Technology	10,095	22,868
	<u>6,309,269</u>	<u>7,519,399</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><u>\$ 6,411,539</u></u>	<u><u>\$ 7,621,669</u></u>

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 161,733	\$ 989,860
Grants receivable	-	26,576
Inventory (only Exchange)	1,245,084	2,370,357
Investments	4,351,282	3,484,590
Charitable FLP Investments	653,440	750,286
	<u><u>\$ 6,411,539</u></u>	<u><u>\$ 7,621,669</u></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, 2022 AND 2021

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, 2022 and 2021.

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Endowment net asset composition by type of fund as of September 30, 2022:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted	\$ -	\$ 246,125	\$ 246,125

Endowment net asset composition by type of fund as of September 30, 2021:

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

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022 AND 2021

NOTE 11 – ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

Changes in endowment net assets for the year ended September 30, 2022:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 289,066	\$ 289,066
Investment income	-	4,797	4,797
Net depreciation	-	(51,021)	(51,021)
Contributions	-	3,283	3,283
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 246,125</u>	<u>\$ 246,125</u>

NOTE 12 – PRIOR PERIOD ADJUSTMENT

A detail review of restricted fund balance in the current year was completed and management noted that previous receipts that were recognized as restricted revenues when received met the definition outlined in the codification as a conditional grant (see Note 1 under Revenue Recognition) and should have been recognized as a liability. The restricted fund balances that were considered grant advances were adjusted accordingly. The following sets forth the previously reported and related amounts of selected items within the statement of financial position and the statement of activities as of and for the year ending September 30, 2021.

	As Previously Reported	As Restated	Increase (Decrease)
Deferred revenues	\$ 2,515	\$ 1,824,608	\$ 1,822,093
Net assets with donor restrictions: Contributions	\$ 3,675,203	\$ 1,853,110	\$ (1,822,093)

CLARK COUNTY PUBLIC EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022 AND 2021

NOTE 13 – LEASE AGREEMENTS

The Foundation leases office equipment, office space, and a warehouse. Office equipment consists of 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 expires in April 2024.

The office space is leased under a non-cancellable operating lease agreement dated October 2022 for the period of 48 months. The lease is for 3,726 square foot office space with a base rent of \$5,601 which escalates annually. There is an option to extend another 12 months at the end of the lease period.

The warehouse is leased under a non-cancellable operating lease agreement dated September 2022 for the period of 63 months. The leased premises is a 3,000 square foot warehouse with a base rent of \$3,750 which escalates annually.

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

2023	\$ 138,714
2024	127,453
2025	116,730
2026	116,730
2027	46,426
	<u>\$ 546,053</u>

NOTE 14 – RELATED PARTY TRANSACTIONS

The board of directors, as a group, for the years ended September 30, 2022 and 2021, contributed a total of \$379,515 and \$83,503, respectively. Of that amount, \$257,400 and \$12,800 was included in in-kind donations, respectively.

NOTE 15 – SUBSEQUENT EVENTS

Management of the Foundation has evaluated subsequent events through January 25, 2023, the date on which the financial statements were available to be issued. No events were identified that would require disclosure.