

NASHVILLE PUBLIC EDUCATION FOUNDATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019 AND 2018

NASHVILLE PUBLIC EDUCATION FOUNDATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1 - 2
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nashville Public Education Foundation
Nashville, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Nashville Public Education Foundation (the "Foundation"), a Tennessee not-for-profit corporation, which comprise the statements of financial position as of June 30, 2019 and 2018, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Public Education Foundation as of June 30, 2019 and 2018, 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.

7/19/19 CPAs PLLC

Nashville, Tennessee
November 19, 2019

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ 1,833,888	\$ 3,536,713
Contributions receivable	234,633	357,000
Grants receivable	24,000	130,684
Other current assets	6,024	11,810
Investments	8,818	6,833
Property and equipment, net	26,009	30,059
Endowment assets:		
Cash	15,300	15,025
Investments	<u>142,393</u>	<u>149,924</u>
TOTAL ASSETS	<u>\$ 2,291,065</u>	<u>\$ 4,238,048</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 119,525	\$ 68,020
Salaries, benefits and payroll taxes payable	19,807	103,663
Contributions payable	<u>67,270</u>	<u>626,332</u>
TOTAL LIABILITIES	<u>206,602</u>	<u>798,015</u>
NET ASSETS		
Net assets without donor restrictions	694,290	424,472
Net assets with donor restrictions	<u>1,390,173</u>	<u>3,015,561</u>
TOTAL NET ASSETS	<u>2,084,463</u>	<u>3,440,033</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,291,065</u>	<u>\$ 4,238,048</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 594,650	\$ 761,892	\$ 1,356,542
Grant revenue	275,000	-	275,000
Hall of Fame special event	187,617	216,000	403,617
Less: direct cost of event	(90,555)	-	(90,555)
Investment income, net	12,552	6,031	18,583
Gain on disposition of equipment	61		61
Net assets released from restrictions	<u>2,609,311</u>	<u>(2,609,311)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>3,588,636</u>	<u>(1,625,388)</u>	<u>1,963,248</u>
EXPENSES			
Program services	2,871,493	-	2,871,493
Supporting services:			
Management and general	186,851	-	186,851
Fundraising	<u>260,474</u>	<u>-</u>	<u>260,474</u>
Total supporting services	<u>447,325</u>	<u>-</u>	<u>447,325</u>
TOTAL EXPENSES	<u>3,318,818</u>	<u>-</u>	<u>3,318,818</u>
CHANGE IN NET ASSETS	269,818	(1,625,388)	(1,355,570)
NET ASSETS - BEGINNING OF YEAR	<u>424,472</u>	<u>3,015,561</u>	<u>3,440,033</u>
NET ASSETS - END OF YEAR	<u>\$ 694,290</u>	<u>\$ 1,390,173</u>	<u>\$ 2,084,463</u>

See accompanying notes to financial statements.

2018

Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 144,137	\$ 2,768,339	\$ 2,912,476
315,000	-	315,000
112,795	159,900	272,695
(66,339)	-	(66,339)
4,595	3,427	8,022
-	-	-
<u>2,275,590</u>	<u>(2,275,590)</u>	<u>-</u>
<u>2,785,778</u>	<u>656,076</u>	<u>3,441,854</u>
2,560,836	-	2,560,836
198,181	-	198,181
<u>278,086</u>	<u>-</u>	<u>278,086</u>
<u>476,267</u>	<u>-</u>	<u>476,267</u>
<u>3,037,103</u>	<u>-</u>	<u>3,037,103</u>
(251,325)	656,076	404,751
<u>675,797</u>	<u>2,359,485</u>	<u>3,035,282</u>
<u>\$ 424,472</u>	<u>\$ 3,015,561</u>	<u>\$ 3,440,033</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019					2018				
	Program Services	Supporting Services		Total Supporting Services	Total	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising				Management and General	Fundraising		
Partner program support	\$1,955,462	\$ -	\$ -	\$ -	\$1,955,462	\$1,542,275	\$ -	\$ -	\$ -	\$1,542,275
Salaries, wages and employee benefits	495,930	147,229	131,731	278,960	774,890	515,708	153,101	136,985	290,086	805,794
Research and special project support	131,089	-	-	-	131,089	188,577	-	-	-	188,577
Public relations	166,136	-	55,379	55,379	221,515	170,327	-	56,776	56,776	227,103
Printing and publications	32,896	9,869	23,027	32,896	65,792	33,920	10,176	23,744	33,920	67,840
Professional fees	19,118	19,118	25,491	44,609	63,727	21,530	21,530	28,706	50,236	71,766
Office occupancy	27,158	4,527	13,579	18,106	45,264	25,767	4,294	12,884	17,178	42,945
Supplies	2,189	365	1,095	1,460	3,649	2,432	405	1,216	1,621	4,053
Telephone, postage and shipping	2,612	435	1,306	1,741	4,353	3,802	634	1,901	2,535	6,337
Travel, meetings and special events	21,172	2,352	90,555	92,907	114,079	24,750	2,750	66,339	69,089	93,839
Depreciation	3,218	537	1,609	2,146	5,364	3,343	557	1,671	2,228	5,571
Software maintenance expense	6,120	1,020	3,060	4,080	10,200	7,543	1,257	3,772	5,029	12,572
Other miscellaneous expenses	8,393	1,399	4,197	5,596	13,989	20,862	3,477	10,431	13,908	34,770
TOTAL EXPENSES	2,871,493	186,851	351,029	537,880	3,409,373	2,560,836	198,181	344,425	542,606	3,103,442
Less direct cost of special event included in revenues on the Statements of Activities	-	-	(90,555)	(90,555)	(90,555)	-	-	(66,339)	(66,339)	(66,339)
TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES	\$2,871,493	\$ 186,851	\$ 260,474	\$ 447,325	\$3,318,818	\$2,560,836	\$ 198,181	\$ 278,086	\$ 476,267	\$3,037,103

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (1,355,570)	\$ 404,751
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	5,364	5,571
Net realized and unrealized losses on investments	816	252
Gain on disposition of equipment	(61)	-
Non-cash contributions of investments	(23,069)	(1,976)
(Increase) decrease in:		
Contributions receivable	106,684	827,923
Grants receivable	122,367	(130,684)
Other current assets	5,786	(1,446)
Increase (decrease) in:		
Accounts payable and accrued liabilities	51,505	47,054
Salaries, benefits and payroll taxes payable	(83,856)	2,672
Contributions payable	(559,062)	502,901
TOTAL ADJUSTMENTS	<u>(373,526)</u>	<u>1,252,267</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(1,729,096)</u>	<u>1,657,018</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,204)	(1,334)
Proceeds from disposal of fixed assets	951	-
Proceeds from sale of investments	(4,947)	-
Purchases of investments	32,746	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>26,546</u>	<u>(1,334)</u>
(DECREASE) INCREASE IN CASH	(1,702,550)	1,655,684
CASH - BEGINNING OF YEAR	<u>3,551,738</u>	<u>1,896,054</u>
CASH - END OF YEAR	<u>\$ 1,849,188</u>	<u>\$ 3,551,738</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1 - GENERAL

On July 11, 2002, Nashville Public Education Foundation (the “Foundation”) was chartered as a public benefit corporation under the Tennessee Nonprofit Corporation Act. From its inception through June 9, 2011, the Foundation operated under the name “Nashville Alliance for Public Education, Inc.”

The Foundation was formed by a group of corporate and civic leaders for the purpose of improving public education in Nashville, Tennessee. The Foundation works to ensure every child in Nashville has access to a great public education that prepares them fully for college, work and life. The Foundation achieves this through raising and managing funds, making strategic investments and bringing the community together behind needle-moving efforts to accelerate progress.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Contributions

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

The Foundation reports gifts of equipment, materials, or facilities (in-kind contributions) at their fair value in the period received as support without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Donated Services

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Foundation if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

In addition to donated services, the Foundation acknowledges that many individuals routinely volunteer their time and efforts to perform a variety of beneficial tasks that greatly promote the Foundation's programs and services. No amounts have been reflected in the financial statements for these donated services since the volunteer's time does not meet the criteria for recognition under GAAP.

Contributions Receivable

Unconditional contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All contributions receivable as of both June 30, 2019 and 2018 were due within one year. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible. In management's opinion, no allowance for uncollectible contributions was necessary as of June 30, 2019 or 2018.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenues

Grants are recognized as revenue in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as a liability and recognized as revenue in the period the conditions for recognition are met.

Property and Equipment

Property and equipment are recorded at cost. Donated assets are capitalized at fair market value in the period received. Depreciation expense is calculated using the straight-line method over the estimated service lives of the assets, principally the initial lease term for leasehold improvements and 3 to 7 years for furniture and equipment.

Fair Value Measurements

The Foundation classifies its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

Equities and mutual funds - Valued based on quoted market prices on the last business day of the reporting period.

Corporate bonds - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

There have been no changes in the valuation methodologies used at June 30, 2019 or 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds

The Foundation has both donor-restricted endowment funds and funds designated by the Board to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's donor-restricted endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act ("SUPMIFA").

Interpretation of applicable law - The Board of Directors has interpreted SUPMIFA 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 retains in perpetuity (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 investment funds designated as an endowment that is not classified in donor restricted net assets is classified as unrestricted as part of the Board designated endowment fund, which is consistent with the standard of prudence prescribed by UPMIFA.

Spending policy - Investment earnings from the donor-restricted endowment fund are used to support activities of the Metro Forensics League of Metro Nashville Public Schools (debate team).

Investment return objective, risk parameters and strategies - The Foundation generally follows a conservative investment policy with respect to its endowment assets. Investment income earned on endowment assets typically includes dividends, interest, and realized and unrealized capital gains and losses. Investment income is recognized as a component of net assets without donor restrictions or net assets with donor restrictions, respectively, based on the use or appropriation of the funds for qualifying program expenditures.

Investments

Investments consist of equities, bonds and mutual funds which are carried at fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses are reflected in the statements of activities.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Payable

Contributions payable are promises to give to a qualifying not-for-profit organization (principally Metro Nashville Public Schools (“MNPS”)) that are recognized as a liability by the Foundation, at fair value, on the date the obligation is deemed to be unconditional. A conditional contribution is not recorded until the contingent condition is effectively satisfied. Contributions scheduled to be paid in less than one year are recorded at net settlement value. Contributions scheduled for payment in excess of one year are recorded at estimated present value in a manner similar to the valuation of unconditional promises to be received.

Income Taxes

The Foundation qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided. The Foundation files a U.S. federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Foundation’s income tax returns to determine whether the income tax positions meet a “more likely than not” standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the “more likely than not” standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services

The Foundation’s work focuses on several key areas to advance the success of Nashville’s public schools and the students they serve, including early childhood learning and literacy, teacher recognition and supports, and post-secondary success. During the years ending June 30, 2019 and 2018 the Foundation raised funds to support the initiatives outlined in the Blueprint for Early Childhood Success (“BECS”) program, building networks within the city to connect existing efforts and spark new work related to early childhood education with a focus on literacy. The Foundation’s ongoing Show Your Love campaign provides support for Nashville’s public school teachers, as well as recognition awards such as Blue Ribbon Teacher, contributing to teacher retention and the positive narrative of MNPS.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Program Services (Continued)

During the year ending June 30, 2019, the Foundation launched the web platform TeachBNA.com, an online resource designed to recruit new teachers to work in Nashville. The Foundation's work in postsecondary access and success involves the launch of the second Bridge to Completion report, highlighting key postsecondary data for MNPS high school graduates, and the web platform Nashville Goes to College, providing resources to aspiring and current college students. In addition, the Foundation continues to support initiatives in MNPS including initiatives in music education.

Supporting Services

Management and General relates to the overall direction of the Foundation. These expenses are not identifiable with a particular program or event, or with fundraising, but are indispensable to the conduct of those activities and are essential to the Foundation. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising includes costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. The expenses that are allocated on the basis of time and effort include salaries, wages and employee benefits; public relations; printing and publications; professional fees; office occupancy; supplies; telephone, postage and shipping; travel, meetings and special events; depreciation; software maintenance expense; and other miscellaneous expenses.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the changes in net assets as previously reported.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Additionally, ASU 2016-14 requires all not-for-profit entities to present expenses by their natural and functional expense classification. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Authoritative Accounting Guidance

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the organization is a resource recipient, the ASU is effective for annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Where the organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. The adoption of ASU 2018-08 is not expected to have a material impact on the Foundation's financial statements.

Events Occurring After Reporting Date

The Foundation has evaluated events and transactions that occurred between June 30, 2019 and November 19, 2019, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The following reflects the Foundation's financial assets at June 30, reduced by amounts not available for general use within one year of the statements of financial position date because of donor-imposed restrictions. Amounts not available also include amounts set aside by the Board of Directors that could be drawn upon if the governing board approves that action.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 3 - LIQUIDITY AND AVAILABILITY (CONTINUED)

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash	\$ 1,849,188	\$ 3,551,738
Contributions and grants receivable	258,633	487,684
Investments	<u>151,211</u>	<u>156,757</u>
Total financial assets	<u>2,259,032</u>	<u>4,196,179</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions:		
Restricted for specific purposes	1,257,480	2,875,612
Donor-restricted endowment funds	132,693	139,949
Board designated endowment funds	<u>25,000</u>	<u>25,000</u>
	<u>1,415,173</u>	<u>3,040,561</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 843,859</u>	<u>\$ 1,155,618</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 18,105	\$ 18,105
Furniture and equipment	29,150	28,280
Website design	<u>7,300</u>	<u>7,300</u>
	54,555	53,685
Less: Accumulated depreciation	<u>(28,546)</u>	<u>(23,626)</u>
	<u>\$ 26,009</u>	<u>\$ 30,059</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 5 - ENDOWMENT

The Foundation had the following endowment net asset composition by type of fund as of June 30:

<u>2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 25,000	\$ -	\$ 25,000
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	120,253	120,253
Accumulated investment gains	-	12,440	12,440
	<u>\$ 25,000</u>	<u>\$ 132,693</u>	<u>\$ 157,693</u>
<u>2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 25,000	\$ -	\$ 25,000
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	120,253	120,253
Accumulated investment gains	-	19,696	19,696
	<u>\$ 25,000</u>	<u>\$ 139,949</u>	<u>\$ 164,949</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 5 - ENDOWMENT (CONTINUED)

A summary of activity involving endowment assets during the fiscal years ended June 30, 2019 and 2018, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets at June 30, 2017	\$ 25,000	\$ 142,211	\$ 167,211
Investment income, net	-	3,427	3,427
Administration fees	<u>-</u>	<u>(5,689)</u>	<u>(5,689)</u>
Endowment assets at June 30, 2018	25,000	139,949	164,949
Investment income, net	-	6,031	6,031
Administration fees	-	(3,287)	(3,287)
Appropriation for debate team	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Endowment assets at June 30, 2019	<u>\$ 25,000</u>	<u>\$ 132,693</u>	<u>\$ 157,693</u>

NOTE 6 - INVESTMENTS

Investments consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Equities	\$ -	\$ 6,833
Corporate bonds	51,480	50,866
Mutual funds	<u>99,731</u>	<u>99,058</u>
Total	<u>\$ 151,211</u>	<u>\$ 156,757</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 7 - FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30:

<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value:				
Corporate bonds	\$ -	\$ 51,480	\$ -	\$ 51,480
Mutual funds:				
High-yield bond fund	74,961	-	-	74,961
Short-term bond fund	12,312	-	-	12,312
Non-traditional bond fund	<u>12,458</u>	<u>-</u>	<u>-</u>	<u>12,458</u>
Total investments at fair value	<u>\$ 99,731</u>	<u>\$ 51,480</u>	<u>\$ -</u>	<u>\$ 151,211</u>

<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value:				
Equities - consumer services	\$ 6,833	\$ -	\$ -	\$ 6,833
Corporate bonds	-	50,866	-	50,866
Mutual funds:				
High-yield bond fund	74,668	-	-	74,668
Short-term bond fund	12,121	-	-	12,121
Non-traditional bond fund	<u>12,269</u>	<u>-</u>	<u>-</u>	<u>12,269</u>
Total investments at fair value	<u>\$ 105,891</u>	<u>\$ 50,866</u>	<u>\$ -</u>	<u>\$ 156,757</u>

NOTE 8 - CONTRIBUTIONS PAYABLE

Pursuant to a funding agreement between the Foundation and MNPS, MNPS directly purchases musical instruments for its music program and then provides supporting documentation to the Foundation to receive reimbursement. The amount owed to MNPS under this agreement totaled \$67,270 and \$626,332 at June 30, 2019 and 2018, respectively.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 9 - NET ASSETS

Net assets consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Undesignated	\$ 643,281	\$ 369,413
Invested in property and equipment	26,009	30,059
Board designated endowment	<u>25,000</u>	<u>25,000</u>
Total net assets without donor restrictions	<u>694,290</u>	<u>424,472</u>
Net assets with donor restrictions:		
Specific purpose:		
Musical instruments and programs	877,033	926,753
SCORE	-	314,850
Hall of Fame event	216,000	159,900
Blueprint for Early Childhood Success	-	1,179,823
Other purposes	<u>164,447</u>	<u>294,286</u>
Endowment:		
Debate	<u>132,693</u>	<u>139,949</u>
Total net assets with donor restrictions	<u>1,390,173</u>	<u>3,015,561</u>
	<u>\$ 2,084,463</u>	<u>\$ 3,440,033</u>

In December 2018, the Foundation entered into an agreement with United Way of Metropolitan Nashville (“UWMN”) to transfer, with the approval of the original donors and grantors, the BECS program to UWMN. In April 2019, unexpended funds of approximately \$885,000 were transferred to UWMN, along with management of and responsibility for the BECS program. UWMN serves as custodian of the transferred funds as well as any future grants, donations and gifts, and has assumed responsibility for all activities and outcomes of the program, as well as appropriate tracking and reporting requirements to all original donors and grantors as per the terms of the original donor/grantor agreements. Transfer of the funds from the Foundation to UWMN has been included in partner program support on the statements of functional expenses.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 10 - CONTRACTED SERVICES AND EMPLOYEE BENEFIT PLAN

Contracted Services

The Foundation's staff is employed under an agreement with Century II, a professional employer organization, and reports solely to the Foundation's Board of Directors. The Foundation reimburses Century II for the salaries and related fringe benefits, which include Social Security and Medicare taxes, insurance and employee benefit plan costs.

Employee Benefit Plan

The Foundation's eligible employees may participate in a Section 401(k) defined contribution plan through Century II. The plan provides for matching contributions for each employee deferral contribution, subject to limitations. Total contributions by the Foundation to the plan amounted to \$19,093 and \$23,399 at June 30, 2019 and 2018, respectively.

NOTE 11 - COMMITMENTS

Leases

During July 2014, the Foundation entered into a three-year lease for office space. In September 2017, the lease agreement was renewed with a three-year term expiring in August 2020. The Foundation also leases certain office equipment under non-cancelable operating leases which expire at various dates through December 2021.

Lease expense for all operating leases was \$40,098 and \$37,850 for the years ended June 30, 2019 and 2018, respectively.

A summary of future minimum lease payments for office space and equipment as of June 30, 2019 follows:

Year ending June 30,

2020	\$ 38,654
2021	<u>7,844</u>
	<u>\$ 46,498</u>

Accounting Services Outsourced to PENCIL Foundation

The Foundation outsources its routine accounting functions to PENCIL Foundation ("PENCIL"), an unrelated non-profit organization. Payments to PENCIL totaled \$40,169 and \$43,770 for the years ended June 30, 2019 and 2018, respectively.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 12 - CONCENTRATIONS

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, investments, and various contributions, contracts and related receivables. The Foundation maintains cash balances at reputable financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) up to statutory limits. The Foundation’s balances may, at times, exceed statutory limits. The Foundation has not experienced any losses in these accounts and management considers this to be a normal business risk.

Contributions received from two and three sources comprised approximately 25% and 63% of total contributions received for the years ended June 30, 2019 and 2018, respectively. Contributions receivable from three donors and one donor comprised 72% and 62% of the receivable balance as of June 30, 2019 and 2018, respectively.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Foundation has certain members of its board of directors who have financial interests in entities with whom the Foundation engages in business transactions. These entities include financial institutions and a company providing consulting services to the Foundation.