

NASHVILLE PUBLIC EDUCATION FOUNDATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Kraft CPAs PLLC

Nashville, Tennessee
November 10, 2020

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash	\$ 2,091,694	\$ 1,833,888
Contributions receivable	7,522	234,633
Grants receivable	171,008	24,000
Other current assets	1,200	6,024
Investments	4,857	8,818
Property and equipment, net	24,285	26,009
Endowment assets:		
Cash	15,388	15,300
Investments	<u>144,319</u>	<u>142,393</u>
TOTAL ASSETS	<u>\$ 2,460,273</u>	<u>\$ 2,291,065</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 46,867	\$ 119,525
Salaries, benefits and payroll taxes payable	39,667	19,807
Contributions payable	2,046	67,270
Note payable	<u>115,445</u>	<u>-</u>
TOTAL LIABILITIES	<u>204,025</u>	<u>206,602</u>
NET ASSETS		
Net assets without donor restrictions	826,445	694,290
Net assets with donor restrictions	<u>1,429,803</u>	<u>1,390,173</u>
TOTAL NET ASSETS	<u>2,256,248</u>	<u>2,084,463</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,460,273</u>	<u>\$ 2,291,065</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>		
	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 351,586	\$ 1,010,323	\$ 1,361,909
Grant revenue	270,824	-	270,824
Hall of Fame special event	200,141	101,360	301,501
Less: direct cost of event	(108,678)	-	(108,678)
Investment income, net	7,766	3,146	10,912
Gain on disposition of equipment	-	-	-
Net assets released from restrictions	<u>1,075,199</u>	<u>(1,075,199)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>1,796,838</u>	<u>39,630</u>	<u>1,836,468</u>
EXPENSES			
Program services	1,383,978	-	1,383,978
Supporting services:			
Management and general	90,426	-	90,426
Fundraising	<u>190,279</u>	<u>-</u>	<u>190,279</u>
Total supporting services	<u>280,705</u>	<u>-</u>	<u>280,705</u>
TOTAL EXPENSES	<u>1,664,683</u>	<u>-</u>	<u>1,664,683</u>
CHANGE IN NET ASSETS	132,155	39,630	171,785
NET ASSETS - BEGINNING OF YEAR	<u>694,290</u>	<u>1,390,173</u>	<u>2,084,463</u>
NET ASSETS - END OF YEAR	<u>\$ 826,445</u>	<u>\$ 1,429,803</u>	<u>\$ 2,256,248</u>

See accompanying notes to financial statements.

2019

Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 594,650	\$ 761,892	\$ 1,356,542
275,000	-	275,000
187,617	216,000	403,617
(90,555)	-	(90,555)
12,552	6,031	18,583
61	-	61
<u>2,609,311</u>	<u>(2,609,311)</u>	<u>-</u>
<u>3,588,636</u>	<u>(1,625,388)</u>	<u>1,963,248</u>
2,871,493	-	2,871,493
186,851	-	186,851
<u>260,474</u>	<u>-</u>	<u>260,474</u>
<u>447,325</u>	<u>-</u>	<u>447,325</u>
<u>3,318,818</u>	<u>-</u>	<u>3,318,818</u>
269,818	(1,625,388)	(1,355,570)
<u>424,472</u>	<u>3,015,561</u>	<u>3,440,033</u>
<u>\$ 694,290</u>	<u>\$ 1,390,173</u>	<u>\$ 2,084,463</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>					<u>2019</u>				
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total</u>	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>				<u>Management and General</u>	<u>Fundraising</u>		
Partner program support	\$ 641,843	\$ -	\$ -	\$ -	\$ 641,843	\$1,955,462	\$ -	\$ -	\$ -	\$1,955,462
Salaries, wages and employee benefits	488,116	68,749	130,623	199,372	687,488	495,930	147,229	131,731	278,960	774,890
Research and special project support	-	-	-	-	-	131,089	-	-	-	131,089
Public relations	146,010	-	25,766	25,766	171,776	166,136	-	55,379	55,379	221,515
Printing and publications	10,732	767	3,832	4,599	15,331	32,896	9,869	23,027	32,896	65,792
Professional fees	36,512	12,171	12,171	24,342	60,854	19,118	19,118	25,491	44,609	63,727
Office occupancy	32,887	4,699	9,396	14,095	46,982	27,158	4,527	13,579	18,106	45,264
Supplies	489	70	140	210	699	2,189	365	1,095	1,460	3,649
Telephone, postage and shipping	3,837	639	1,919	2,558	6,395	2,612	435	1,306	1,741	4,353
Travel, meetings and special events	10,688	1,187	108,678	109,865	120,553	21,172	2,352	90,555	92,907	114,079
Depreciation	3,432	572	1,716	2,288	5,720	3,218	537	1,609	2,146	5,364
Software maintenance expense	5,916	986	2,958	3,944	9,860	6,120	1,020	3,060	4,080	10,200
Other miscellaneous expenses	3,516	586	1,758	2,344	5,860	8,393	1,399	4,197	5,596	13,989
TOTAL EXPENSES	1,383,978	90,426	298,957	389,383	1,773,361	2,871,493	186,851	351,029	537,880	3,409,373
Less direct cost of special event included in revenues on the Statements of Activities	-	-	(108,678)	(108,678)	(108,678)	-	-	(90,555)	(90,555)	(90,555)
TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES	<u>\$1,383,978</u>	<u>\$ 90,426</u>	<u>\$ 190,279</u>	<u>\$ 280,705</u>	<u>\$1,664,683</u>	<u>\$2,871,493</u>	<u>\$ 186,851</u>	<u>\$ 260,474</u>	<u>\$ 447,325</u>	<u>\$3,318,818</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 171,785	\$ (1,355,570)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,720	5,364
Net realized and unrealized losses on investments	2,567	816
Gain on disposition of equipment	-	(61)
Non-cash contributions of investments	(33,089)	(23,069)
(Increase) decrease in:		
Contributions receivable	(147,008)	106,684
Grants receivable	227,111	122,367
Other current assets	4,824	5,786
Increase (decrease) in:		
Accounts payable and accrued liabilities	(72,658)	51,505
Salaries, benefits and payroll taxes payable	19,860	(83,856)
Contributions payable	(65,224)	(559,062)
TOTAL ADJUSTMENTS	<u>(57,897)</u>	<u>(373,526)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>113,888</u>	<u>(1,729,096)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(3,996)	(2,204)
Proceeds from disposal of fixed assets	-	951
Proceeds from sale of investments	(4,657)	(4,947)
Purchases of investments	37,214	32,746
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>28,561</u>	<u>26,546</u>
FINANCING ACTIVITIES		
Proceeds from note payable	115,445	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>115,445</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	257,894	(1,702,550)
CASH - BEGINNING OF YEAR	<u>1,849,188</u>	<u>3,551,738</u>
CASH - END OF YEAR	<u>\$ 2,107,082</u>	<u>\$ 1,849,188</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenues

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Donated marketable securities are recorded at their fair value at the date of contribution based on their quoted market price.

Any gifts of equipment, facilities or materials are reported as net assets 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 net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Grants awarded are generally considered nonreciprocal transactions restricted by sponsors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses occur. Payments received in advance of conditions being met, if any, are recorded as deferred revenue on the statements of financial position. There were no deferred revenues recognized as of June 30, 2020 or 2019.

Fundraising event revenues are generated from sponsorships, ticket sales and donations for events held during the year and revenues are recognized when the events occur, which is the completion of the Foundation's performance obligation. Some of these revenues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the amount paid and the exchange element. The Foundation records fundraising event revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place.

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.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 June 30, 2020 and 2019, were due within one year. Conditional promises to give, if any, 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 contributions receivable 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 either June 30, 2020 or 2019.

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.

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.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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, 2020 or 2019.

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.

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).

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (Continued)

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.

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.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 three goals to improve Nashville's public schools: 1) supporting the district in recruiting, developing, and retaining great teachers and leaders; 2) celebrating successes and highlighting innovation; and 3) identifying and eliminating barriers to success for students.

During the year ending June 30, 2020, the Foundation re-envisioned the Teach Nashville recruitment website and launched the platform alongside the district. The Foundation also developed and released its third Bridge to Completion report as well as an online tool for users to dig into the postsecondary data. The Foundation also continued its efforts around highlighting great teaching through the Blue Ribbon Teacher award. In light of the COVID pandemic, the Foundation pivoted to support the district's needs around opening schools and eliminating the digital divide, as well as to provide COVID-specific college-going resources for recent graduates through the Nashville Goes to College website. The Foundation also continued its support of initiatives in MNPS including initiatives in music education.

During the year ending June 30, 2019, 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. 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 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 and grantor agreements. Transfer of the funds from the Foundation to UWMN was included in partner program support on the statements of functional expenses.

During the year ending June 30, 2019, the Foundation also raised funds to develop a teacher recruitment website, provided support for initiatives in MNPS including music education, launched the second Bridge to Completion report highlighting key postsecondary data for MNPS high school graduates, led teacher and parent cabinets, and launched the web platform Nashville Goes to College, providing resources to aspiring and current college students.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Recent Authoritative Accounting Guidance

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 statements of activities. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which exempts entities from having to provide the interim disclosures required by Accounting Standards Codification (“ASC”) 250-10-50-3 in the fiscal year in which an organization adopts the new leases standard.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (Continued)

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Foundation expects to adopt the guidance retrospectively at the beginning of the period of adoption, July 1, 2022, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented. The new standard provides a number of practical expedients. Upon adoption, the Foundation expects to elect all the practical expedients available. The Foundation is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

New Accounting Pronouncements

On July 1, 2019, the Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU (collectively, "ASC 606"), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the considerations to which the Foundation expects to be entitled in an exchange of goods or services. The Foundation adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2019. The Foundation performed an analysis of revenue streams and transactions to determine in-scope applicability. The revenue streams considered in-scope for purposes of ASC 606 include revenues associated with performance of special events (sponsorships and ticket sales). The Foundation recognizes revenues that fall within the scope of ASC 606 as it satisfies its obligation to the customer. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, the Foundation did not record a cumulative effect adjustment.

On July 1, 2019, the Foundation adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, as amended, as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Events Occurring After Reporting Date

The Foundation has evaluated events and transactions that occurred between June 30, 2020 and November 10, 2020, 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.

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 2,107,082	\$ 1,849,188
Contributions and grants receivable	178,530	258,633
Investments	<u>149,176</u>	<u>151,211</u>
Total financial assets	<u>2,434,788</u>	<u>2,259,032</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions:		
Restricted for specific purposes	1,295,096	1,257,480
Donor-restricted endowment funds	134,707	132,693
Board-designated endowment funds	<u>25,000</u>	<u>25,000</u>
	<u>1,454,803</u>	<u>1,415,173</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 979,985</u>	<u>\$ 843,859</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 4 - INVESTMENTS

Investments consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Equities	\$ 1,221	\$ -
Corporate bonds	52,970	51,480
Mutual funds	<u>94,985</u>	<u>99,731</u>
Total	<u>\$ 149,176</u>	<u>\$ 151,211</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 18,105	\$ 18,105
Furniture and equipment	31,048	29,150
Website design	<u>7,300</u>	<u>7,300</u>
	56,453	54,555
Less: Accumulated depreciation	<u>(32,168)</u>	<u>(28,546)</u>
	<u>\$ 24,285</u>	<u>\$ 26,009</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 6 - ENDOWMENT

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

<u>2020</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	-	14,454	14,454
	<u>\$ 25,000</u>	<u>\$ 134,707</u>	<u>\$ 159,707</u>
<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>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 6 - ENDOWMENT (CONTINUED)

A summary of activity involving endowment assets during the fiscal years ended June 30, 2020 and 2019, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</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	-	(10,000)	(10,000)
Endowment assets at June 30, 2019	25,000	132,693	157,693
Investment income, net	-	3,146	3,146
Administration fees	-	(1,132)	(1,132)
Endowment assets at June 30, 2020	<u>\$ 25,000</u>	<u>\$ 134,707</u>	<u>\$ 159,707</u>

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>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value:				
Equities - consumer services	\$ 1,221	\$ -	\$ -	\$ 1,221
Corporate bonds	-	52,970	-	52,970
Mutual funds:				
High-yield bond fund	70,252	-	-	70,252
Short-term bond fund	12,338	-	-	12,338
Non-traditional bond fund	12,395	-	-	12,395
Total investments at fair value	<u>\$ 96,206</u>	<u>\$ 52,970</u>	<u>\$ -</u>	<u>\$ 149,176</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

<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>

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 \$2,046 and \$67,270 at June 30, 2020 and 2019, respectively.

NOTE 9 - NOTE PAYABLE

The Foundation entered into a Paycheck Protection Program loan of \$115,445 in May 2020, which is fully forgivable if at least 60% of the funds are used for payroll costs, and if certain other terms are met. As of the date these financial statements were available to be issued, the Foundation has not yet applied for forgiveness of the loan, and the amount of loan forgiveness has not been determined. If the loan is fully forgiven, the Foundation will not be responsible for any payments, and the balance of the loan will be reclassified to other income on the statements of activities at the time forgiveness is granted. If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid on or before the maturity date of the loan, including accrued interest. The loan bears interest at a fixed rate of 1% and matures on May 1, 2022.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 10 - NET ASSETS

Net assets consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Undesignated	\$ 777,160	\$ 643,281
Invested in property and equipment	24,285	26,009
Board-designated endowment	<u>25,000</u>	<u>25,000</u>
Total net assets without donor restrictions	<u>826,445</u>	<u>694,290</u>
Net assets with donor restrictions:		
Temporary in nature - subject to expenditure for specified purpose or passage of time:		
Unspent earnings on endowment fund	14,454	12,440
Musical instruments and programs	984,798	877,033
SCORE	14,500	-
Hall of Fame event	101,360	216,000
Other purposes	<u>194,438</u>	<u>164,447</u>
	<u>1,309,550</u>	<u>1,269,920</u>
Perpetual in nature - endowment:		
Debate	<u>120,253</u>	<u>120,253</u>
Total net assets with donor restrictions	<u>1,429,803</u>	<u>1,390,173</u>
	<u>\$ 2,256,248</u>	<u>\$ 2,084,463</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 11 - CONTRACTED SERVICES AND EMPLOYEE BENEFIT PLAN

Contracted Services

The Foundation's staff, which reports directly to the Foundation's Board of Directors, is employed under an agreement with a Professional Employer Organization ("PEO"). The Foundation reimburses the PEO for the Foundation's salaries and related fringe benefits, which include Social Security and Medicare taxes, insurance and employee benefit costs.

Employee Benefit Plan

The Foundation's eligible employees may participate in a Section 401(k) defined contribution plan through the PEO. The plan provides for matching contributions for each employee deferral contribution, subject to limitations. Total contributions by the Foundation to the plan amounted to \$22,402 and \$19,093 at June 30, 2020 and 2019, respectively.

NOTE 12 - COMMITMENTS

Leases

During September 2017, the Foundation entered into a three-year lease for office space, expiring in August 2020, which was renewed for a period of 12 months ending August 2021. The Foundation also leases certain office equipment under non-cancelable operating leases which expire at various dates through December 2022.

Lease expense for all operating leases was \$41,782 and \$40,098 for the years ended June 30, 2020 and 2019, respectively.

A summary of future minimum lease payments for office space and equipment as of June 30, 2020 follows:

<u>Year ending June 30,</u>	
2021	\$ 39,336
2022	4,960
	<hr/>
	\$ 44,296
	<hr/>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

NOTE 13 - 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 three and two sources comprised approximately 53% and 25% of total contributions received for the years ended June 30, 2020 and 2019, respectively. Contributions receivable from one donor and three donors comprised 96% and 72% of the receivable balance as of June 30, 2020 and 2019, respectively.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Foundation receives support from and may, from time to time, purchase goods or services from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Directors. All related party transactions are subject to the Foundation’s Conflict of Interest Policy.

NOTE 15 - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Foundation, to date, the Foundation is experiencing increased volatility in the fair value of investments. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions. The Foundation’s leadership team is evaluating the evolving situation and will implement appropriate countermeasures as determined to be appropriate.