

NASHVILLE PUBLIC EDUCATION FOUNDATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

OPINION

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, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and changes in their net assets and their 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

RESPONSIBILITIES OF MANAGEMENT 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 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 GAAS 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.

In performing an audit in accordance with GAAS, 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.

Kraft CPAs PLLC

Nashville, Tennessee
May 5, 2023

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash	\$ 2,285,124	\$ 2,664,582
Contributions receivable	953	927
Grants receivable	137,500	217,810
Other current assets	-	4,133
Property and equipment, net	12,853	18,068
Endowment assets:		
Cash	67,431	15,390
Investments	<u>91,640</u>	<u>153,647</u>
TOTAL ASSETS	<u>\$ 2,595,501</u>	<u>\$ 3,074,557</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 38,605	\$ 76,694
Salaries, benefits and payroll taxes payable	38,466	29,533
Contributions payable	<u>24,415</u>	<u>3,192</u>
TOTAL LIABILITIES	<u>101,486</u>	<u>109,419</u>
NET ASSETS		
Net assets without donor restrictions	1,213,625	725,442
Net assets with donor restrictions	<u>1,280,390</u>	<u>2,239,696</u>
TOTAL NET ASSETS	<u>2,494,015</u>	<u>2,965,138</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,595,501</u>	<u>\$ 3,074,557</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>2022</u>		
	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 229,009	\$ 535,815	\$ 764,824
Grant revenue	137,500	-	137,500
Hall of Fame special event	308,547	-	308,547
Less: direct cost of event	(29,008)	-	(29,008)
Investment income, net	-	(5,768)	(5,768)
Net assets released from restrictions	<u>1,489,353</u>	<u>(1,489,353)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>2,135,401</u>	<u>(959,306)</u>	<u>1,176,095</u>
EXPENSES			
Program services	1,338,221	-	1,338,221
Supporting services:			
Management and general	93,101	-	93,101
Fundraising	<u>215,896</u>	<u>-</u>	<u>215,896</u>
Total supporting services	<u>308,997</u>	<u>-</u>	<u>308,997</u>
TOTAL EXPENSES	<u>1,647,218</u>	<u>-</u>	<u>1,647,218</u>
CHANGE IN NET ASSETS	488,183	(959,306)	(471,123)
NET ASSETS - BEGINNING OF YEAR	<u>725,442</u>	<u>2,239,696</u>	<u>2,965,138</u>
NET ASSETS - END OF YEAR	<u>\$ 1,213,625</u>	<u>\$ 1,280,390</u>	<u>\$ 2,494,015</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 221,555	\$ 1,726,434	\$ 1,947,989
Grant revenue	253,023	-	253,023
Hall of Fame special event	180,840	164,283	345,123
Less: direct cost of event	(34,163)	-	(34,163)
Investment income, net	-	10,878	10,878
Net assets released from restrictions	<u>1,091,702</u>	<u>(1,091,702)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>1,712,957</u>	<u>809,893</u>	<u>2,522,850</u>
EXPENSES			
Program services	1,539,635	-	1,539,635
Supporting services:			
Management and general	84,369	-	84,369
Fundraising	<u>189,956</u>	<u>-</u>	<u>189,956</u>
Total supporting services	<u>274,325</u>	<u>-</u>	<u>274,325</u>
TOTAL EXPENSES	<u>1,813,960</u>	<u>-</u>	<u>1,813,960</u>
CHANGE IN NET ASSETS	(101,003)	809,893	708,890
NET ASSETS - BEGINNING OF YEAR	<u>826,445</u>	<u>1,429,803</u>	<u>2,256,248</u>
NET ASSETS - END OF YEAR	<u>\$ 725,442</u>	<u>\$ 2,239,696</u>	<u>\$ 2,965,138</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>					<u>2021</u>				
	<u>Supporting Services</u>					<u>Supporting Services</u>				
	<u>Program</u>	<u>Management</u>		<u>Total</u>		<u>Program</u>	<u>Management</u>		<u>Total</u>	
	<u>Services</u>	<u>and</u>	<u>Fundraising</u>	<u>Supporting</u>	<u>Total</u>	<u>Services</u>	<u>and</u>	<u>Fundraising</u>	<u>Supporting</u>	<u>Total</u>
		<u>General</u>		<u>Services</u>			<u>General</u>		<u>Services</u>	
Partner program support	\$ 596,129	\$ -	\$ -	\$ -	\$ 596,129	\$ 872,505	\$ -	\$ -	\$ -	\$ 872,505
Salaries, wages and employee benefits	557,020	68,748	166,108	234,856	791,876	491,928	60,317	138,426	198,743	690,671
Public relations	80,343	11,478	22,954	34,432	114,775	78,455	11,208	22,416	33,624	112,079
Printing and publications	2,585	214	1,509	1,723	4,308	4,701	335	1,679	2,014	6,715
Professional fees	40,453	5,779	11,560	17,339	57,792	38,125	5,447	10,893	16,340	54,465
Office occupancy	32,289	4,613	9,226	13,839	46,128	34,170	4,882	9,763	14,645	48,815
Supplies	2,295	326	653	979	3,274	301	43	86	129	430
Telephone, postage and shipping	2,284	328	656	984	3,268	2,690	384	769	1,153	3,843
Travel, meetings and special events	13,518	-	29,008	29,008	42,526	4,495	-	36,583	36,583	41,078
Depreciation	3,651	522	1,043	1,565	5,216	4,352	622	1,243	1,865	6,217
Software maintenance expense	2,855	408	817	1,225	4,080	4,420	632	1,263	1,895	6,315
Other miscellaneous expenses	4,799	685	1,370	2,055	6,854	3,493	499	998	1,497	4,990
TOTAL EXPENSES	1,338,221	93,101	244,904	338,005	1,676,226	1,539,635	84,369	224,119	308,488	1,848,123
Less direct cost of special event included in revenues on the Statements of Activities	-	-	(29,008)	(29,008)	(29,008)	-	-	(34,163)	(34,163)	(34,163)
TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES	<u>\$1,338,221</u>	<u>\$ 93,101</u>	<u>\$ 215,896</u>	<u>\$ 308,997</u>	<u>\$1,647,218</u>	<u>\$1,539,635</u>	<u>\$ 84,369</u>	<u>\$ 189,956</u>	<u>\$ 274,325</u>	<u>\$1,813,960</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (471,123)	\$ 708,890
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	5,216	6,217
Net realized and unrealized losses on investments	9,759	(5,310)
Paycheck Protection Program loan forgiveness	-	(115,445)
Non-cash contributions of investments	(27,878)	(31,534)
(Increase) decrease in:		
Contributions receivable	80,310	(46,802)
Grants receivable	(26)	6,595
Other current assets	4,133	2,933
Increase (decrease) in:		
Accounts payable and accrued liabilities	(38,089)	29,827
Salaries, benefits and payroll taxes payable	8,933	(10,134)
Contributions payable	21,223	1,146
TOTAL ADJUSTMENTS	<u>63,581</u>	<u>(168,373)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(407,542)</u>	<u>540,517</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	(3,576)	(3,210)
Purchases of investments	83,701	35,583
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>80,125</u>	<u>32,373</u>
DECREASE (INCREASE) IN CASH	(327,417)	572,890
CASH - BEGINNING OF YEAR	<u>2,679,972</u>	<u>2,107,082</u>
CASH - END OF YEAR	<u>\$ 2,352,555</u>	<u>\$ 2,679,972</u>
RECONCILIATION OF CASH TO STATEMENTS OF FINANCIAL POSITION		
Cash - operating	\$ 2,285,124	\$ 2,664,582
Cash - endowment	67,431	15,390
TOTAL CASH	<u>\$ 2,352,555</u>	<u>\$ 2,679,972</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022 AND 2021

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, 2022 or 2021.

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, 2022 AND 2021

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, 2022 and 2021, 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, 2022 or 2021.

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, 2022 AND 2021

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, 2021 or 2020.

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, 2022 AND 2021

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, 2022 AND 2021

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 Nashville Public Education Foundation supports teachers and leaders to build schools where all kids thrive. The Foundation does this by advocating for change, supporting MNPS as a consulting partner and critical friend, promoting excellence and innovation, and convening stakeholders to drive community solutions.

During the year ending June 30, 2022, the Foundation released a shortened version of their documentary, *By Design: The Shaping of Nashville's Public Schools*, which focuses on the desegregation era. Additionally the Foundation created a brief that digs into the policies that were in place during that era in order to encourage more conversations about the policies and decisions in Nashville's history that have established, exacerbated, and continue to perpetuate inequities for students. The Foundation also facilitated two critical partnerships for the district – the Better Together collaboration between MNPS and Nashville State Community College and the Partnership for Educational Equity Research between Vanderbilt University and MNPS. The Foundation advanced district initiatives through the Tech Goes Home program, which provides technology training, free laptops and hotspots to MNPS families to help address the digital divide and the Music Makes Us program, which supports private lessons and instrument repairs for MNPS's music program as well as providing support for principal supervisors to build their capacity to support their principals. The Foundation believes the teachers and leaders in the school can change the trajectory of a student's life, so they provide innovative professional learning for teachers. New this year was Science of Learning, an interactive mini-series for MNPS middle school teachers, and Teacherpreneur, an experience for educators to develop their big ideas into pilot programs that could make a significant impact for students, families, and schools in the district. Participants pitched their plans for a chance to win \$25,000 and seed funding to pilot their ideas. The Foundation also continues to raise awareness about critical issues facing public school students, including funding for education and the role of the community in creating a city that prioritizes children and youth. The Foundation has fostered data-driven solutions that have led to tangible results in professional learning for teachers, teacher pay, principal quality, college access and success in the Foundation's 20 years as an organization.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services

During the year ending June 30, 2021, the Foundation produced and released a full length documentary about the history of their schools called By Design: The Shaping of Nashville's Public Schools. The Foundation also developed and released its fourth annual Bridge to Completion report. The Foundation continued their efforts around highlighting great teaching through the selection of Blue Ribbon Teachers. The Foundation also continued to support music education in the district through tutoring, instrument repair, and lessons. The Foundation also released a public opinion poll on public education, as well as produced a series of webinars to raise awareness about student experiences in the district. The Foundation launched an advocacy campaign in 2020-21 about reforming the way public schools are funded, including the creation of several resources, a policy brief, and information sessions to drive action. The Foundation also led a large initiative on revamping principal quality in the district, as well as supported the acquisition and distribution of technology while students were in virtual learning due to COVID.

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.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was effective for the Foundation beginning on July 1, 2021 and had no effect on the financial statements because in-kind contributions are not material.

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 statement 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.

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 new standard, which will be effective for the Foundation July 1, 2022, provides a number of practical expedients. The Foundation expects to adopt the guidance retrospectively at the beginning of the period of adoption, July 1, 2022, through a cumulative-effect adjustment. The Foundation does not expect the adoption of the new standard to have a material impact on the financial statements.

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, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Foundation has evaluated events and transactions that occurred between June 30, 2022 and May 5, 2023, 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>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 2,352,555	\$ 2,679,972
Contributions and grants receivable	138,453	218,737
Investments	<u>91,640</u>	<u>153,647</u>
Total financial assets	<u>2,582,648</u>	<u>3,052,356</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions:		
Restricted for specific purposes	1,146,093	2,095,659
Donor-restricted endowment funds	134,297	144,037
Board-designated endowment funds	<u>25,000</u>	<u>25,000</u>
	<u>1,305,390</u>	<u>2,264,696</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,277,258</u>	<u>\$ 787,660</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 4 - INVESTMENTS

Investments consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 91,640	\$ 101,889
Total	<u>\$ 91,640</u>	<u>\$ 153,647</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 18,105	\$ 18,105
Furniture and equipment	27,084	31,048
Website design	-	7,300
	<u>45,189</u>	<u>56,453</u>
Less: Accumulated depreciation	<u>(32,336)</u>	<u>(38,385)</u>
	<u>\$ 12,853</u>	<u>\$ 18,068</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 6 - ENDOWMENT

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

	Without Donor Restrictions	With Donor Restrictions	Total
2022			
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	-	13,818	13,818
	\$ 25,000	\$ 134,071	\$ 159,071
2021			
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	-	23,784	23,784
	\$ 25,000	\$ 144,037	\$ 169,037

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 6 - ENDOWMENT (CONTINUED)

A summary of activity involving endowment assets during the fiscal years ended June 30, 2021 and 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets at June 30, 2020	\$ 25,000	\$ 134,707	\$ 159,707
Investment income, net	-	10,878	10,878
Administration fees	-	(1,548)	(1,548)
Endowment assets at June 30, 2021	25,000	144,037	169,037
Investment loss, net	-	(5,768)	(5,768)
Administration fees	-	(4,198)	(4,198)
Endowment assets at June 30, 2022	\$ 25,000	\$ 134,071	\$ 159,071

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:

2022	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Mutual funds:				
High-yield bond fund	\$ 1,617	\$ -	\$ -	\$ 1,617
Floating rate income fund	12,151	-	-	12,151
Inflation protected bond fund	8,728	-	-	8,728
Low duration bond fund	11,610	-	-	11,610
Intermediate government bond fund	57,534	-	-	57,534
Total investments at fair value	\$ 91,640	\$ -	\$ -	\$ 91,640

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 51,758	\$ -	\$ 51,758
Mutual funds:				
High-yield bond fund	1,963	-	-	1,963
Floating rate income fund	13,099	-	-	13,099
Inflation protected bond fund	10,026	-	-	10,026
Low duration bond fund	12,453	-	-	12,453
Intermediate government bond fund	64,348	-	-	64,348
Total investments at fair value	<u>\$ 101,889</u>	<u>\$ 51,758</u>	<u>\$ -</u>	<u>\$ 153,647</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 \$24,415 and \$3,192 at June 30, 2021 and 2021, respectively.

NOTE 9 - PAYCHECK PROTECTION PROGRAM

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was signed into law. The CARES Act provides an economic relief package to many businesses in the U.S. as a direct response to the adverse impacts of COVID-19. Section 1102 of CARES Act establishes the Paycheck Protection Program (“PPP”), which is implemented by the Small Business Administration, and is intended to provide small businesses (generally those with 500 or less employees) with funds to pay up to 24 weeks of payroll costs and benefits, interest on mortgages, rent and utilities. In May 2020, the Foundation received \$115,445 from a PPP loan. In May 2021, the Foundation received notification of full forgiveness of the PPP loan. Accordingly, the Foundation recorded this as government grant revenue upon forgiveness being granted for the year ended June 30, 2021.

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

NOTE 10 - NET ASSETS

Net assets consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Undesignated	\$ 1,175,772	\$ 682,374
Invested in property and equipment	12,853	18,068
Board-designated endowment	<u>25,000</u>	<u>25,000</u>
Total net assets without donor restrictions	<u>1,213,625</u>	<u>725,442</u>
Net assets with donor restrictions:		
Temporary in nature - subject to expenditure for specified purpose or passage of time:		
Unspent earnings on endowment fund	14,044	23,784
Musical instruments and programs	670,985	821,342
SCORE	25,000	787,491
Hall of Fame event	178,057	164,397
Other purposes	<u>272,051</u>	<u>322,429</u>
	<u>1,160,137</u>	<u>2,119,443</u>
Perpetual in nature - endowment:		
Debate	<u>120,253</u>	<u>120,253</u>
Total net assets with donor restrictions	<u>1,280,390</u>	<u>2,239,696</u>
	<u>\$ 2,494,015</u>	<u>\$ 2,965,138</u>

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

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 \$30,999 and \$27,810 at June 30, 2022 and 2021, respectively.

NOTE 12 - COMMITMENTS

Leases

During September 2020, the Foundation entered into a one-year lease for office space, expiring in August 2022, which was renewed for a period of 12 months ending August 2023. The Foundation also leases certain office equipment under non-cancelable operating leases which expire at various dates through September 2025.

Lease expense for all operating leases was \$40,342 and \$43,098 for the years ended June 30, 2022 and 2021, respectively.

A summary of future minimum lease payments for office space and equipment as of June 30, 2022 follows:

Year ending June 30,

2023	\$	39,682
2024		40,301
2025		9,903
2026		3,799
2027		950

NASHVILLE PUBLIC EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2022 AND 2021

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 one and three sources comprised approximately 11% and 39% of total contributions received for the years ended June 30, 2022 and 2021, respectively. Contributions receivable from one donor comprised 99% and 98% of the receivable balance as of June 30, 2022 and 2021, 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.