

SALT LAKE EDUCATION FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Salt Lake Education Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Salt Lake Education Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material 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 Salt Lake Education Foundation as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Squire & Company, PC

Orem, Utah
January 3, 2022

SALT LAKE EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2021

Assets:	
Cash	\$ 652,779
Investments	4,087,617
Accounts receivable	615
Prepaid expenses	9,433
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Total assets	4,750,444
Liabilities:	
Accounts payable	21,626
Unearned revenue	474,000
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Total liabilities	495,626
Net Assets:	
Without donor restrictions	1,511,441
With donor restrictions	2,743,377
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Total net assets	<u><u>\$ 4,254,818</u></u>

The accompanying notes are an integral part of this financial statement.

SALT LAKE EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Net Assets Without Donor Restrictions:

Support and revenue:	
Contributions	\$ 282,855
In-kind contributions	2,021,993
Net investment earnings	794,674
Lease revenue	241,623
Net assets released from restrictions	<u>473,579</u>
Total support and revenue	3,814,724
Expenses:	
Program services:	
Grants and awards	2,657,220
Educational services	87,515
Other	<u>284,948</u>
Total program services	3,029,683
Support services:	
Administration	<u>63,000</u>
Total expenses	<u>3,092,683</u>
Change in net assets without donor restrictions	722,041

Net Assets With Donor Restrictions:

Contributions	1,043,847
Net assets released from donor restrictions	<u>(473,579)</u>
Change in net assets with donor restrictions	<u>570,268</u>
Change in Net Assets	1,292,309
Net Assets at Beginning of Year	<u>2,962,509</u>
Net Assets at End of Year	<u><u>\$ 4,254,818</u></u>

The accompanying notes are an integral part of this financial statement.

SALT LAKE EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

Cash Flows from Operating Activities:	
Change in net assets	\$ 1,292,309
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Gain on investments	(1,507,822)
Changes in operating assets and liabilities:	
Accounts receivable	655
Prepaid expenses	1,266
Accounts payable	(8,484)
Unearned revenue	(79,000)
Total adjustments	<u>(1,593,385)</u>
Net cash used by operating activities	(301,076)
Cash Flows from Investing Activities:	
Net sales of investments	<u>709,447</u>
Net Change in Cash	408,371
Cash at Beginning of Year	<u>244,408</u>
Cash at End of Year	<u><u>\$ 652,779</u></u>

Supplemental Data:

The Foundation paid no interest or income taxes during the year ended June 30, 2021.

The accompanying notes are an integral part of this financial statement.

SALT LAKE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Salaries and employee benefits	\$ 200,431	\$ -	\$ 200,431
Other purchased services	133,289	-	133,289
Supplies	2,411,015	-	2,411,015
Administration	-	63,000	63,000
Other	284,948	-	284,948
Total expenses	<u>\$ 3,029,683</u>	<u>\$ 63,000</u>	<u>\$ 3,092,683</u>

The accompanying notes are an intergral part of this financial statement.

SALT LAKE EDUCATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Salt Lake Education Foundation (Foundation) was formed to provide an organization, outside the public school system, to generate additional financial resources for the benefit of Salt Lake City School District (District). The Foundation's program services are to provide grants to supplement and enhance the educational opportunities of students within the District and to provide humanitarian medical services. A board consisting of 11 members governs the activities of the Foundation.

The Foundation, due to its affiliation with Salt Lake City School District, is reported as a blended component unit within the financial statements of Salt Lake City School District.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated in the United States of American for nonprofit organizations.

Financial Statement Presentation

The Foundation reports 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 Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors.

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 statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Investments

Investments are stated at fair value. Investment income and gains and losses (realized or unrealized) are included in revenue and are allocated to the appropriate restricted programs based on the average investment balances of such programs.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues, support, and expenses. Actual results could differ from those estimates.

SALT LAKE EDUCATION FOUNDATION NOTES TO THE FINANCIAL STATEMENTS

Tax Status

The Foundation is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Also, the Foundation is not subject to state income taxes. Contributions to the Foundation are tax deductible to donors under Section 170 of the IRC. The Foundation is not classified as a private foundation.

In-Kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

The Foundation recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Foundation receives services from a large number of volunteers who give significant amounts of their time to the Foundation's programs and fundraising campaigns but which do not meet the criteria for financial statement recognition.

Donated Facilities and Personnel

The District provides personnel and office space to the Foundation. Contributions and expenses related to the donated personnel and office space amounting to \$63,000 for the year ended June 30, 2021 have been reflected in the accompanying statement of activities.

Donated Materials

Donated materials are recorded at their fair value and are included as revenue of \$1,958,993 for the year ended June 30, 2021.

Expense Recognition and Allocation

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

General expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Subsequent Events

Subsequent events have been evaluated through January 3, 2022, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

SALT LAKE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Foundation’s financial assets at June 30, 2021:

Financial assets at year end:	
Cash	\$ 652,779
Investments	4,087,617
Accounts receivable	615
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Total financial assets	4,741,011
Less amounts not available to be used within one year:	
Net assets with donor restrictions	2,743,377
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Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,997,634</u>

The Foundation’s goal is generally to maintain financial assets to meet three months of operating expenses (approximately \$500,000). As part of its liquidity plan, excess cash is invested.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value.

The Foundation complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of Money Management Council (Council) in handling its depository and investing transactions. Foundation cash is deposited in qualified depositories as defined by the Act. The Act also authorizes the Foundation to invest in the Utah Public Treasurers’ Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker’s acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe conditions under which the designation of a depository shall remain in effect. The Foundation considers the rules and actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Rules of the Council allow the Foundation to invest private grants, contributions, and endowments in any deposit or investment authorized by the Act and certain investment funds, equity securities, fixed-income securities, and investment strategies with institutions that meet certain restrictions. The Foundation has deposits separate from the Salt Lake City School District and invests private funds through a broker.

SALT LAKE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

Deposits

At June 30, 2021, the Foundation had the following deposits with financial institutions:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Amount Insured</u>
Total deposits	\$ 652,779	\$ 927,703	\$ 461,703

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The Foundation does not have a formal deposit policy for custodial credit risk. At June 30, 2021, the uninsured amount of the Foundation’s bank deposits was uncollateralized.

Investments

The Foundation invests in equity securities, U.S. government securities, and in corporate bonds through a broker. At June 30, 2021, the Foundation had the following investments summarized by investment type and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>	<u>More Than 10</u>
Equity securities	\$ 3,320,750	\$ 3,320,750	\$ -	\$ -	\$ -
U.S. government securities	307,791	56,434	251,357	-	-
Corporate bonds	459,076	134,257	324,819	-	-
Totals	<u>\$ 4,087,617</u>	<u>\$ 3,511,441</u>	<u>\$ 576,176</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers’ acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The Foundation can invest private funds in fixed-income securities with a dollar-weighted average maturity not to exceed ten years. The Foundation has no investment policy that would further limit its interest rate risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation’s policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of Baa3 and BBB-1 or higher as rated by Moody’s Investors Service or by Standard & Poor’s, respectively. The Foundation has no investment policy that would further limit its investment choices.

SALT LAKE EDUCATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Foundation’s policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the Foundation’s total portfolio with a single issuer. The Foundation can invest private funds in certain equity and fixed-income securities provided no more than 5% of all funds are invested in any one issuer and no more than 25% of all funds are invested in a particular industry. Also, for the Foundation’s investments in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The Foundation’s policy for managing this risk is to comply with the Act and related rules. The Act requires the Foundation’s public treasurer to have custody of all securities purchased or held, or deposit these securities with a bank or trust company to be held in safekeeping by that custodian. The Foundation’s investments held in a brokerage account are covered by Securities Investor Protection Corporation (SIPC) for up to \$500,000.

NOTE 4 – FAIR VALUE MEASUREMENTS

The Foundation reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability’s measurement within the fair market hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Foundation has access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets in markets that are not active.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value if observable inputs are not available.

During 2021, no changes in valuation techniques and related inputs have occurred. Whenever available, the Foundation measures fair values using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The primary uses of fair value measures in the Foundation’s financial statements are as follows:

- Initial measurement of noncash gifts.
- Recurring measurement of investments.

SALT LAKE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

The Foundation had the following recurring fair value measurements as of June 30, 2021:

Description	Fair Value	Level 1	Level 2	Level 3
Equity securities	\$ 3,320,750	\$ 3,320,750	\$ -	\$ -
U.S. government securities	307,791	307,791	-	-
Corporate bonds	459,076	-	459,076	-
Total recurring fair value measurements	\$ 4,087,617	\$ 3,628,541	\$ 459,076	\$ -

NOTE 5 – NET ASSETS

A summary of net assets with donor restrictions consisted of the following at June 30, 2021:

Donor restricted:	
Programs	\$ 1,139,999
Scholarships and funds	647,732
Schools	955,646
Total donor restricted net assets	\$ 2,743,377

A summary of net assets released from donor restrictions as of June 30, 2021:

Donor restricted:	
Programs	\$ 256,136
Scholarships and funds	57,003
Schools	565,130
Total net assets released from restrictions	\$ 878,269

NOTE 6 – CONDITIONAL PROMISE TO GIVE

The Foundation is the irrevocable beneficiary of a life insurance policy contingent on the death of the individual policyholder. The Foundation does not own the policy. Total insurance in force was \$150,000 at June 30, 2021. Insurance premiums are paid by the policyholder.

NOTE 7 – EDUCATIONAL BROADBAND SERVICE LEASE AGREEMENT

The Foundation is the licensee for certain educational broadband channels authorized by the Federal Communications Commission (FCC). As the licensee, the Foundation can lease its excess capacity on these channels to commercial providers, if desired.

During the year ended June 30, 2018, the Foundation entered into a lease agreement to lease its excess capacity. The lease commenced in September 2017 and required an initial payment of \$790,000 and monthly lease payments of \$12,500 for the first year with annual escalations over the 30-year lease term. If the agreement is terminated during the first ten years, all or a portion of the initial fee will be refunded on a pro-rata basis distributed equally over ten years. During the year ended June 30, 2020, the lease was renewed for another 10 years.

SALT LAKE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

The Foundation will recognize revenue from the initial fee over the ten-year period and has recorded unearned lease revenue of \$474,000 at June 30, 2021. Lease revenue to be recognized over the lease term is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 168,826
2023	173,891
2024	179,108
2025	184,481
2026	190,016
Thereafter	5,612,446