

**ROANOKE COUNTY PUBLIC SCHOOLS
EDUCATION FOUNDATION, INC.**

FINANCIAL REPORT

June 30, 2020

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Board of Trustees
Roanoke County Public Schools Education Foundation, Inc.
Roanoke, Virginia

We have reviewed the accompanying financial statements of Roanoke County Public Schools Education Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statement of assets and net assets – modified cash basis as of June 30, 2020, and the related statement of support, revenue, and expenses – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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Basis for Qualified Conclusion

During the year ended June 30, 2019, management discovered certain errors resulting in the overstatement of previously reported net assets with donor restrictions and net assets without donor restrictions. Material adjustments were made by management to correct these errors in the prior year. We were unable to obtain sufficient appropriate audit evidence of these adjustments and, therefore, unable to determine whether net assets with donor restrictions and net assets without donor restrictions at June 30, 2019 were free from material misstatement, which was the basis for our qualified audit opinion in the prior year. Furthermore, we were unable to determine whether net assets with donor restrictions and net assets without donor restrictions were free from material misstatement at June 30, 2020, which is the basis for our qualified conclusion.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, we are not aware of any material modifications that should be made to the accompanying 2020 financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Report on Prior Fiscal Year Financial Statements

The accompanying June 30, 2019 financial statements were previously audited by us, and we expressed a qualified opinion on them in our report dated April 14, 2020. We were unable to obtain sufficient appropriate audit evidence to determine whether net assets with donor restrictions and net assets without donor restrictions at June 30, 2019 were free from material misstatement, which was the basis for our qualified opinion. We have not performed any auditing procedures on these financial statements since April 14, 2020.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 22, 2021

Attachment 1 to RFP 2021-084
Financial statements for fiscal year that ended June 30, 2020

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

STATEMENTS OF ASSETS AND NET ASSETS – MODIFIED CASH BASIS
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 97,763	\$ 38,968
Investments, at fair value (Note 2)	<u>381,987</u>	<u>494,642</u>
Total assets	<u><u>\$ 479,750</u></u>	<u><u>\$ 533,610</u></u>
NET ASSETS (Note 4)		
Without donor restrictions	\$ 66,111	\$ 105,071
With donor restrictions	<u>413,639</u>	<u>428,539</u>
Total net assets	<u><u>\$ 479,750</u></u>	<u><u>\$ 533,610</u></u>

The Notes to Financial Statements are an integral part of these statements.

Attachment 1 to RFP 2021-084
Financial statements for fiscal year that ended June 30, 2020

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

STATEMENTS OF SUPPORT, REVENUE, AND EXPENSES – MODIFIED CASH BASIS
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contributions	\$ 17,116	\$ 30,100	\$ 47,216	\$ 15,326	\$ 33,463	\$ 48,789
In-kind contributions	39,429	-	39,429	-	-	-
Fundraising (net of direct expenses)	11,570	-	11,570	12,893	-	12,893
Investment return, net	(2,359)	-	(2,359)	17,103	-	17,103
Satisfaction of program restrictions (Note 4)	45,000	(45,000)	-	13,675	(13,675)	-
Total revenues and support	110,756	(14,900)	95,856	58,997	19,788	78,785
EXPENSES						
Program grants	90,138	-	90,138	60,701	-	60,701
General and administrative	59,578	-	59,578	53,457	-	53,457
Total expenses	149,716	-	149,716	114,158	-	114,158
Change in net assets	(38,960)	(14,900)	(53,860)	(55,161)	19,788	(35,373)
NET ASSETS						
Beginning, restated	105,071	428,539	533,610	160,232	408,751	568,983
Ending	\$ 66,111	\$ 413,639	\$ 479,750	\$ 105,071	\$ 428,539	\$ 533,610

The Notes to Financial Statements are an integral part of these statements.

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies

Operations of the Foundation

Roanoke County Public Schools Education Foundation, Inc. (the "Foundation") was formed in July 1991 to supplement the education program in the Roanoke County Public School System through scholarships and other forms of financial assistance to the schools and students.

Basis of accounting

The Foundation prepares its financial statements on the modified cash basis of accounting. Under this method, revenues and related assets are recognized when received or reinvested rather than when earned and program grants and general and administrative expenses are recognized when paid rather than when the obligation is incurred. However, unrealized gains and losses on investments are recognized in earnings prior to cash receipt.

The accompanying financial statements present information regarding the Foundation's financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two classes as follows:

Net assets without donor restrictions

Net assets available for use in general operations and not subject to donor restrictions are included in this net asset classification. These net assets may be designated for specific purposes by action of the Board of Trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not net assets with donor restrictions are included in this classification. Expenses are reported as decreases in this classification.

Net assets with donor restrictions

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of support, revenue, and expenses – modified cash basis as satisfaction of program restrictions.

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits and all highly liquid investments with original maturities of three months or fewer when purchased, except those amounts held by the Foundation's investment manager as part of a long-term strategy.

(Continued)

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Investments

Investments in marketable debt and equity securities with readily determinable fair values are reported at fair value based on quoted market prices.

Investment securities are exposed to several risks such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's financial statements.

Purchases and sales of investments are recorded on the trade date. Realized and unrealized gains and losses on investments as well as dividends, interest, and other investment income are reported as follows:

- Increases or decreases in net assets with donor restrictions if donor stipulations of the assets received require that they be added to the principal of an endowment fund to be held in perpetuity, if the donor stipulations of the assets received impose restrictions on the use of the income, or as required by law.
- Increases or decreases in net assets without donor restrictions in all other cases.

Concentration of credit risk

The Foundation maintains its cash and cash equivalents with multiple financial institutions. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2020 and 2019, the Foundation had no funds in excess of the insured limit.

As of June 30, 2020 and 2019, the Foundation maintained practically its entire investment portfolio with one financial institution.

(Continued)

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

Note 1. Summary of Significant Accounting Policies (Continued)

Fair value measurements

Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosure*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset'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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Contributions

Contributions are recognized as contribution revenue without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor stipulations, in the period received. Contributions received with donor-imposed time or purpose restrictions are classified as revenues in net assets with donor restrictions until such time as the restricted purpose or passage of time specified by the donor has been met.

(Continued)

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Contributed services

Contributed services from personnel of an affiliate are recognized if those services directly benefit the Foundation. The services are measured at the cost recognized by the affiliate for the personnel providing the services. The Foundation operates with staff paid by Roanoke County Public Schools. These contributed services directly benefit the Foundation, thus the value of contributed services has been determined and recognized in the financial statements as in-kind contributions and in-kind salaries and benefits, which are included in general and administrative expenses.

Concentration of contribution sources

Approximately 32% and 41% of the Foundation's total contributions were received from two and three donors during the years ended June 30, 2020 and 2019, respectively. The Foundation's current level of operations and program services may be impacted if future contributions are not received.

Fundraising activities

The Foundation held three fundraising activities during 2020 and 2019; a golf tournament, 5k race, and phone-a-thon. Total expenses for these activities were \$2,726 and \$5,084 for the years ended June 30, 2020 and 2019, respectively. These expenses are netted with fundraising revenues in the statements of support, revenue, and expenses – modified cash basis.

Functional allocation of expenses

The cost of providing Foundation program grants and the administration of the Foundation has been summarized on a functional basis in the statements of support, revenue, and expenses – modified cash basis. There were no expenses attributable to multiple functional expense categories; therefore, no allocation of expenses is necessary.

Income taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue Code*. Therefore, no provision for income tax has been made.

Management has evaluated the effect of the guidance provided in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) on *Accounting for Uncertainty in Income Taxes*. Management believes that the Foundation continued to satisfy the requirements of a tax-exempt organization at June 30, 2020 and 2019. Management has evaluated all tax positions that could have a significant effect on the financial statements and determined that the Foundation had no uncertain income tax positions at June 30, 2020 and 2019.

(Continued)

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting pronouncements adopted in the current year

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in ASU 2018-08 provide guidance to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. ASU 2018-08 was effective for annual reporting periods beginning after December 15, 2018. The Foundation adopted this guidance effective July 1, 2019. The adoption of ASU 2018-08 did not result in any significant changes to the Foundation's accounting for contributions.

Prior period adjustment

As a result of an analysis completed by management of the Foundation, it was discovered that the amount of previously reported net assets with donor restrictions as of June 30, 2019 were understated due to timing differences in scholarship disbursements. As a result, net assets with donor restrictions as of June 30, 2019 are restated from \$389,289 to \$428,539 and net assets without donor restrictions were restated from \$144,321 to \$105,071. Satisfaction of program restrictions in the previously issued June 30, 2019 financial statements has been adjusted from \$52,925 to \$13,675. There is no cumulative effect of the prior period adjustment on the change in net assets or total net assets for the year ended June 30, 2019.

The cumulative effect of the prior period adjustment on net assets with and without donor restrictions for the year ended June 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Net assets at June 30, 2019	\$ 144,321	\$ 389,289	\$ 533,610
Adjustment for:			
Satisfaction of program restrictions	(39,250)	39,250	-
Net assets at June 30, 2019, restated	<u>\$ 105,071</u>	<u>\$ 428,539</u>	<u>\$ 533,610</u>

Reclassifications

Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

(Continued)

Attachment 1 to RFP 2021-084
Financial statements for fiscal year that ended June 30, 2020

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 2. Investments

Investments at June 30 consist of the following:

	2020		
	Cost	Unrealized Gain (Loss)	Fair Value
Mutual Funds:			
Fixed income	\$ 54,746	\$ 1,116	\$ 55,862
U.S. blended asset	112,516	(105)	112,411
World blended asset	31,925	(2,451)	29,474
U.S. growth	90,358	(2,075)	88,283
U.S. money market	95,957	-	95,957
	<u>\$ 385,502</u>	<u>\$ (3,515)</u>	<u>\$ 381,987</u>
2019			
	Cost	Unrealized Gain (Loss)	Fair Value
Mutual Funds:			
Fixed income	\$ 50,435	\$ (595)	\$ 49,840
U.S. blended asset	115,155	29,132	144,287
World blended asset	50,901	9,384	60,285
U.S. growth	40,016	10,676	50,692
U.S. money market	79,309	-	79,309
Certificates of Deposits	110,229	-	110,229
	<u>\$ 446,045</u>	<u>\$ 48,597</u>	<u>\$ 494,642</u>

Investments in mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value ("NAV") and to transact at that price. All of the Foundation's investments are Level 1 investments.

Investment income, net, consists of the following:

	Years Ended June 30,	
	2020	2019
Interest and dividends	\$ 12,060	\$ 23,425
Realized and unrealized gains (losses), net	(14,419)	(6,322)
Investment return	<u>\$ (2,359)</u>	<u>\$ 17,103</u>

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Attachment 1 to RFP 2021-084
Financial statements for fiscal year that ended June 30, 2020

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 3. Financial Assets and Liquidity Resources

The following represents the Foundation's financial assets at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 97,763	\$ 38,968
Investments	<u>381,987</u>	<u>494,642</u>
Total financial assets	<u>\$ 479,750</u>	<u>\$ 533,610</u>

As part of the Foundation's liquidity management, it invests cash in excess of amounts required for operation in money markets, certificates of deposit, and mutual funds in accordance with the Foundation's investment policy. Total financial assets available to meet general expenditures over the next fiscal year of \$479,750 exceeds total expenses for the years ended June 30, 2020 and 2019, and estimated expenses for the next fiscal year.

Note 4. Net Assets

Net assets as of June 30 consisted of the following:

	<u>2020</u>	<u>2019</u> <u>Unaudited</u>
Without donor restrictions	<u>\$ 66,111</u>	<u>\$ 105,071</u>
With donor restrictions:		
Subject to expenditure for specific purposes and time:		
Student scholarships and awards	392,354	403,254
Other purpose restrictions	<u>21,285</u>	<u>25,285</u>
Total net assets with donor restrictions	<u>413,639</u>	<u>428,539</u>
Total net assets	<u>\$ 479,750</u>	<u>\$ 533,610</u>

(Continued)

Attachment 1 to RFP 2021-084
Financial statements for fiscal year that ended June 30, 2020

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 4. Net Assets (Continued)

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purpose or by the occurrence of other events as specified by donors. During the years ended June 30, 2020 and 2019, restrictions were satisfied as follows:

	<u>2020</u>	<u>2019</u> <u>Unaudited</u>
Student scholarships and awards	\$ 41,000	\$ 12,675
Other purpose restrictions	<u>4,000</u>	<u>1,000</u>
Satisfaction of program restrictions	<u><u>\$ 45,000</u></u>	<u><u>\$ 13,675</u></u>

Note 5. Expenses by Natural Classification

	<u>2020</u>		
	<u>Program Grants</u>	<u>Management and General</u>	<u>Total</u>
Expenses:			
In-kind salaries and benefits	\$ -	\$ 39,429	\$ 39,429
Student scholarships	81,250	-	81,250
Classroom grants	2,638	-	2,638
Y Splash program	2,250	-	2,250
Meeting expenses	-	235	235
Service fees	-	476	476
Insurance	-	1,283	1,283
Professional fees	-	17,607	17,607
Other	<u>4,000</u>	<u>548</u>	<u>4,548</u>
Total expenses	<u><u>\$ 90,138</u></u>	<u><u>\$ 59,578</u></u>	<u><u>\$ 149,716</u></u>

(Continued)

Attachment 1 to RFP 2021-084
Financial statements for fiscal year that ended June 30, 2020

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 5. Expenses by Natural Classification (Continued)

	2019		
	Program Grants	Management and General	Total
Expenses:			
Salaries and benefits	\$ -	\$ 32,198	\$ 32,198
Student scholarships	17,500	-	17,500
Classroom grants	22,001	-	22,001
Student travel awards	5,350	-	5,350
Remedial education grants	2,250	-	2,250
Teacher awards	9,100	-	9,100
Y Splash program	4,500	-	4,500
Meeting expenses	-	4,339	4,339
Service fees	-	568	568
Insurance	-	280	280
Professional fees	-	14,750	14,750
Other	-	1,322	1,322
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 60,701	\$ 53,457	\$ 114,158
	<hr/>	<hr/>	<hr/>

Note 6. Related Party Transactions

The Foundation operates with staff paid by Roanoke County Public Schools, a related party by affiliation. Roanoke County Public Schools donated professional services for management and administration of the financial responsibilities of the Foundation for the year ended June 30, 2020. The value of the donated services is \$39,429 for the year ended June 30, 2020 and is recognized in the financial statements as in-kind contributions and in-kind salaries and benefits, which are included in general and administrative expenses. For the year ended June 30, 2019, the Foundation reimbursed Roanoke County Public Schools for the Foundation staff's salary and benefits totaling \$32,198.

The Foundation also pays Roanoke County Public Schools for certain program expenses, which does not include classroom, remedial education, and student travel grants paid to the individual school awarded the grant.

Roanoke County Public Schools contributed \$10,000 in each of the years ended June 30, 2020 and 2019 to the Foundation to be used for general operations.

Note 7. COVID-19 Outbreak

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

ROANOKE COUNTY PUBLIC SCHOOLS EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 7. COVID-19 Outbreak (Continued)

The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closing of non-essential businesses. While the closings were temporary, there has been a change in the environment in how businesses and organizations operate along with the implementation of various safety protocols.

The Foundation is not able to estimate the effects of the COVID-19 outbreak on its financial condition, liquidity, or results of operations for fiscal year 2021 given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread.

Note 8. Subsequent Events

Management of the Foundation has evaluated subsequent events through January 22, 2021, which is the date the financial statements were available to be issued. No events requiring disclosure have occurred through this date.