

SALT LAKE EDUCATION FOUNDATION
(A Component Unit of
Salt Lake City School District)

FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Salt Lake Education Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Salt Lake Education Foundation, which comprise the statements of net assets as of June 30, 2016 and 2015, the related statements of activities 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Salt Lake Education Foundation as of June 30, 2016 and 2015 and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017 on our consideration of Salt Lake Education Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salt Lake Education Foundation's internal control over financial reporting and compliance.

Squire & Company, PC

Orem, Utah
February 10, 2017

SALT LAKE EDUCATION FOUNDATION
(A Component Unit of Salt Lake City School District)
STATEMENTS OF NET ASSETS

June 30, 2016 and 2015

	2016	2015
Assets:		
Cash	\$ 343,401	\$ 365,573
Investments	5,262,768	2,293,185
Prepaid expenses	<u>22,713</u>	<u>25,875</u>
Total assets	5,628,882	2,684,633
Liabilities:		
Accounts payable	12,881	11,143
Due to Salt Lake City School District	<u>32,775</u>	<u>21,281</u>
Total liabilities	45,656	32,424
Net Assets:		
Unrestricted	214,241	236,279
Temporarily restricted	<u>5,368,985</u>	<u>2,415,930</u>
Total net assets	<u><u>\$ 5,583,226</u></u>	<u><u>\$ 2,652,209</u></u>

The accompanying notes are an integral part of these basic financial statements.

SALT LAKE EDUCATION FOUNDATION
(A Component Unit of Salt Lake City School District)
STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015

	2016	2015
Unrestricted Net Assets:		
Support and revenue:		
Contributions	\$ 2,293,571	\$ 1,830,109
Net investment earnings (losses)	(10,040)	(7,070)
Net assets released from restrictions	<u>374,862</u>	<u>574,302</u>
Total support and revenue	2,658,393	2,397,341
Expenses:		
Program services:		
Grants and awards	1,611,261	1,562,840
Medical services	710,304	624,158
Contract services	90,385	75,085
Educational services	59,392	49,667
Other	<u>143,364</u>	<u>139,779</u>
Total program services	2,614,706	2,451,529
Support services:		
Administration	63,000	60,018
Fundraising	<u>2,725</u>	<u>2,126</u>
Total support services	<u>65,725</u>	<u>62,144</u>
Total expenses	<u>2,680,431</u>	<u>2,513,673</u>
Change in unrestricted net assets	(22,038)	(116,332)
Temporarily Restricted Net Assets:		
Contributions	3,327,917	303,527
Net assets released from restrictions	<u>(374,862)</u>	<u>(574,302)</u>
Change in temporarily restricted net assets	<u>2,953,055</u>	<u>(270,775)</u>
Change in Net Assets	2,931,017	(387,107)
Net Assets at Beginning of Year	<u>2,652,209</u>	<u>3,039,316</u>
Net Assets at End of Year	<u><u>\$ 5,583,226</u></u>	<u><u>\$ 2,652,209</u></u>

The accompanying notes are an integral part of these basic financial statements.

SALT LAKE EDUCATION FOUNDATION
(A Component Unit of Salt Lake City School District)
NOTES TO 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 and allocations to supplement and enhance the educational opportunities of students within the Foundation and to provide humanitarian medical services. A board consisting of 15 members governs the activities of the Foundation.

The Foundation, due to its affiliation with Salt Lake City School District, follows the accounting standards for governmental nonprofit organizations. The Foundation is reported as a discretely presented component unit within the financial statements of Salt Lake City School District.

Basis of Accounting – The statement of net assets and statement of activities are prepared using the accrual basis of accounting.

Donor Imposed Restrictions – All contributions are considered available for the Foundation’s general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

When both restricted and unrestricted resources are available for use, it is the Foundation’s policy to use restricted funds first, then unrestricted resources as they are needed.

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.

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.

SALT LAKE EDUCATION FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

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 benefited from donated medical services which were valued by the providers at \$710,304 and \$624,158 during the years ended June 30, 2016 and 2015, respectively. These amounts have been reported as both in-kind contribution revenue and medical services expense on the statements of activities. 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 – 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 have been reflected in the accompanying statements of activities.

Donated Materials – Donated materials are recorded at their fair value and are included as revenue of \$468,672 and \$320,853 for the years ended June 30, 2016 and 2015, respectively.

Note 2. Fair Value Measurements

In 2016, the Foundation adopted Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

The new standard provides guidance for determining a fair value measurement for financial reporting purposes. The standard also provides guidance for applying fair value to certain Investments and disclosures related to all fair value measurements.

The Foundation's financial statements are not affected by this new standard.

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Foundation has the following recurring fair value measurements as of June 30, 2016:

- Mutual Funds of \$1,734,814 are valued using quoted market prices (Level 1 inputs).
- U.S. Government securities of \$757,700 are valued using quoted market prices (Level 1 inputs).
- Corporate bonds of \$2,770,254 are valued using quoted market prices (Level 1 inputs).

SALT LAKE EDUCATION FOUNDATION
(A Component Unit of Salt Lake City School District)
NOTES TO FINANCIAL STATEMENTS

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.

At June 30, 2016, the Foundation has the following deposits with financial institutions:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Amount Insured</u>
Total deposits	\$ 343,401	\$ 388,456	\$ 364,013

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, 2016, the uninsured amount of the Foundation's bank deposits was uncollateralized.

SALT LAKE EDUCATION FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

At June 30, 2016, the Foundation had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Mutual funds	\$ 1,734,814	\$ 1,734,814	\$ -	\$ -	\$ -
U.S. government securities	757,700	-	757,700	-	-
Corporate bonds	2,770,254	757,155	2,013,099	-	-
Totals	<u>\$ 5,262,768</u>	<u>\$ 2,491,969</u>	<u>\$2,770,799</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2015, the Foundation had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Mutual funds	\$ 2,293,185	\$ 2,292,994	\$ 61	\$ 130	\$ -
Totals	<u>\$ 2,293,185</u>	<u>\$ 2,292,994</u>	<u>\$ 61</u>	<u>\$ 130</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 Baa2 or higher as rated by Moody’s Investors Service or by Standard & Poor’s. The Foundation has no investment policy that would further limit its investment choices.

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

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NOTES TO FINANCIAL STATEMENTS

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.

Investment returns for the years ended June 30, 2016 and 2015 are summarized below. Earnings on restricted investments are allocated to the respective programs as required by the donor:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 93,627	\$ 98,645
Net realized and unrealized gains (losses)	<u>(103,667)</u>	<u>(105,715)</u>
Net investment earnings (losses)	<u><u>\$ (10,040)</u></u>	<u><u>\$ (7,070)</u></u>

Note 4. Temporarily Restricted Net Assets

A summary of temporarily restricted net assets consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Restricted for:		
Programs	\$ 628,390	\$ 598,609
Scholarships and funds	1,141,995	1,238,878
Schools	<u>3,598,600</u>	<u>578,443</u>
Total temporarily restricted net assets	<u><u>\$ 5,368,985</u></u>	<u><u>\$ 2,415,930</u></u>

Note 5. 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 is \$150,000 at June 30, 2016 and 2015. Insurance premiums are paid by the policyholder.

**REPORT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Year Ended June 30, 2016



Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Salt Lake Education Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salt Lake Education Foundation (the Foundation), which comprise the statements of net assets as of June 30, 2016, and the related statements of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 10, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Squire & Company, PC

Orem, Utah
February 10, 2017