



Asheville, North Carolina

Report of Independent Auditor  
and Financial Statements

Year Ended June 30, 2022  
*(with comparative totals for year  
ended June 30, 2021)*

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

**TABLE OF CONTENTS**

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-18

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Asheville City Schools Foundation, Inc.

### Opinion

We have audited the accompanying financial statements of Asheville City Schools Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asheville City Schools Foundation, Inc. as of June 30, 2022, and the changes in net assets and its cash flows for the year 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. 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 Asheville City School Foundation, Inc. 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

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 Asheville City Schools Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### 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 generally accepted auditing standards 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 generally accepted auditing standards, 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

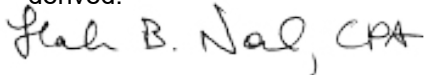
effectiveness of Asheville City Schools Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.

- 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 Asheville City Schools Foundation, Inc.'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.

#### **Report on Summarized Comparative Information**

We have previously audited Asheville City Schools Foundation, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Leah B. Noel, CPA, PC

Asheville, North Carolina  
October 31, 2022

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

## Statement of Financial Position

June 30, 2022

*(With summarized comparative totals as of June 30, 2021)*

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 517,245	\$ 481,859
Held at Community Foundation WNC	1,722,397	1,998,568
Prepaid expenses	4,024	10,833
Other receivables	5,363	58,568
Total current assets	2,249,029	2,549,828
Long-term assets		
Cash restricted for long-term purposes	705,088	634,810
Property and equipment, net	7,012	9,226
Total long-term assets	712,100	644,036
<b>Total assets</b>	<b>\$ 2,961,129</b>	<b>\$ 3,193,864</b>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 22,673	\$ 15,580
Accrued payroll and related expenses	6,630	8,366
Payroll Protection Program Advance	-	77,110
Funds held for others	78,387	78,061
CAYLA contributions payable	4,570	2,000
Scholarships payable	158,608	43,500
Total current liabilities	270,868	224,617
Net assets		
Without donor restrictions	262,776	335,869
With donor restrictions	2,427,485	2,633,378
Total net assets	2,690,261	2,969,247
<b>Total liabilities and net assets</b>	<b>\$ 2,961,129</b>	<b>\$ 3,193,864</b>

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

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

## Statement of Activities

For the Year Ended June 30, 2022

*(With summarized comparative totals as of June 30, 2021)*

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>Public support and revenue</b>				
Contributions	\$ 278,988	\$ 274,439	\$ 553,427	\$ 411,593
Foundation and nonprofit grants	-	309,246	309,246	507,918
Government contracts and grants	77,110	74,650	151,760	567,502
Program service revenue	10,167	25,962	36,129	31,992
Gross special events revenue	110	-	110	-
Less cost of direct benefits to donors	830	-	830	-
Special events, net	(720)	-	(720)	-
In-Kind contributions	18,200	-	18,200	12,240
CFWNC income (loss)	(115,540)	(155,992)	(271,532)	301,786
Other income	1,672	-	1,672	4,231
Net assets released from restrictions	734,198	(734,198)	-	-
Total revenue and support	1,004,075	(205,893)	798,182	1,837,262
<b>Expenses</b>				
Program services	886,645	-	886,645	991,458
Management and general	130,043	-	130,043	90,948
Fundraising	60,480	-	60,480	57,679
Total expenses	1,077,168	-	1,077,168	1,140,085
Change in net assets	(73,093)	(205,893)	(278,986)	697,177
Net assets, beginning of year	335,869	2,633,378	2,969,247	2,272,070
Net assets, end of year	\$ 262,776	\$ 2,427,485	\$ 2,690,261	\$ 2,969,247

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

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

Statement of Functional Expenses

For the Year Ended June 30, 2022

(With summarized comparative totals as of June 30, 2021)

	Program Services				Supporting Services		Cost of Direct		
	Student/Teacher Programs	Student/Teacher Scholarships	Community Engagement	Total	Management & General	Fundraising	Benefits to Donors	2022	2021
Salaries and Wages	\$ 131,200	\$ 54,979	\$ 45,267	\$ 231,445	\$ 43,655	\$ 43,655	\$ -	\$ 318,756	\$ 346,640
Payroll Taxes and Related Benefits	28,912	12,116	9,975	51,003	9,620	9,620	-	70,244	65,960
Student Scholarships	-	304,280	-	304,280	-	-	-	304,280	147,723
Student CAYLA Scholarships	-	10,570	-	10,570	-	-	-	10,570	34,000
Teacher Project Grants	47,156	-	60,872	108,028	-	-	-	108,028	99,000
Teacher Scholarships/Support	-	1,500	-	1,500	-	-	-	1,500	11,695
Parent Leadership Program	1,700	-	-	1,700	-	-	-	1,700	19,881
ACS Learning PODs	-	-	-	-	-	-	-	-	135,661
Community Connectivity Program	-	-	-	-	-	-	-	-	70,000
In Real Life Program	68,995	-	-	68,995	-	-	-	68,995	54,127
TAPAAS	25,826	-	-	25,826	-	-	-	25,826	21,142
Emergency Assistance	-	-	17,432	17,432	-	-	-	17,432	21,192
Other Program Activities	23,619	-	-	23,619	-	-	-	23,619	27,832
Contract Services	818	-	-	818	15,113	-	-	15,930	11,346
Fundraising Events	-	-	-	-	-	-	830	830	-
Fundraising Campaigns	-	-	-	-	-	5,335	-	5,335	5,530
Insurance Expense	-	-	-	-	6,084	-	-	6,084	6,513
Marketing and Advertising	3,149	1,260	630	5,038	1,260	-	-	6,298	3,006
Meetings and Conferences	5,558	2,223	1,112	8,894	2,223	-	-	11,117	6,606
Miscellaneous	-	-	3,735	3,735	28	1,869	-	5,633	7,103
Occupancy Expenses	9,570	3,828	1,914	15,312	3,828	-	-	19,140	19,158
Office Supplies and Materials	3,315	1,326	663	5,304	1,326	-	-	6,630	2,293
Postage and Shipping	582	233	116	932	233	-	-	1,165	1,307
Professional Fees	-	-	-	-	12,372	-	-	12,372	7,915
Strategic Planning	-	-	-	-	16,100	-	-	16,100	-
In-Kind Support Utilized									
Bookkeeping/Accounting	-	-	-	-	18,200	-	-	18,200	12,240
Depreciation	2,214	-	-	2,214	-	-	-	2,214	2,214
Total expenses by function	352,614	392,315	141,716	886,645	130,043	60,480	830	1,077,997	1,140,084
Less expenses included with revenues on the statement of activities									
Cost of direct benefits to donors	-	-	-	-	-	-	(830)	(830)	-
<b>Total expenses included in expense section on the statement of activities</b>	<b>\$ 352,614</b>	<b>\$ 392,315</b>	<b>\$ 141,716</b>	<b>\$ 886,645</b>	<b>\$ 130,043</b>	<b>\$ 60,480</b>	<b>\$ -</b>	<b>\$ 1,077,168</b>	<b>\$ 1,140,084</b>

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

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

## Statement of Cash Flows

For the Year Ended June 30, 2022

*(With summarized comparative totals as of June 30, 2021)*

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (278,986)	\$ 697,177
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Increase) Decrease in operating assets:		
Depreciation	2,214	2,214
Realized & unrealized (gain) loss on CFWNC	276,172	(694,934)
Prepaid expenses	6,809	9,344
Other receivables	53,205	(57,495)
Increase (Decrease) in operating liabilities:		
Accounts payable	7,092	10,177
Accrued payroll and related expenses	(1,736)	7,336
Funds held for others	326	78,061
CAYLA contributions payable	2,570	2,000
Scholarships payable	115,108	43,500
Net cash from operating activities	182,774	97,380
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	-	-
Net cash used by investing activities	-	-
<b>Cash flows from financing activities</b>		
Forgiveness of Payroll Protection Program advance	(77,110)	-
Net cash from financing activities	(77,110)	-
Net increase in cash and cash equivalents and restricted cash	105,664	97,380
Cash and cash equivalents and restricted cash at beginning of year	1,116,669	1,019,289
Cash and cash equivalents and restricted cash at end of year	\$ 1,222,333	\$ 1,116,669
<b>Non-Cash Investing and Financing Activities</b>		
In-kind contributions:		
Accounting Services	\$ 18,200	\$ 12,240
Forgiveness of Payroll Protection Program Debt	77,110	-
Total Non-Cash Investing and Financing Activities	\$ 95,310	\$ 12,240

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



# ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2022

*(with summarized comparative totals as of June 30, 2021)*

### **Note 1 – Organization and Summary of Significant Accounting Policies**

#### **Organization**

The mission of the Asheville City Schools Foundation (ACSF), a non-profit organization, is to implement bold strategies, fund big ideas, and engage the community to increase excellence with equity. The Foundation's programs include the following activities:

- Scholarships are awarded to graduating seniors at Asheville High School and SILSA from scholarship funds administered by the Foundation.
- Section 529 College savings plan established between 2009-2012 for youth enrolled in the City of Asheville Youth Leadership Academy are administered by the Foundation.
- In Real Life (IRL) After-School program serves approximately 100 middle school youth through engaging arts and humanities, health and wellness, and STEM programming. In over ten years of operation, IRL has served more than 2,200 unduplicated youth. IRL's sliding scale registration fee ensures that all students who want to attend programming have access to IRL. IRL provides transportation for all students with need and health snacks for all students enrolled.
- Dedicated, Responsible, Enthusiastic, After-School, Mentors (DREAM) is a paid internship program for high school students to lead and mentor middle school students enrolled in the IRL After-School program.
- Emergency Assistance is dispersed through counselors and social workers to families and scholarship recipients with financial need to address barriers to students remaining in school.
- Grants are awarded to ACS educators and schools. Grants must be focused on fixing systems not kids with an emphasis on disrupting structures which perpetuate racial inequities in schools.
- Professional development funds are awarded to educators to support additional teacher training and development.
- Teaching Artists Presenting in Asheville Schools provides opportunities for students to engage in arts education by bringing talented teaching artists into ACS classrooms.
- The Alumni Center provides an avenue for ACS alumni to connect with their alma mater and provides connections between current students and intergenerational alumni classes.
- Community Engagement (CE) recruits and places college students and faculty in to schools and programming to support student success and conduct evidence-based research. CE also facilitates annual events with the aim of educating community members on relevant challenges and opportunities for growth surrounding public education.

#### **Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when incurred.

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of ACSF are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

ACSF also prepares financial statements in accordance with Financial Accounting Standards Board standards for not-for-profit organizations (ASC 958-205 and subsections). During 2018, ACSF adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about ACSF's liquidity, financial performance, and cash flows.

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2022

*(with summarized comparative totals as of June 30, 2021)*

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

*Tax Exempt Status*

The Organization is incorporated as a nonprofit corporation under the laws of the State of North Carolina and has qualified for exemption from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as a publicly supported organization under section 509(a)(3). ACSF is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. ACSF has determined that they are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Contributions*

Contributions received are recorded as unrestricted or restricted net assets depending on the existence or nature of any donor restrictions. As restrictions expire, net assets are reclassified to unrestricted net assets and are reported on the statement of activities as “Net assets released from restrictions.”

*Cash and Cash Equivalents*

For purposes of reporting on the statement of cash flows, Asheville City Schools Foundation considers all unrestricted highly-liquid investments purchased with an initial maturity of three months or less to be cash equivalents. In accordance with U.S. GAAP, cash restricted to long-term purposes is not considered to be a cash equivalent.

The following provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

<u>As of June 30</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 517,245	\$ 481,859
Cash restricted for various scholarship funds	705,088	634,810
	<u>\$ 1,222,333</u>	<u>\$ 1,116,669</u>

# ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2022

*(with summarized comparative totals as of June 30, 2021)*

### **Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

#### Property and Equipment

Purchases of property and equipment are recorded at acquisition cost. The Foundation capitalizes expenditures of \$750 or more. Improvements and betterments are capitalized, while repairs and maintenance expenditures are expensed in the statement of activities. Depreciation is recorded using the straight-line method over the expected useful life (ranging from 5 to 7 years) of each asset.

#### Endowments

A donor's stipulation that requires a gift be invested in perpetuity creates a permanently restricted endowment fund. The endowment principal consists of the fair value of the gift when received. Interest, dividends and investment appreciation on endowment accounts are used to fund a corresponding temporarily restricted scholarship account in the donor's name.

Consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted in North Carolina in 2009, the organization's policy continues to require the preservation of the original value of gifts donated to the permanent endowment. Consistent with current U.S. GAAP, the restricted net assets of an endowment are not reduced by losses on the investments of the fund, and accumulated investment income is restricted until appropriated for use. Investment income and gains on endowment funds are allocated to the corresponding restricted scholarship fund. Those amounts are appropriated for expenditure by the Foundation when scholarships are awarded. The Foundation considers the following factors in making a determination to appropriate of accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

#### Donated Materials and Services

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (Note 11).

#### Fair Value Measurements and Disclosures

The Organization follows FASB ASC 820 Fair Value Measurements and Disclosures, which establish a fair value hierarchy to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions.

# ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2022

(with summarized comparative totals as of June 30, 2021)

### **Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable for the asset or liability.

All investments held at the Community Foundation are considered level 3 inputs. The Community Foundation provides the fair market value of investments on quarterly statements to the Organization.

#### Functional Expenses

The Foundation allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated by statistical means.

#### Taxes/Uncertain Tax Positions

The Foundation adopted the provisions of FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes* on January 1, 2009. Under this standard, the Foundation must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of this standard had no impact on the Foundation's financial statements. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of January 1, 2009, as a result of the adoption of this standard. For the year ended June 30, 2022, there were no interest or penalties recorded or included in its financial statements. The organization's Forms 990 for 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after being filed.

#### Recently Issued Accounting Standards

The following accounting pronouncements were recently issued by the FASB:

As of January 1, 2019, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending June 30, 2022 and 2021 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

# ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2022

(with summarized comparative totals as of June 30, 2021)

### **Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

During 2020, ACSF also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending June 30, 2022 and 2021 are presented under FASB ASU 2018-08. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

In 2019, ACSF adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows* (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. ACSF has applied the provisions of ASU 2016-18 retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. ACSF is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions* and *net assets without donor restrictions*. ASU 2016-14 also requires not-for-profit entities to provide enhanced

# ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2022

(with summarized comparative totals as of June 30, 2021)

### **Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires an NFP to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted with retrospective application required for all prior periods presented. ACSF has adopted the provisions of ASU 2016-14 in 2018.

#### **Restricted Cash**

At June 30, 2022 and 2021, restricted cash consists of cash received from donor contributions restricted for various programs. As payments are made for the programs, operating funds are reimbursed through restricted cash.

#### **Revenue Recognition**

*Revenue from Exchange Transactions:* ACSF recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. ACSF records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending June 30, 2022 and 2021:

*Special fundraising event revenue:* ACSF conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event—the exchange component, and a portion represents a contribution to ACSF. Unless a verifiable objective means exists to demonstrate otherwise,

# ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2022

(with summarized comparative totals as of June 30, 2021)

### **Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

the fair value of meals and entertainment provided at special events is measured at the actual cost to ACSF. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than ACSF, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by ACSF. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligation(s). Accordingly, ACSF separately presents in its statements of activities and changes in net assets or notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by ACSF in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, ACSF follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

### **Prior Year Summarized Comparative Information**

The financial statements and certain notes include certain prior year summarized comparative information in total. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, such information should be read in conjunction with the Organization’s financial statements as of and for the year ended June 30, 2021, from which the summarized comparative information was derived.

### **Note 2 – Cash and Cash Equivalents**

Cash and cash equivalents were as follows:

<u>As of June 30</u>	<u>2022</u>	<u>2021</u>
TD Bank	\$ 183,979	\$ 34,404
TD Bank Money Market	165,922	35,749
HomeTrust Sweep	872,432	1,046,516
Cash restricted for long-term purposes	(705,088)	(634,810)
	<u>\$ 517,245</u>	<u>\$ 481,859</u>

The Organization occasionally maintains deposits in excess of federally insured limits. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. ACSF utilizes a sweep account that distributes the balance to several institutions nightly. At June 30, 2022 and 2021, the Foundation had \$99,901 and \$0 of uninsured funds at two financial institutions. The Foundation does not believe that there is any significant risk associated with the concentrations of credit.

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2022

*(with summarized comparative totals as of June 30, 2021)*

**Note 3 – Liquidity and Availability of Funds**

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

<u>As of June 30</u>	<u>2022</u>	<u>2021</u>
Cash, unrestricted	\$ 517,245	\$ 481,859
Community Foundation Account	1,722,397	1,998,568
Other receivables	5,363	58,568
Total financial assets as of year end	2,245,005	2,538,995
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 2,245,005</u>	<u>\$ 2,538,995</u>

The Foundation's Restricted Cash (a majority of which is in a Community Foundation account with the Community Foundation of Western North Carolina) consist of donor-restricted funds. Income from donor-restricted funds is restricted for specific purposes and, therefore, is not available for general expenditure.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Foundation does not intend to spend from its Community Foundation funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its account could be made available if necessary. The Foundation believes and has been informed by the Community Foundation they could obtain funds within a reasonably quick amount of time.

**Note 4 – Property and Equipment**

Property and equipment consists of the following at June 30,

	<u>2022</u>	<u>2021</u>
Vehicles	\$ 15,500	\$ 15,500
	\$ 15,500	\$ 15,500
Less accumulated depreciation	8,488	6,274
	<u>\$ 7,012</u>	<u>\$ 9,226</u>

Depreciation is shown on the face of the Statement of Functional Expenses.



**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2022

*(with summarized comparative totals as of June 30, 2021)*

**Note 5 – Scholarships Payable**

The Foundation typically awards student scholarships in June of each year, with the payments made in July. The scholarships payable balance was \$163,178 and \$45,500 as of June 30, 2022 and June 30, 2021, respectively including CAYLA scholarships payable (see Note 9 for CAYLA Scholarships description).

**Note 6 – Payroll Protection Plan Advance**

During May 2020 due to a global pandemic, the Foundation applied for and received the Payroll Protection Plan advance from the US Small Business Administration in the amount of \$77,110. The terms of the funding agreement indicate that the Foundation must utilize the proceeds to fund qualifying expenses over a twenty-four week period. The terms specify that the Foundation must repay the principal of the loan back plus interest, which accrues at 1% semi-annually maturing in two years. Upon maturity, the loan may be forgiven if the Foundation fulfills the agreed-to-terms. ACSF initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. ACSF recognized \$77,110 of loan forgiveness income for the year ended June 30, 2022.

**Note 7 – Funds Held for Others**

Funds held for others represent amounts held by the Foundation on behalf of other non-profit organizations. The Foundation serves as custodian for amounts on deposit for affiliated associations' or other non-profits' future use. As of June 30, funds were held for the following organizations:

	<u>2022</u>	<u>2021</u>
ACS Pods Learning	\$ -	\$ 78,061
AHA Community Connectivity	37,000	-
AHS Alumni Center	7,945	-
AHS Hands Up	9,126	-
Mckinney-Vento	17,820	-
Youthful HAND	6,496	-
	<u>\$ 78,387</u>	<u>\$ 78,061</u>

ACSF collects administrative fees from these organizations that range from 1-5% of the deposits to cover ACSF associated costs. The total amount of administrative fee revenue for these services was \$10,167 and \$11,148 for the years ended June 30, 2022 and 2021, respectively.

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

## Notes to Financial Statements

June 30, 2022

*(with summarized comparative totals as of June 30, 2021)***Note 8 – Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes. The June 30, 2022 and 2021 balances subject to expenditure for a specified purpose were as follows:

	2022	2021
<u>Scholarship and Continuing Funds:</u>		
Asheville Promise Scholarship	\$ 127,568	\$ 133,505
Annual Scholarship Accounts	45,870	56,940
Arnold-Hunter-Rudolph Fund	70,359	81,367
Black Educator Excellence Scholarship	125,769	199,431
Carlisle Scholarship Fund	40,930	44,447
Chris Merrill Memorial Scholarship	70,442	-
City of Asheville Student Scholarship	238,778	277,400
Class of '49 Scholarship Fund	26,606	32,560
Class of '51 Scholarship Fund	12,967	19,305
Class of '76 Scholarship Fund	7,560	7,727
Dependent Scholarship Fund	343	343
Emergency Assistance Relief	30,265	32,920
John B. Lewis Scholarship Fund	20,715	24,979
Lee H. Edwards Class of '48 Scholarship	15,766	21,635
Other Funds	4,473	3,215
Paddison Scholarship Fund	284,719	302,633
Parsec Financial Math Fund	250	5,127
Peterson-Stanley Scholarship Fund	30,771	37,003
Scholarship of Applied Awesomeness	462,282	538,065
Seth Olson Scholarship Fund	895	5,039
<u>Spendable Portion of Endowments:</u>		
Drake Scholarship Fund	-	30,669
Wykle Scholarship Fund	42,133	46,736
Total Scholarship and Continuing Funds	<u>1,659,461</u>	<u>1,901,046</u>
<u>Grant and Project Funds:</u>		
In Real Life Program	\$ 262,760	\$ 126,049
Parent Leadership Program	-	30,724
Racial Equity Project	70,113	40,970
Someone Cares Fund	249,182	261,180
Strategic Planning	-	8,440
UNCA Partnership	-	38,737
Other Grant Funds	-	40,263
Total Grant and Project Funds	<u>582,055</u>	<u>546,363</u>
Total Net Assets Time-restricted for future periods	<u>\$ 2,241,516</u>	<u>\$ 2,447,409</u>

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2022

*(with summarized comparative totals as of June 30, 2021)*

**Note 8 – Net Assets With Donor Restrictions (continued)**

The Foundation has two perpetual in nature endowment funds, the earnings from which are restricted to general endowment in perpetuity. The assets are included in Cash Held by Asheville City Schools. Investment income is transferred monthly to a corresponding scholarship fund. Activity during the year was as follows:

	<u>Drake Scholarship Fund</u>	
	<u>Perpetual in Nature</u>	<u>Restricted for Future Periods</u>
Fund balance, June 30, 2021	\$ 174,794	\$ 30,669
Audit year activity:		
Investment income (loss)	-	(26,704)
Scholarships paid	-	(8,000)
Administrative fees	-	(1,204)
From net assets without restrictions	-	5,239
Fund balance, June 30, 2022	<u>\$ 174,794</u>	<u>\$ -</u>

	<u>Wykle Scholarship Fund</u>	
	<u>Perpetual in Nature</u>	<u>Restricted for Future Periods</u>
Fund balance, June 30, 2021	\$ 11,175	\$ 46,736
Audit year activity:		
Contributions received	-	17,815
Investment income (loss)	-	(7,985)
Scholarships paid	-	(14,000)
Administrative fees	-	(433)
To net assets without restrictions	-	-
Fund balance, June 30, 2022	<u>\$ 11,175</u>	<u>\$ 42,133</u>

The following provides a summary reconciling the above detail to Net Assets with donor restrictions presented on the Statement of Financial Position:

	<u>2022</u>	<u>2021</u>
Total Net Assets Time-restricted for future periods	\$ 2,241,516	\$ 2,447,409
Total Net Assets Perpetual in nature	<u>185,969</u>	<u>185,969</u>
	<u>\$ 2,427,485</u>	<u>\$ 2,633,378</u>

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

## Notes to Financial Statements

June 30, 2022

*(with summarized comparative totals as of June 30, 2021)***Note 8 – Net Assets With Donor Restrictions (continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30,

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Asheville City Schools Learning POD	\$ -	\$ 135,661
Community Connectivity	-	70,000
Fund for Teachers	-	296
Glitter Sisters	21,802	3,198
IRL Program	121,614	183,341
Parent Leadership Program	30,724	19,881
Racial Equity	85,857	-
Scholarship Funds Fees and Payouts	391,026	225,873
Someone Cares Fund	13,498	28,183
Strategic Planning	8,440	-
TAPAA's Program	22,500	19,818
UNCA Partnership	38,737	-
Youthful HAND	-	15,188
	<u>\$ 734,198</u>	<u>\$ 701,439</u>

**Note 9 – CAYLA Scholarships**

The Foundation works with the City of Asheville in administering Section 529 College savings plans that were established between 2009-2012 for youth enrolled in the City of Asheville Youth Leadership Academy (CAYLA). During the year ended June 30, 2022, the Foundation received \$0 from various donors, it accrued \$4,570 in payables to student accounts at the College Foundation for North Carolina, and \$34,170 remained in restricted net assets at year-end.

**Note 10 – Fundraising Events**

Due to the global pandemic (See Note 12 Contingencies), the Foundation was unable to hold its' typical fundraising events in the Spring/Summer months therefore special event income was minimal in the amount of \$110 for June 30, 2022 and \$0 for June 30, 2021. Fundraising event expenses would be presented on the Schedule of Functional Expenses.

**ASHEVILLE CITY SCHOOLS FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2022

*(with summarized comparative totals as of June 30, 2021)*

**Note 11 – In-Kind Contributions**

The Foundation receives bookkeeping services from an individual on a volunteer basis. Those services were estimated to be \$18,200 and \$12,240 for the year ended June 30, 2022 and 2021, respectively.

**Note 12 – Contingencies**

During 2020, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. ACSF is closely monitoring their liquidity and are actively working to minimize the impact of these declines. There were no adjustments to fair value as a result of these declines and the Foundation believes the accounts to be accurately stated.

**Note 13 – Evaluation of Subsequent Events**

The Foundation has evaluated subsequent events through October 31, 2022, the date which financial statements were available to be issued. No significant events were noted.