



Asheville, North Carolina

Report of Independent Auditor
and Financial Statements

Year Ended June 30, 2023
*(with comparative totals for year
ended June 30, 2022)*



ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

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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, 2023, 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, 2023, 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 Schools 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leah B. Noel, CPA

Leah B. Noel, CPA, PC

Asheville, North Carolina

October 23, 2023

(Continued)

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Statement of Financial Position

June 30, 2023

(With summarized comparative totals as of June 30, 2022)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 2,118,016	\$ 2,239,642
Prepaid expenses	4,544	4,024
Other receivables	2,961	5,363
Total current assets	2,125,521	2,249,029
Long-term assets		
Cash restricted for long-term purposes	743,840	705,088
ROU assets - operating lease	43,269	-
Property and equipment, net	4,798	7,012
Total long-term assets	791,907	712,100
Total assets	\$ 2,917,428	\$ 2,961,129
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 19,918	\$ 22,673
Accrued payroll and related expenses	-	6,630
Current portion of operating lease	20,497	-
Funds held for others	87,024	78,387
CAYLA contributions payable	-	4,570
Scholarships payable	-	158,608
Total current liabilities	127,439	270,868
Long-term operating lease, net of current portion	22,772	-
Total liabilities	150,211	270,868
Net assets		
Without donor restrictions	174,140	262,776
With donor restrictions	2,593,077	2,427,485
Total net assets	2,767,217	2,690,261
Total liabilities and net assets	\$ 2,917,428	\$ 2,961,129

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, 2023

(With summarized comparative totals as of June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Public support and revenue				
Contributions	\$ 275,422	\$ 345,013	\$ 620,435	\$ 553,427
Foundation and nonprofit grants	64,500	423,291	487,791	309,246
Government contracts and grants	-	50,992	50,992	151,760
Program service revenue	13,429	24,159	37,588	36,129
Gross special events revenue	2,500	-	2,500	110
Less cost of direct benefits to donors	2,824	-	2,824	830
Special events, net	(324)	-	(324)	(720)
In-Kind contributions	18,200	-	18,200	18,200
CFWNC income (loss)	77,820	61,237	139,057	(271,532)
Other income	4,629	-	4,629	1,672
Net assets released from restrictions	739,101	(739,101)	-	-
Total revenue and support	1,192,777	165,591	1,358,368	798,182
Expenses				
Program services	1,094,368	-	1,094,368	886,645
Management and general	124,637	-	124,637	130,043
Fundraising	62,407	-	62,407	60,480
Total expenses	1,281,412	-	1,281,412	1,077,168
Change in net assets	(88,635)	165,591	76,956	(278,986)
Net assets, beginning of year	262,775	2,427,486	2,690,261	2,969,247
Net assets, end of year	\$ 174,140	\$ 2,593,077	\$ 2,767,217	\$ 2,690,261

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, 2023

(With summarized comparative totals as of June 30, 2022)

	Program Services				Supporting Services		Cost of Direct Benefits to Donors	2023	2022
	Student/Teacher Programs	Student/Teacher Scholarships	Community Engagement	Total	Management & General	Fundraising			
Salaries and Wages	\$ 179,752	\$ 59,614	\$ 48,207	\$ 287,573	\$ 46,250	\$ 46,250	\$ -	\$ 380,073	\$ 318,756
Payroll Taxes and Related Benefits	35,001	11,608	9,387	55,996	9,006	9,006	-	74,008	70,244
Student Scholarships	-	316,132	-	316,132	-	-	-	316,132	304,280
Student CAYLA Scholarships	-	69,343	-	69,343	-	-	-	69,343	10,570
Special Project Grants	59,533	-	91,670	151,203	-	-	-	151,203	108,028
Teacher Scholarships/Support	-	37,955	-	37,955	-	-	-	37,955	1,500
Parent Leadership Program	-	-	-	-	-	-	-	-	1,700
In Real Life Program	55,048	-	-	55,048	-	-	-	55,048	68,995
TAPAAS	32,864	-	-	32,864	-	-	-	32,864	25,826
Emergency Assistance	-	-	22,441	22,441	-	-	-	22,441	17,432
Other Program Activities	14,930	-	-	14,930	-	-	-	14,930	23,619
Contract Services	8,174	-	-	8,174	18,246	-	-	26,420	15,930
Fundraising Events	-	-	-	-	-	-	2,824	2,824	830
Fundraising Campaigns	-	-	-	-	-	6,032	-	6,032	5,335
Insurance Expense	-	-	-	-	6,294	-	-	6,294	6,084
Marketing and Advertising	2,327	931	465	3,723	931	-	-	4,654	6,298
Meetings and Conferences	3,776	1,510	755	6,041	1,510	-	-	7,551	11,117
Miscellaneous	-	-	3,317	3,317	151	1,119	-	4,587	5,633
Occupancy Expenses	13,572	5,429	2,714	21,715	5,429	-	-	27,144	19,140
Office Supplies and Materials	2,800	1,120	560	4,480	1,120	-	-	5,600	6,630
Postage and Shipping	762	305	152	1,219	305	-	-	1,524	1,165
Professional Fees	-	-	-	-	10,488	-	-	10,488	12,372
Strategic Planning	-	-	-	-	6,707	-	-	6,707	16,100
In-Kind Support Utilized									
Bookkeeping/Accounting	-	-	-	-	18,200	-	-	18,200	18,200
Depreciation	2,214	-	-	2,214	-	-	-	2,214	2,214
Total expenses by function	410,754	503,947	179,668	1,094,368	124,637	62,407	2,824	1,284,236	1,077,998
Less expenses included with revenues on the statement of activities									
Cost of direct benefits to donors	-	-	-	-	-	-	(2,824)	(2,824)	(830)
Total expenses included in expense section on the statement of activities	\$ 410,754	\$ 503,947	\$ 179,668	\$ 1,094,368	\$ 124,637	\$ 62,407	\$ -	\$ 1,281,412	\$ 1,077,168

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, 2023

(With summarized comparative totals as of June 30, 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 76,956	\$ (278,986)
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Increase) Decrease in operating assets:		
Depreciation	2,214	2,214
Loan forgiveness - Paycheck Protection Program	-	(77,110)
Prepaid expenses	(520)	6,810
Other receivables	2,402	53,205
Increase (Decrease) in operating liabilities:		
Accounts payable	(2,755)	7,092
Accrued payroll and related expenses	(6,630)	(1,736)
Funds held for others	8,637	326
CAYLA contributions payable	(4,570)	2,570
Scholarships payable	(158,608)	115,108
Net cash used by operating activities	(82,874)	(170,507)
Cash flows from investing activities		
Net cash used by investing activities	-	-
Cash flows from financing activities		
Net cash from financing activities	-	-
Net change in cash and cash equivalents and restricted cash	(82,874)	(170,507)
Cash and cash equivalents and restricted cash at beginning of year	2,944,730	3,115,237
Cash and cash equivalents and restricted cash at end of year	\$ 2,861,856	\$ 2,944,730
Non-Cash Investing and Financing Activities		
In-kind contributions:		
Accounting Services	\$ 18,200	\$ 18,200
Forgiveness of Payroll Protection Program Debt	-	77,110
Total Non-Cash Investing and Financing Activities	\$ 18,200	\$ 95,310

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

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

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 collaborate with their community to do **whatever it takes** for all Asheville city schools students to thrive. 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.
- The Racial Equity Ambassador Program is comprised of 25 diverse student leaders from Asheville High School and SILSA who engage and educate our ACS teachers on culturally responsive strategies for the classroom.
- 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, 2023

(with summarized comparative totals as of June 30, 2022)

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$2,118,016	\$2,239,642
Cash restricted for various scholarship funds	743,840	705,088
	<u>\$2,861,856</u>	<u>\$2,944,730</u>

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

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 \$1,000 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, 2023

(with summarized comparative totals as of June 30, 2022)

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, 2023, there were no interest or penalties recorded or included in its financial statements. The organization's Forms 990 for 2020, 2021 and 2022 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:

Effective July 1, 2022, the Organization adopted the provisions of FASB ASC Topic 842 (ASU 2016-02), *Leases*. ASC 842 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 those with a lease term of twelve months or less. Leases are classified as either finance leases or operating leases. ACSF has elected to record in its financial statements the effect of FASB ASC 842 as of July 1, 2022.

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

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

Accordingly, ACSF has recognized the right-of-use assets and lease liabilities measured under FASB ASC 842 in its statement of financial position, and the related cumulative effect on earnings as an adjustment to net assets, as of the adoption date. Adoption of FASB ASC 842 resulted in no change to beginning net assets without donor restrictions for the year ended June 30, 2023. The comparative period ending June 30, 2022 is presented under the provisions of FASB ASC 840.

Leases (Topic 842) Discount Rate for Lessees That Are Not Public Business Entities (ASU-2021-09)— Topic 842 currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The amendments in this Update allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. The amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. Entities that have not yet adopted Topic 842 as of November 11, 2021, are required to adopt the amendments in this Update at the same time that they adopt Topic 842. ACSF has adopted the provisions of FASB ASC 842 as of July 1, 2022 and has elected to use the risk-free rate for its building and office equipment classes of assets. See also Note 1, *Leases*.

Effective July 1, 2022, ACSF adopted the provisions of FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this Update apply to nonprofit organizations that receive contributed nonfinancial assets (also referred to as gifts-in-kind) and address presentation and disclosure of those contributed nonfinancial assets. The term “nonfinancial assets” includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, cryptocurrency, services, and unconditional promises of those assets. Under ASU 2020-07, organizations must present gifts-in-kind as a separate line item in the statement of activities, apart from gifts of cash and other financial assets. In addition to this presentation requirement, the gifts-in-kind must be further broken down into categories (fixed assets, supplies, contributed services, etc.) in the notes to the financial statements. For each category of contributed nonfinancial assets recognized in the financial statements, further footnote disclosures are required under the ASU, including whether the gifts-in-kind were sold or used, among other disclosures. The provisions of ASU 2020-07 must be applied on a retrospective basis (meaning that all periods presented in comparative financial statements must reflect the requirements of the new standard). Adoption of this standard had no effect on its net assets for the years ending June 30, 2023 and 2022.

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

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

Leases – ACSF is a lessee in a noncancelable facilities operating leases. If the contract provides ACSF the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Lease liabilities are initially and subsequently recognized based on the present value of their future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

ROU assets for operating leases are subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

ACSF has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

ACSF has elected to use the practical expedient to not separate lease and non-lease components for real estate and office equipment leases.

ACSF has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate option has been applied to the building and office equipment classes of assets.

Right-of-use assets and liabilities as of June 30, 2023 and 2022 are presented as separate line items on the Organization's statements of financial position.

Restricted Cash

At June 30, 2023 and 2022, 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

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

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

revenue in its statements of activities and changes in net assets for the years ending June 30, 2023 and 2022:

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, 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, 2022, 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>2023</u>	<u>2022</u>
TD Bank	\$ -	\$ 183,979
TD Bank Money Market	-	165,922
HomeTrust Checking	98,528	-
HomeTrust Sweep	914,095	872,432
Community Foundation of WNC	1,849,233	1,722,397
Cash restricted for long-term purposes	(743,840)	(705,088)
	<u>\$2,118,016</u>	<u>\$ 2,239,642</u>

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

Note 2 – Cash and Cash Equivalents (continued)

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, 2023 and 2022, the Foundation had \$114,683 and \$166,041 of uninsured funds at one financial institution. The Foundation does not believe that there is any significant risk associated with the concentrations of credit.

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>2023</u>	<u>2022</u>
Cash, unrestricted	\$ 268,783	\$ 517,245
Community Foundation Account	1,849,233	1,722,397
Other receivables	<u>2,961</u>	<u>5,363</u>
Total financial assets as of year end	2,120,977	2,245,005
Total financial assets available to meet general expenditures within the next 12 months	<u>\$2,120,977</u>	<u>\$2,245,005</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.

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

Note 4 – Property and Equipment

Property and equipment consists of the following at June 30,

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 15,500	\$ 15,500
	\$ 15,500	\$ 15,500
Less accumulated depreciation	10,702	8,488
	<u>\$ 4,798</u>	<u>\$ 7,012</u>

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

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 \$0 and \$163,178 as of June 30, 2023 and June 30, 2022, respectively including CAYLA scholarships payable (see Note 8 for CAYLA Scholarships description).

Note 6 – 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>2023</u>	<u>2022</u>
AHA Community Connectivity	\$ 15,400	\$ 37,000
AHS Alumni Center	-	7,945
AHS Hands Up	11,633	9,126
Candace Pickens Park	10,100	-
Glitter Sisters	48,750	-
Mckinney-Vento	1,141	17,820
Youthful HAND	-	6,496
	<u>\$ 87,024</u>	<u>\$ 78,387</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 \$13,429 and \$10,167 for the years ended June 30, 2023 and 2022, respectively.

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

Note 7 – Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
<u>Scholarship and Continuing Funds:</u>		
Asheville Promise Scholarship	\$ 117,166	\$ 127,568
Annual Scholarship Accounts	66,898	45,870
Arnold-Hunter-Rudolph Fund	74,773	70,359
Black Educator Excellence Scholarship	47,148	125,769
Carlisle Scholarship Fund	38,655	40,930
Chris Merrill Memorial Scholarship	110,143	70,442
City of Asheville Student Scholarship	244,520	238,778
Class of '49 Scholarship Fund	26,928	26,606
Class of '51 Scholarship Fund	9,833	12,967
Class of '76 Scholarship Fund	8,369	7,560
Dependent Scholarship Fund	343	343
Emergency Assistance Relief	18,015	30,265
John B. Lewis Scholarship Fund	26,323	20,715
Lee H. Edwards Class of '48 Scholarship	13,785	15,766
Other Funds	3,915	4,473
Paddison Scholarship Fund	323,890	284,719
Parsec Financial Math Fund	401	250
Peterson-Stanley Scholarship Fund	30,310	30,771
Scholarship of Applied Awesomeness	466,454	462,282
Seth Olson Scholarship Fund	2,641	895
<u>Spendable Portion of Endowments:</u>		
Drake Scholarship Fund	6,175	-
Wykle Scholarship Fund	42,078	42,133
Total Scholarship and Continuing Funds	<u>1,678,763</u>	<u>1,659,461</u>
 <u>Grant and Project Funds:</u>		
In Real Life Program	\$ 304,720	\$ 262,760
Racial Equity Ambassador Program	69,161	70,113
Someone Cares Fund	229,464	249,182
Dogwood Educator	125,000	-
Total Grant and Project Funds	<u>728,345</u>	<u>582,055</u>
 Total Net Assets Time-restricted for future periods	<u>\$2,407,108</u>	<u>\$ 2,241,516</u>

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

Note 7 – 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:

	Drake Scholarship Fund	
	Perpetual in Nature	Restricted for Future Periods
Fund balance, June 30, 2022	\$ 174,794	\$ -
Audit year activity:		
Investment income (loss)	-	12,430
Scholarships paid	-	-
Administrative fees	-	(1,019)
To net assets without restrictions	-	(5,236)
Fund balance, June 30, 2023	\$ 174,794	\$ 6,175

	Wykle Scholarship Fund	
	Perpetual in Nature	Restricted for Future Periods
Fund balance, June 30, 2022	\$ 11,175	\$ 42,133
Audit year activity:		
Contributions received	-	6,600
Investment income (loss)	-	3,506
Scholarships paid	-	(10,000)
Administrative fees	-	(161)
To net assets without restrictions	-	-
Fund balance, June 30, 2023	\$ 11,175	\$ 42,078

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

	2023	2022
Total Net Assets Time-restricted for future periods	\$2,407,108	\$ 2,241,516
Total Net Assets Perpetual in nature	185,969	185,969
	\$2,593,077	\$ 2,427,485

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

Note 7 – 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>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions		
AHS Alumni	\$ 7,945	\$ -
Glitter Sisters	-	21,802
IRL Program	170,520	121,614
Parent Leadership Program	-	30,724
Racial Equity Ambassador Program	110,952	85,857
Scholarship Funds Fees and Payouts	407,916	391,026
Someone Cares Fund	22,718	13,498
Strategic Planning	-	8,440
TAPAAs Program	19,050	22,500
UNCA Partnership	-	38,737
	<u>\$ 739,101</u>	<u>\$ 734,198</u>

Note 8 – 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, 2023, the Foundation received \$0 from various donors, it accrued \$0 in payables to student accounts at the College Foundation for North Carolina, and \$53,698 remained in restricted net assets at year-end.

Note 9 – Fundraising Events

Gross receipts from special fundraising events recorded by ACSF consist of exchange transaction revenue and contribution revenue. As a result of adopting FASB ASU 2014-09, ACSF is required to separately present the components of this revenue.

<u>Fundraising events</u>	<u>2023</u>	<u>2022</u>
Contributions	\$ 2,500	\$ -
Special event revenue	-	110
Special fundraising events - gross	<u>\$ 2,500</u>	<u>\$ 110</u>

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

Note 10 – In-Kind Contributions

The Foundation receives bookkeeping services from an individual on a volunteer basis. Those services were estimated to be \$18,200 for the years ended June 30, 2023 and 2022.

Note 11 – Leases

The Organization leases certain facilities under long-term non-cancelable operating lease agreements. The lease expires July 31, 2025. ACSF includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. ACSF's operating lease provides for increases in future minimum annual rental payments.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, ACSF estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the ACSF's applicable borrowing rates and the contractual lease term. Total operating lease costs amounted to approximately \$24,150 and \$16,253 in 2023 and 2022 and are included on the Statement of Functional Expenses under "Occupancy Expenses".

Reported under FASB ASC 842—year ended June 30, 2023:

Cash Flow Items

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$17,954
Right-of-use assets obtained in exchange for lease liabilities	\$61,222

Weighted-Average Information

Weighted-average remaining lease term in years:	
Operating leases	2.00
Weighted-average discount rate:	
Operating leases	7.16%

The following is a schedule of future minimum lease payments under these leases for the year ending June 30, 2023:

<u>Year</u>	<u>Amount</u>
2024	\$ 20,497
2025	22,772
	<u>\$ 43,269</u>

ASHEVILLE CITY SCHOOLS FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023

(with summarized comparative totals as of June 30, 2022)

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 23, 2023, the date which financial statements were available to be issued. No significant events were noted.