

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT
AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2019

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A Professional Service Corporation
1617 South 325th Street
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Foundation for Private Enterprise Education
Renton, Washington

We have reviewed the accompanying financial statements of Foundation for Private Enterprise Education (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

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

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

March 17, 2020

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(See Independent Accountant's Review Report)

ASSETS

| | |
|-----------------------------|--------------------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 646,347 |
| Promises to give, net | <u>12,515</u> |
| Total current assets | 658,862 |
| | |
| PROPERTY AND EQUIPMENT, net | 10,065 |
| | |
| SECURITY DEPOSIT | <u>5,023</u> |
| | |
| TOTAL ASSETS | <u><u>\$ 673,950</u></u> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------|--------------------------|
| CURRENT LIABILITIES | |
| Accounts payable | \$ 4,668 |
| Accrued liabilities | <u>26,016</u> |
| Total current liabilities | 30,684 |
| | |
| NET ASSETS | |
| Net assets without donor restrictions | |
| Undesignated | 458,266 |
| Designated for operating reserve | <u>80,000</u> |
| Total without donor restrictions | 538,266 |
| Net assets with donor restrictions | <u>105,000</u> |
| Total net assets | <u><u>643,266</u></u> |
| | |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 673,950</u></u> |

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

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)**

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|---------------------------------------|--------------------------------------|-----------------------------------|-----------------------|
| REVENUE | | | |
| Contributions | \$ 392,444 | \$ 105,000 | \$ 497,444 |
| Student registration fees | 225,198 | - | 225,198 |
| Career advisor fees | 21,056 | - | 21,056 |
| Special events | 11,929 | - | 11,929 |
| Interest and dividends | 698 | - | 698 |
| Net assets released from restrictions | <u>35,000</u> | <u>(35,000)</u> | <u>-</u> |
| Total revenues and other support | 686,325 | 70,000 | 756,325 |
| EXPENSES | | | |
| Program services | 488,888 | - | 488,888 |
| Management and general | 52,304 | - | 52,304 |
| Fundraising | <u>62,881</u> | <u>-</u> | <u>62,881</u> |
| Total expenses | <u>604,073</u> | <u>-</u> | <u>604,073</u> |
| CHANGE IN NET ASSETS | 82,252 | 70,000 | 152,252 |
| NET ASSETS | | | |
| Beginning of year | <u>456,014</u> | <u>35,000</u> | <u>491,014</u> |
| End of year | <u>\$ 538,266</u> | <u>\$ 105,000</u> | <u>\$ 643,266</u> |

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

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**
(See Independent Accountant's Review Report)

| | Program Services | Support Services | | | Total |
|-------------------------------------|---------------------|---------------------------|------------------|---------------------------|-------------------|
| | | Management and General | Fundraising | Total Support Services | |
| EXPENSES | | | | | |
| Salaries and wages | \$ 191,230 | \$ 28,816 | \$ 41,914 | \$ 70,730 | \$ 261,960 |
| Employee benefits and payroll taxes | 42,370 | 6,385 | 9,287 | 15,672 | 58,042 |
| Payments to universities | 134,543 | - | - | - | 134,543 |
| Supplies | 29,974 | 789 | 789 | 1,578 | 31,552 |
| Travel and entertainment | 25,556 | 1,420 | 1,420 | 2,840 | 28,396 |
| College credit fees | 19,080 | - | - | - | 19,080 |
| Rent | 12,926 | 1,948 | 2,833 | 4,781 | 17,707 |
| Advertising and promotional | 6,895 | - | 4,596 | 4,596 | 11,491 |
| Printing and promotions | 8,290 | 518 | 1,554 | 2,072 | 10,362 |
| Insurance | 6,563 | 1,158 | - | 1,158 | 7,721 |
| Professional fees | - | 5,647 | - | 5,647 | 5,647 |
| Telephone | 4,149 | 244 | 488 | 732 | 4,881 |
| Other | 1,093 | 3,280 | - | 3,280 | 4,373 |
| Contracted services | 1,261 | 1,891 | - | 1,891 | 3,152 |
| Conferences and meetings | 622 | 208 | - | 208 | 830 |
| EXPENSES BEFORE DEPRECIATION | 484,552 | 52,304 | 62,881 | 115,185 | 599,737 |
| DEPRECIATION | 4,336 | - | - | - | 4,336 |
| TOTAL EXPENSES | <u>\$ 488,888</u> | <u>\$ 52,304</u> | <u>\$ 62,881</u> | <u>\$ 115,185</u> | <u>\$ 604,073</u> |

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

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)**

| | |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ 152,252 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 4,336 |
| Loss on disposal of assets | 225 |
| Changes in assets and liabilities: | |
| Promises to give, net | (9,162) |
| Prepaid expenses | 357 |
| Accounts payable | 2,627 |
| Accrued liabilities | 15,905 |
| Deferred income | <u>(43,269)</u> |
| Net cash provided by operating activities | 123,271 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of equipment | <u>(13,118)</u> |
| NET INCREASE IN CASH | 110,153 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>536,194</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 646,347</u> |

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

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(See Independent Accountant's Review Report)

NOTE 1 - NATURE OF ACTIVITIES

Foundation for Private Enterprise Education (the Foundation) was incorporated in October 1978. The Foundation was created to further the economic educational process and to promote and administer programs for high school students, such as Washington Business Week, which is held annually for three weeks in the summer and throughout the year in high schools in local communities. Funding of the Foundation is provided primarily by contributions and student fees.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified as net assets with donor restrictions and net assets without donor restrictions.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of these financial statements, cash and cash equivalents includes cash and short-term, highly liquid investments with original maturities of three months or less.

Concentrations of Credit Risk

The Foundation maintains certain cash balances in bank deposit and brokerage accounts which, at times, may exceed the federally insured limits. Management considers this to be a normal business risk.

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(See Independent Accountant's Review Report)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Unconditional promises to give from private foundations and other individuals are recognized in the financial statements as income and contributions receivable when made. Conditional promises to give are recognized as income when the conditions are met.

Promises to give are reported net of an allowance for doubtful accounts of \$2,500 at December 31, 2019. Management reviews outstanding account receivable balances and records an allowance based on estimated uncollectible payments.

Property and Equipment

Property and equipment purchased by the Foundation are carried at acquisition cost. Donated furniture and equipment are carried at fair market value as of the date received. Major renewals and betterments which significantly extend the assets' useful lives are capitalized. The Foundation has a policy to capitalize purchases greater than \$750 and expense lesser amounts. Depreciation of furniture and equipment is provided over the estimated lives of the assets on a straight-line basis.

Vacation Benefits

Employees of the Foundation are entitled to be paid for unused vacation days, depending on job classification, length of service and other factors. A maximum of 120 hours of unused vacation may be rolled forward to the next year. Employees who terminate their employment during the year are entitled to receive payment for any unused annual vacation at the date of termination. The Foundation accrues a liability for vacation at fiscal year-end.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reported in the statement of activities as net assets released from restrictions.

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(See Independent Accountant's Review Report)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Expenses

The costs to provide program services and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program and supporting services benefited.

Income Tax

The Foundation has been classified as other than a private foundation and is exempt from income taxes under Sec. 501(c)(3) of the Internal Revenue Code. Unrelated business taxable income, if any, is not significant and therefore no provision for federal income tax or related liability is included in these statements.

The Foundation follows GAAP, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended December 31, 2019, the Foundation has no material uncertain tax positions to be accounted for in the financial statements. Typically, the U.S. federal tax returns are open to examination for a period of three years after the filing date.

Management Review

Management has evaluated subsequent events through March 17, 2020, the date the financial statements were available to be issued.

Adoption of Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in US GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective January 1, 2019, the first day of the Foundation's fiscal year. The adoption of this ASU did not have a significant impact on the Foundation's financial statements. The majority of the Foundation's revenue arrangements generally consist of contributions from corporations and foundations, as well as student registration fees. Based on the Foundation's evaluation, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(See Independent Accountant's Review Report)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard is effective for reporting periods beginning after December 15, 2020 and early adoption is permitted. The standard will require lessees to report most leases as assets and liabilities on the balance sheet, while lessor accounting will remain substantially unchanged. The standard requires a modified retrospective transition approach for existing leases, whereby the new rules will be applied to the earliest year presented. Management is currently evaluating the impact this update will have on the Foundations financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures to satisfy its liabilities and other obligations as they become due. Cash needs are expected to be met on a monthly basis from grants and fees from service revenues. Under grantor-stipulated terms, funds received from the grantor for use in future periods are required to be reported as restricted. The Foundation has a board designated operating reserve of \$80,000. This is a governing board designated reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The funds are held in a money market account included in cash and cash equivalents on the statement of financial position.

The Foundation had the following assets available for general expenditures in the next twelve months:

| | |
|--|-------------------|
| Cash and cash equivalents | \$ 646,347 |
| Promises to give, net | <u>12,515</u> |
| Total financial assets | 658,862 |
| Less: | |
| Board designations | <u>(80,000)</u> |
| For general expenditures within one year | <u>\$ 578,862</u> |

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(See Independent Accountant's Review Report)

NOTE 4 - PROPERTY AND EQUIPMENT

Fixed assets consist of the following at December 31, 2019:

| | |
|-------------------------------|------------------|
| Computers | \$ 15,265 |
| Less accumulated depreciation | <u>(5,200)</u> |
| | <u>\$ 10,065</u> |

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes. Amounts were released as follows at December 31, 2019:

| | |
|--------------------|------------------|
| Operations in 2019 | \$ <u>35,000</u> |
|--------------------|------------------|

Net assets with donor restrictions consist of the following at December 31, 2019:

| | |
|--------------------|-------------------|
| Operations in 2020 | \$ <u>105,000</u> |
|--------------------|-------------------|

NOTE 6 - PAYMENTS TO UNIVERSITIES

The payments to universities in 2019 were paid to Seattle University, UW Tacoma and Renton Technical College for costs of the Business Week program held for one week at each university. The costs included facilities rental, room and board for the students and counselors, and various other expenses.

NOTE 7 - RETIREMENT PLAN

The Foundation offers a SIMPLE IRA plan to full-time employees who have met certain age and service requirements. The Foundation matches up to 3% of the wages per employee. Contributions totaled \$1,005 and for the year ended December 31, 2019.

FOUNDATION FOR PRIVATE ENTERPRISE EDUCATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

(See Independent Accountant's Review Report)

NOTE 8 - OPERATING LEASE AND SUBLET

The Foundation leases offices in Renton, Washington and has sublet those offices under agreements expiring in December 2020. Minimum lease payments for this lease including common area maintenance charges were approximately \$5,200 per month. Rental income from the sublet agreement was approximately \$51,000 for the year ended December 31, 2019.

Net lease expense for the year ended December 31, 2019 was \$17,707 which included a storage unit rental of \$3,727.

NOTE 9 - SPLIT INTEREST AGREEMENT

The Foundation has been designated as a charitable remainder beneficiary for a charitable remainder unitrust established in April 2007. Two income beneficiaries are to receive 5.6% of the net fair market value of the trust assets as of the first day of the trust year. Upon the death of each beneficiary, 18% of the remaining principal is to be distributed to the Foundation. The donor has the ability to change the remainder beneficiaries designated-therefore, no asset has been recorded for this trust.