

DURHAM PUBLIC SCHOOL FOUNDATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 and 2023



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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
Durham Public Schools Foundation

Opinion

We have audited the accompanying financial statements of Durham Public Schools Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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 Durham Public Schools Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Durham Public Schools Foundation, and to meet our other ethical responsibilities in accordance with the ethical requirements relating to our audits. 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 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.

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

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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 Durham Public Schools Foundation'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 Durham Public Schools Foundation'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.

Balance & Strategy

Chapel Hill, North Carolina
May 29, 2025

DURHAM PUBLIC SCHOOLS FOUNDATION

EXHIBIT A

STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	<u>ASSETS</u>	
	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 194,293	\$ 171,306
Investments	1,368,828	1,643,138
Grants receivables	609,526	226,750
Accounts receivable	2,494	5,087
Prepaid expenses and other assets	26,318	124,738
TOTAL CURRENT ASSETS	<u>2,201,459</u>	<u>2,171,019</u>
PROPERTY AND EQUIPMENT, NET	<u>77,911</u>	<u>4,152</u>
OTHER ASSETS:		
Grants receivables	124,405	291,370
Investments	306,595	306,595
TOTAL OTHER ASSETS	<u>431,000</u>	<u>597,965</u>
TOTAL ASSETS	<u>\$ 2,710,370</u>	<u>\$ 2,773,136</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 25,034	\$ 25,169
Scholarships payable	18,000	17,000
TOTAL LIABILITIES	<u>43,034</u>	<u>42,169</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	528,487	757,731
Board-designated	312,629	302,922
Total without donor restrictions	841,116	1,060,653
With donor restrictions	1,826,220	1,670,314
TOTAL NET ASSETS	<u>2,667,336</u>	<u>2,730,967</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,710,370</u>	<u>\$ 2,773,136</u>

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

DURHAM PUBLIC SCHOOLS FOUNDATION

EXHIBIT B

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2024 and 2023

Page 1 of 2

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
SUPPORT AND REVENUE:				
Contributions	\$ 364,606	\$ 14,748	\$ 379,354	\$ 538,916
Grants and contracts	450,844	1,276,732	1,727,576	1,502,939
Contribution of nonfinancial assets	59,375	156,925	216,300	22,632
Special events	46,386	1,000	47,386	54,962
Advertising income	1,250	-	1,250	3,500
Net investment return	87,904	-	87,904	76,444
Other revenue	852	-	852	-
Loss of disposal of asset	-	-	-	(3,000)
	1,011,217	1,449,405	2,460,622	2,196,393
Net assets released from restrictions	1,293,499	(1,293,499)	-	-
TOTAL SUPPORT AND REVENUE	2,304,716	155,906	2,460,622	2,196,393
EXPENSES:				
PROGRAM:				
Grants and related expenses	2,043,003	-	2,043,003	1,391,037
SUPPORTING SERVICES:				
Management and general	223,774	-	223,774	158,092
Fundraising	257,476	-	257,476	296,719
Total supporting services	481,250	-	481,250	454,811
TOTAL FUNCTIONAL EXPENSES	2,524,253	-	2,524,253	1,845,848
Bad debt expense	-	-	-	40,000
TOTAL EXPENSES	2,524,253	-	2,524,253	1,885,848
CHANGES IN NET ASSETS	(219,537)	155,906	(63,631)	310,545
NET ASSETS - BEGINNING OF YEAR	1,060,653	1,670,314	2,730,967	2,420,422
NET ASSETS - END OF YEAR	\$ 841,116	\$ 1,826,220	\$ 2,667,336	\$ 2,730,967

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

DURHAM PUBLIC SCHOOL FOUNDATION

EXHIBIT B

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2024 and 2023

Page 2 of 2

	2023		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE:			
Contributions	\$ 303,045	\$ 235,871	\$ 538,916
Grants and contracts	276,457	1,226,482	1,502,939
Contribution of nonfinancial assets	21,532	1,100	22,632
Special events	54,962	-	54,962
Advertising income	3,500	-	3,500
Net investment return	76,444	-	76,444
Loss of disposal of asset	(3,000)	-	(3,000)
	<u>732,940</u>	<u>1,463,453</u>	<u>2,196,393</u>
Net assets released from restrictions	<u>1,123,142</u>	<u>(1,123,142)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,856,082</u>	<u>340,311</u>	<u>2,196,393</u>
EXPENSES:			
PROGRAM:			
Grants and related expenses	<u>1,391,037</u>	<u>-</u>	<u>1,391,037</u>
SUPPORTING SERVICES:			
Management and general	158,092	-	158,092
Fundraising	<u>296,719</u>	<u>-</u>	<u>296,719</u>
Total supporting services	<u>454,811</u>	<u>-</u>	<u>454,811</u>
TOTAL FUNCTIONAL EXPENSES	<u>1,845,848</u>	<u>-</u>	<u>1,845,848</u>
Bad debt expense	<u>40,000</u>	<u>-</u>	<u>40,000</u>
TOTAL EXPENSES	<u>1,885,848</u>	<u>-</u>	<u>1,885,848</u>
CHANGES IN NET ASSETS	(29,766)	340,311	310,545
NET ASSETS - BEGINNING OF YEAR	<u>1,090,419</u>	<u>1,330,003</u>	<u>2,420,422</u>
NET ASSETS - END OF YEAR	<u>\$ 1,060,653</u>	<u>\$ 1,670,314</u>	<u>\$ 2,730,967</u>

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

DURHAM PUBLIC SCHOOLS FOUNDATION

EXHIBIT C

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (63,631)	\$ 310,545
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Donated securities	(11,493)	-
Depreciation	18,241	6,274
Loss of disposal of asset	-	3,000
Property and equipment granted to Lyons Farm	-	9,462
Net realized and unrealized gain on investments	(43,946)	(59,662)
Loss on uncollectible accounts	-	40,000
Change in discount on grants receivable	3,215	8,748
Changes in assets and liabilities:		
Grants receivables	(219,026)	(327,051)
Accounts receivables	2,593	(5,087)
Prepaid expenses and other assets	98,420	(85,570)
Accounts payable and accrued expenses	(135)	(2,948)
Scholarships payable	1,000	(59,757)
NET CASH USED IN OPERATING ACTIVITIES	(214,762)	(162,046)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(92,000)	-
Purchases of investments	(1,542,924)	(1,582,573)
Proceeds from sale of investments	1,872,673	1,568,562
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	237,749	(14,011)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,987	(176,057)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	171,306	347,363
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 194,293	\$ 171,306
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash transactions:		
Contribution of nonfinancial assets	\$ 216,300	\$ 22,632

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

DURHAM PUBLIC SCHOOLS FOUNDATION

EXHIBIT D

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2024 and 2023

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	2024				2023
	Program Services	Management and General	Fundraising	Totals	Totals
Salaries and benefits	\$ 896,336	\$ 63,789	\$ 150,612	\$ 1,110,737	\$ 835,338
Support to others	502,939	-	-	502,939	491,197
Contracted personnel	259,461	135,458	7,415	402,334	147,804
Advertising	127,612	901	6,202	134,715	12,196
Program expenses	115,734	128	1,770	117,632	91,858
Meetings and events	55,543	2,599	33,797	91,939	75,188
Professional fundraising	-	-	38,248	38,248	60,000
Office expenses	17,264	223	11,049	28,536	52,711
Technology	20,116	5,103	1,249	26,468	24,696
Fees	346	13,067	147	13,560	15,322
Occupancy	13,131	740	1,964	15,835	15,118
Travel	14,238	564	295	15,097	5,688
Miscellaneous	1,245	50	4,693	5,988	11,256
Depreciation	17,962	280	-	18,242	6,274
Insurance	1,076	872	35	1,983	1,202
Bad debt expense	-	-	-	-	40,000
Total expenses	2,043,003	223,774	257,476	2,524,253	1,885,848
Less: Bad debt expense	-	-	-	-	(40,000)
Total functional expenses	\$ 2,043,003	\$ 223,774	\$ 257,476	\$ 2,524,253	\$ 1,845,848

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

DURHAM PUBLIC SCHOOLS FOUNDATION

EXHIBIT D

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2024 and 2023

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	2023			
	Program Services	Management and General	Fundraising	Totals
Salaries and benefits	\$ 627,771	\$ 77,085	\$ 130,482	\$ 835,338
Support to others	491,197	-	-	491,197
Contracted personnel	73,204	57,462	17,138	147,804
Advertising	1,998	6	10,192	12,196
Program expenses	91,858	-	-	91,858
Meetings and events	29,275	129	45,784	75,188
Professional fundraising	-	-	60,000	60,000
Office expenses	30,405	1,053	21,253	52,711
Technology	16,243	4,298	4,155	24,696
Fees	255	15,046	21	15,322
Occupancy	11,074	1,389	2,655	15,118
Travel	5,103	141	444	5,688
Miscellaneous	6,454	256	4,546	11,256
Depreciation	6,200	25	49	6,274
Insurance	-	1,202	-	1,202
Bad debt expense	-	40,000	-	40,000
Total expenses	1,391,037	198,092	296,719	1,885,848
Less: Bad debt expense	-	(40,000)	-	(40,000)
Total functional expenses	\$ 1,391,037	\$ 158,092	\$ 296,719	\$ 1,845,848

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

DURHAM PUBLIC SCHOOLS FOUNDATION**NOTES TO FINANCIAL STATEMENTS**

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NATURE OF ACTIVITIES

The Durham Public Schools Foundation (“Foundation”) is a nonprofit organization, formed under the laws of the State of North Carolina in 2017 for the purpose of raising and disbursing money and other resources in support of and otherwise promoting the educational mission of Durham Public Schools located in Durham North Carolina. The Foundation is a community-led effort to accelerate the transformation of Durham Public Schools for success and equity for every student.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Basis of Accounting.**

The Foundation’s financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

The Foundation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations which limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

B. Cash and Cash Equivalents.

Cash and cash equivalents consist of monies on deposit at financial institutions, and other highly liquid investments with original maturities of three months or less. At times, the Foundation places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Foundation has not experienced any financial loss related to such deposits.

Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes, or are held in the investment portfolio are excluded from this definition.

C. Investments.

Investments in marketable securities are stated at fair value. Donated securities are recorded at fair value at the date of gift. Net investment return is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

DURHAM PUBLIC SCHOOLS FOUNDATION**NOTES TO FINANCIAL STATEMENTS**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**D. Accounts Receivable.**

Accounts receivables are recorded at net realizable value. Collections from customers are continuously monitored and an allowance for credit losses is maintained based on historical experience adjusted for current conditions and reasonable forecasts taking into account geographical and industry specific economic factors. The Foundation also considers any specific customer collection issues. At origination, the Foundation evaluates credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, credit ratings, probability of default, industry trends, and other internal metrics. On a continual basis data for each major customer is regularly reviewed based on past due status to evaluate the adequacy of the allowance for credit losses. Any write-offs deemed necessary are charged against the allowance. There were no write-offs for allowance for credit losses for the years ended June 30, 2024 and 2023.

E. Grants Receivable.

Unconditional grants receivable are recognized as support and assets in the period received. Unconditional grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional grants receivable that are expected to be collected in future years are initially recorded using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in grants and contract revenue in the statements of activities and changes in net assets. The Foundation provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing grants receivable. As of June 30, 2024 and 2023, all receivables were deemed collectible by management.

F. Property and Equipment.

Property and equipment are stated at cost for purchased assets, or at fair value on the date received in the event an item is donated. Property and equipment are capitalized if the life is expected to be greater than one year and if the cost exceeds \$1,000. Depreciation is calculated using the straight-line method over estimated useful lives of 5 to 7 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities and changes in net assets. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying values exceed the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2024 and 2023.

DURHAM PUBLIC SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Revenue and Revenue Recognition.

Contributions are recognized when cash, securities or other assets, an unconditional grants receivable, or notification of a beneficial interest is received. Conditional grants receivable, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue from contracts which are deemed to be exchange transactions are recognized as revenue without donor restrictions at the point in time the performance obligation is completed, or over time for those contracts with payments received for multiple periods. Deferred revenue from exchange transactions results when cash received exceeds revenue earned.

H. Scholarship Expense.

Scholarship expense and the corresponding scholarship payable are recognized in the period the scholarship is approved, provided the scholarship is not subject to significant future conditions. Scholarships payable that are expected to be paid in future years are recorded at the present value of expected future payments.

I. Advertising Costs.

Advertising costs totaling \$134,715, and \$12,196, during the years ended June 30, 2024 and 2023, are expensed as incurred.

J. Net Assets.

Net assets, support and revenue, and gains and losses, are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

DURHAM PUBLIC SCHOOLS FOUNDATION**NOTES TO FINANCIAL STATEMENTS**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**K. Contributed Nonfinancial Assets.**

Contributed nonfinancial assets include donated facilities, professional services, and goods which are recorded at fair value of the rental and goods or services received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, management and general, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

L. Income Tax Status.

The Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation. The entity is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Foundation is exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. The Foundation files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income. If applicable, the Foundation reports interest and penalties related to unrecognized tax positions as interest expense under management and general expenses. Management has not taken any uncertain tax positions for the years ended June 30, 2024 and 2023.

M. Estimates.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

N. New Accounting Pronouncement Implemented.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The standard requires credit impairment to be recognized as an allowance for credit losses, rather than as a direct write-down of the financial asset. This standard was effective July 1, 2023.

DURHAM PUBLIC SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 194,293	\$ 171,306
Investments	1,368,828	1,643,138
Grants receivables	609,526	226,750
Accounts receivable and other assets	<u>8,131</u>	<u>12,332</u>
	<u>2,180,778</u>	<u>2,053,526</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donor for time or purpose	<u>(1,300,738)</u>	<u>(1,375,572)</u>
	<u>(1,300,738)</u>	<u>(1,375,572)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 880,040</u>	<u>\$ 677,954</u>

Management may invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. As part of management's liquidity plan, financial assets are structured to be available as general expenditures, liabilities, and other obligations become due. The Foundation has contributions, event income, and investment income coming in throughout the year to help fund general operating expenditures.

The Foundation has \$312,629 and \$302,922, at June 30, 2024 and 2023, respectively, of net assets the board has designated for operations of the Foundation. Board designated net assets are invested for long-term appreciation and current income but remain available and may be spent on general expenditures at the discretion of the Board.

DURHAM PUBLIC SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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GRANTS RECEIVABLE

Grants receivables consist of the following at June 30, 2024 and 2023:

	2024	2023
Receivable in less than one year	\$ 609,526	\$ 226,750
Receivable in one to five years	136,550	300,300
Total gross promises to give	746,076	527,050
Discount at a rate of 4.76% and 5.08%	(12,145)	(8,930)
Net present value of grants receivable	<u>\$ 733,931</u>	<u>\$ 518,120</u>

FAIR VALUE OF ASSETS

U.S. GAAP defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets as of the reporting date.

Level 2 - Valuations based on inputs other than quoted prices included, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets not active, or determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the assets, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets existed.

The Foundation's investments are classified as Level 1 and Level 2. No assets or liabilities are classified as Level 3.

DURHAM PUBLIC SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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FAIR VALUE OF ASSETS (CONTINUED)

There were no changes during the years ending June 30, 2024 and 2023, to the Foundation's valuation techniques used to measure asset values on a recurring basis.

The following tables summarize the assets of the Foundation for which fair values are determined on a recurring basis as of June 30, 2024 and 2023. As required by U.S. GAAP, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

June 30, 2024				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 314,777	\$ -	\$ 314,777
Exchange traded funds	538,200	-	-	538,200
Treasury bills	-	822,446	-	822,446
	<u>\$ 538,200</u>	<u>\$ 1,137,223</u>	<u>\$ -</u>	<u>\$ 1,675,423</u>

June 30, 2023				
	Level 1	Level 2	Level 3	Total
Cash	\$ 329,018	\$ -	\$ -	\$ 329,018
Money market funds	-	1,521	-	1,521
Exchange traded funds	513,924	-	-	513,924
Treasury bills	-	1,105,270	-	1,105,270
	<u>\$ 842,942</u>	<u>\$ 1,106,791</u>	<u>\$ -</u>	<u>\$ 1,949,733</u>

CONTRIBUTION OF NONFINANCIAL ASSETS

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities and changes in net assets included the following:

	2024	2023
Advertising	\$ 149,400	\$ 1,100
Event Space	9,375	12,000
Goods	<u>7,525</u>	<u>9,532</u>
Total contribution of nonfinancial assets	<u>\$ 166,300</u>	<u>\$ 22,632</u>

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CONTRIBUTION OF NONFINANCIAL ASSETS (CONTIUNED)

Contributed event space is recognized at the estimated fair value of the rental. Contributed advertising and goods are valued using estimated retail value and U.S. wholesale prices on identical or similar products on the date received. The contributed nonfinancial assets are used in conjunction with fundraising events. There are no restrictions on the donated event space and goods. The donated advertising is restricted for Championing Public Education and Equity Through Innovation programs.

All contributed nonfinancial assets were identified during the year they were received to carry out the Foundation's program and fundraising efforts.

The Foundation's officers and board of directors serve without compensation. No amounts have been reflected in the financial statements for volunteer hours since these services do not meet the requirements for recognition in the financial statements.

PROPERTY AND EQUIPMENT

Property and equipment for the years ended June 30, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Media assets	\$ 49,885	\$ 7,885
Website	<u>51,400</u>	<u>1,400</u>
	101,285	9,285
Less accumulated depreciation and amortization	<u>(23,374)</u>	<u>(5,132)</u>
Total property and equipment	<u>\$ 77,911</u>	<u>\$ 4,153</u>

As of June 30, 2024, Property and Equipment included a website and related videos for the DPS Growing Together Enrollment initiative. These assets had a total original cost of \$92,000. In October 2024, the Foundation transferred the website and videos through a grant to Durham Public Schools.

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NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
WHOLE Schools	\$ 354,191	\$ 577,945
Workforce Development Program	146,241	-
Investing in Our People - Post-secondary Education	67,375	-
DPS Community Support	55,670	154,103
Equity Through Innovation - Accelerating Digital Equity	49,450	-
Community Schools Incubation	13,378	17,617
Championing Public Education	-	4,183
	<u>686,305</u>	<u>753,848</u>
Endowments:		
Subject to Foundation's endowment spending policy and appropriation:		
Donor restricted endowment	306,595	306,595
Earnings on endowment	131,759	143,152
	<u>438,354</u>	<u>449,747</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>701,561</u>	<u>466,719</u>
Net Assets With Donor Restrictions	<u>\$ 1,826,220</u>	<u>\$ 1,670,314</u>

ENDOWMENTS

The Foundation's endowments were established for a variety of purposes. The endowments consist of individual funds established by donors to provide annual funding for specific activities, as well as a quasi endowment with funds designated by the board of directors. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund,
2. The purposes of the Foundation and the donor restricted endowment fund,
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 investment policies of the Foundation.

Return Objectives and Risk Parameters.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). The endowments are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, equal or surpass the S&P 500 Index (net of expenses) over a five-year period. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives.

The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation makes investments in various securities including, but not limited to, mutual funds and exchange traded funds, based on its investment policy.

Funds with Deficiencies.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that SPMIFA requires to retain as a fund of perpetual duration. There were no endowment funds below the required amount as of June 30, 2024 and 2023.

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ENDOWMENTS (CONTINUED)

Changes in the endowment fund consist of the following during the year ended June 30, 2024:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, June 30, 2023	\$ 302,922	\$ 449,747	\$ 752,669
Contributions	11,505	5,333	16,838
Investment return	24,702	19,274	43,976
Appropriation of endowment assets for expenditure	(26,500)	(36,000)	(62,500)
Transfers	-	-	-
Endowment net assets, June 30, 2024	<u>\$ 312,629</u>	<u>\$ 438,354</u>	<u>\$ 750,983</u>

The endowment net asset composition by type of fund as of June 30, 2024, was as follows:

	Without Donor Restrictions	Donor Restricted for Time or Purpose	Donor Restricted in Perpetuity	Total
Donor-restricted	\$ -	\$ 131,759	\$ 306,595	\$ 438,354
Board-designated	<u>312,629</u>	<u>-</u>	<u>-</u>	<u>312,629</u>
Total funds	<u>\$ 312,629</u>	<u>\$ 131,759</u>	<u>\$ 306,595</u>	<u>\$ 750,983</u>

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ENDOWMENTS (CONTINUED)

Changes in the endowment fund consist of the following during the year ended June 30, 2023:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, June 30, 2022	\$ 275,981	\$ 470,863	\$ 746,844
Contributions	29,703	9,737	39,440
Investment return	27,545	17,470	45,015
Appropriation of endowment assets for expenditure	(30,630)	(48,000)	-
Transfers	323	(323)	-
Endowment net assets, June 30, 2023	<u>\$ 302,922</u>	<u>\$ 449,747</u>	<u>\$ 752,669</u>

The endowment net asset composition by type of fund as of June 30, 2023, was as follows:

	Without Donor Restrictions	Donor Restricted for Time or Purpose	Donor Restricted in Perpetuity	Total
Donor-restricted	\$ -	\$ 143,152	\$ 306,595	\$ 449,747
Board-designated	<u>302,922</u>	<u>-</u>	<u>-</u>	<u>302,922</u>
Total funds	<u>\$ 302,922</u>	<u>\$ 143,152</u>	<u>\$ 306,595</u>	<u>\$ 752,669</u>

REVENUE FROM CONTRACTS WITH CUSTOMERS*Performance Obligations.*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the revenue standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Performance Obligations Satisfied at a Point in Time

The Foundation receives revenue from special event related activities, such as event tickets, meals, and sponsorships, as well as advertising for which the revenue is earned at the point in time of the event, or similar circumstances. At that point in time, the Foundation has fulfilled their performance obligation.

DURHAM PUBLIC SCHOOLS FOUNDATION**NOTES TO FINANCIAL STATEMENTS**

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REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

The Foundation believes recognition at that point in time is appropriate for this type of revenue. However, if any funds are received prior to the Foundation fulfilling the performance obligation, it would be deferred until the future period in which it is earned.

Total revenue recognized for performance obligations completed at a point in time at June 30, 2024 and 2023, totaled \$48,636 and \$58,462, respectively. There were no receivables or deferred revenue relating to these performance obligations at June 30, 2024 or 2023.

Performance Obligations Satisfied Over a Period of Time.

Total revenue recognized for performance obligations completed over a period of time at June 30, 2024 and 2023, totaled \$22,945 and \$65,000, respectively. The amounts consist of consulting services. There were no receivables or deferred revenue relating to these performance obligations at June 30, 2024 or 2023.

General.

Revenue earned will vary depending on the economy. Revenue from special events will vary depending on how many attends and participate in events.

OPERATING LEASE

The Foundation 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.

The Foundation entered into a 12 month lease for office space in the W.G. Pearson Center for \$1,250 per month, terminating June 30, 2023. In May 2023 this lease was renewed for 12 months at a rate of \$1,375 per month and terminating June 30, 2024. Lease expense recognized under these agreements totaled \$15,835 and \$15,118, for the years ended June 30, 2024 and 2023, respectively.

In May 2024, this lease was renewed for 12 months at the same rate of \$1,375 per month. The new lease commences on July 1, 2024.

CONCENTRATIONS

The Foundation received approximately 54% of its grant and contract revenue for the year ended June 30, 2024, from four donors. Four donors comprise 82%, of total grants and accounts receivable at June 30, 2024.

The Foundation received approximately 74% of its grant and contract revenue for the year ended June 30, 2023, from three donors. Two donors comprise 87% of total grants and accounts receivable at June 30, 2023.

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FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include office expenses, technology, fees, and occupancy, which are allocated on the basis of estimates from a historical review of the purposes of the expenses, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

For the years ending June 30, 2024 and 2023, professional fundraising expense of \$38,248 and \$60,000 is related to the WHOLE Schools program, and is a nonrecurring expense.

SUBSEQUENT EVENTS

As of June 30, 2024, Property and Equipment included a website and related videos for the DPS Growing Together Enrollment initiative. These assets had a total original cost of \$92,000. In October 2024, the Foundation transferred the website and videos through a grant to Durham Public Schools.

Subsequent to year end, the Foundation signed a transfer agreement with Teacher Warehouse Inc, doing business as Crayons2Calculators, a North Carolina nonprofit corporation. The Foundation assumed staffing for Crayons2Calculators as of January 1, 2025 and the remaining inventory of the warehouse will be transferred to the Foundation upon Crayons2Calculators dissolution. The Foundation will be the surviving organization and will continue Crayons2Calculators' program work. The final transfer is scheduled to take place no later than June 30, 2025.

Management has evaluated subsequent events for recognition or disclosure through May 29, 2025, which is the date that the financial statements were available to be issued, and did not identify any additional events that occurred subsequent to year-end that require disclosure in the financial statements.