

**PRICHARD COMMITTEE FOR
ACADEMIC EXCELLENCE, INC.**
Lexington, Kentucky

FINANCIAL STATEMENTS
December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Prichard Committee for Academic Excellence, Inc.
Lexington, Kentucky

We have audited the accompanying financial statements of Prichard Committee for Academic Excellence, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prichard Committee for Academic Excellence, Inc. as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As disclosed in Note 15 to the financial statements, the 2017 statements of financial position and activities have been restated to reflect changes in the reporting of investments held by outside foundations with variance power.


Young & Wadlington, PLLC
Lexington, Kentucky
June 3, 2019

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$ 1,707,832	\$ 828,678
Accounts receivable	8,084	9,346
Grants and pledges receivable	548,585	261,611
Prepaid expenses	12,169	7,841
Inventory	<u>3,142</u>	<u>3,142</u>
Total current assets	2,279,812	1,110,618
Property and equipment, net	14,662	15,528
Other assets		
Investments	<u>3,499,577</u>	<u>3,727,232</u>
Total assets	<u>\$ 5,794,051</u>	<u>\$ 4,853,378</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 52,985	\$ 16,081
Payroll taxes and related liabilities	16,317	13,681
Accrued compensated absences	<u>11,083</u>	<u>9,522</u>
Total liabilities	80,385	39,284
Net assets		
Without donor restrictions	1,125,707	1,519,936
With donor restrictions	<u>4,587,959</u>	<u>3,294,158</u>
Total net assets	<u>5,713,666</u>	<u>4,814,094</u>
Total liabilities and net assets	<u>\$ 5,794,051</u>	<u>\$ 4,853,378</u>

The accompanying notes are an integral
part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
for the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grant revenue	\$ -	\$ 1,974,270	\$ 1,974,270
Contributions	<u>376,878</u>	<u>-</u>	<u>376,878</u>
Total support	376,878	1,974,270	2,351,148
Other Revenue/(Losses)			
Publication sales (net)	13,877	-	13,877
Consulting fees	16,500	-	16,500
Investment income	77,858	-	77,858
Unrealized gain/(loss) on investments	(275,077)	-	(275,077)
Gain/(loss) on disposal of assets	<u>(1,061)</u>	<u>-</u>	<u>(1,061)</u>
Total other revenue	<u>(167,903)</u>	<u>-</u>	<u>(167,903)</u>
Total support and revenue	208,975	1,974,270	2,183,245
Net assets released from restrictions			
Satisfaction of donor restrictions	523,522	(523,522)	-
Satisfaction of time restrictions	<u>156,947</u>	<u>(156,947)</u>	<u>-</u>
Total support and revenue	889,444	1,293,801	2,183,245
Expenses			
Program services	946,016	-	946,016
Management and general	274,521	-	274,521
Fund raising	<u>63,136</u>	<u>-</u>	<u>63,136</u>
Total expenses	<u>1,283,673</u>	<u>-</u>	<u>1,283,673</u>
Change in net assets	(394,229)	1,293,801	899,572
Net assets, beginning of year	<u>1,519,936</u>	<u>3,294,158</u>	<u>4,814,094</u>
Net assets, end of year	<u>\$ 1,125,707</u>	<u>\$ 4,587,959</u>	<u>\$ 5,713,666</u>

The accompanying notes are an integral
part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
for the year ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support			
Grant revenue	\$ 60,000	\$ 243,799	\$ 303,799
Contributions	<u>216,372</u>	<u>-</u>	<u>216,372</u>
Total support	276,372	243,799	520,171
Other Revenue/(Losses)			
Publication sales (net)	8,171	-	8,171
Consulting fees	22,490	-	22,490
Investment income	69,555	-	69,555
Realized gain/(loss) on investments	(1,474)	-	(1,474)
Unrealized gain/(loss) on investments	339,128	-	339,128
Gain/(loss) on disposal of assets	<u>(1,807)</u>	<u>-</u>	<u>(1,807)</u>
Total other revenue	<u>436,063</u>	<u>-</u>	<u>436,063</u>
Total support and revenue	712,435	243,799	956,234
Net assets released from restrictions			
Satisfaction of donor restrictions	1,059,470	(1,059,470)	-
Satisfaction of time restrictions	<u>259,563</u>	<u>(259,563)</u>	<u>-</u>
Total support and revenue	2,031,468	(1,075,234)	956,234
Expenses			
Program services	1,154,605	-	1,154,605
Management and general	293,564	-	293,564
Fund raising	<u>69,756</u>	<u>-</u>	<u>69,756</u>
Total expenses	<u>1,517,925</u>	<u>-</u>	<u>1,517,925</u>
Change in net assets	513,543	(1,075,234)	(561,691)
Net assets, beginning of year	<u>1,006,393</u>	<u>4,369,392</u>	<u>5,375,785</u>
Net assets, end of year	<u>\$ 1,519,936</u>	<u>\$ 3,294,158</u>	<u>\$ 4,814,094</u>

The accompanying notes are an integral
part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Expenditures				
Salaries	\$ 391,527	\$ 121,318	\$ 38,601	\$ 551,446
Payroll taxes	39,967	12,384	3,940	56,291
Employee benefits	<u>41,681</u>	<u>12,915</u>	<u>4,109</u>	<u>58,705</u>
Total personnel	473,175	146,617	46,650	666,442
Consultants	345,973	-	-	345,973
Meeting expenses	12,872	44,370	-	57,242
Travel	23,710	-	2,634	26,344
Rent	40,845	8,169	5,446	54,460
Program and office supplies	2,261	18,162	-	20,423
Printing	1,888	161	253	2,302
Equipment rental	15,652	3,130	2,087	20,869
Investment fees	-	26,073	-	26,073
Accounting and legal fees	-	14,919	-	14,919
Telephone	9,713	1,943	1,295	12,951
Postage	3,299	462	2,837	6,598
Depreciation	3,948	790	526	5,264
Insurance	-	4,983	-	4,983
Miscellaneous	3,579	1,193	-	4,772
Memberships	2,659	-	-	2,659
Professional development	1,163	-	-	1,163
Bank charges	-	389	-	389
Books and reports	1,061	-	-	1,061
Recognition	-	1,197	-	1,197
Website	4,218	-	1,406	5,624
Advertising	<u>-</u>	<u>1,963</u>	<u>-</u>	<u>1,963</u>
Total expenditures	<u>\$ 946,016</u>	<u>\$ 274,521</u>	<u>\$ 63,136</u>	<u>\$ 1,283,673</u>

The accompanying notes are an integral
part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Expenditures				
Salaries	\$ 464,376	\$ 143,891	\$ 45,784	\$ 654,051
Payroll taxes	33,675	10,435	3,320	47,430
Employee benefits	<u>41,591</u>	<u>12,887</u>	<u>4,100</u>	<u>58,578</u>
Total personnel	539,642	167,213	53,203	760,058
Consultants	374,786	14,268	-	389,055
Meeting expenses	18,544	35,165	-	53,709
Grants to others	100,362	-	-	100,362
Travel	34,351	-	3,817	38,168
Rent	32,580	6,516	4,344	43,440
Program and office supplies	245	13,054	-	13,299
Printing	7,220	3,343	1,306	11,869
Equipment rental	14,579	2,916	1,944	19,439
Investment fees	-	23,810	-	23,810
Accounting and legal fees	-	13,819	-	13,819
Telephone	9,900	1,980	1,320	13,200
Postage	3,115	436	2,679	6,230
Depreciation	4,023	805	536	5,364
Insurance	-	4,958	-	4,958
Miscellaneous	6,071	2,024	-	8,095
Memberships	2,034	-	-	2,034
Professional development	4,071	-	-	4,071
Bank charges	-	1,321	-	1,321
Books and reports	1,264	-	-	1,264
Recognition	-	1,435	-	1,435
Website	1,818	-	606	2,424
Advertising	<u>-</u>	<u>501</u>	<u>-</u>	<u>501</u>
Total expenditures	<u>\$ 1,154,605</u>	<u>\$ 293,564</u>	<u>\$ 69,756</u>	<u>\$ 1,517,925</u>

The accompanying notes are an integral
part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF CASH FLOWS
for the year ended December 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 899,572	\$ (561,691)
Adjustments to reconcile change in net assets to net cash provided/(used) in operating activities:		
Depreciation	5,264	5,364
Unrealized (gain)/loss on investments	275,077	(339,128)
(Gain)/Loss on disposal of fixed assets	1,061	1,807
(Increase) decrease in operating assets:		
Accounts receivable	1,262	55,230
Grants and pledges receivable	(286,974)	509,861
Inventory	-	-
Prepaid expenses	(4,328)	(879)
Increase (decrease) in operating liabilities:		
Accounts payable	36,904	126
Payroll taxes and related liabilities	2,636	2,393
Compensated absences	1,561	(5,909)
Deferred grant revenue	-	(66,637)
Net cash provided/(used) by operating activities	932,035	(399,463)
 Cash flows from investing activities:		
Investments, net	(47,422)	(42,159)
Purchase of property and equipment	(5,459)	(9,483)
Net cash provided/(used) by investing activities	(52,881)	(51,642)
 Net increase/(decrease) in cash	879,154	(451,105)
Cash and cash equivalents, beginning of year	828,678	1,279,783
Cash and cash equivalents, end of year	\$ 1,707,832	\$ 828,678

The accompanying notes are an integral part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

1. ORGANIZATION

Nature of Activities

Prichard Committee for Academic Excellence, Inc. (Prichard Committee) was formed in May 1983 as a non-stock, non-profit corporation under the laws of the Commonwealth of Kentucky. The purposes of Prichard Committee are “to provide a public voice advocating continually improved education for all Kentuckians. Prichard Committee listens to and informs the public, elected officials, and educators; performs research, study, and analysis about educational issues and recommends solutions for them; speaks out for progress toward better education, and engages citizens, parents, students, and educators locally and statewide in the process of improving education.”

Programs

The Commonwealth Institute for Parent Leadership offers a variety of programs aimed at bringing together parents, teachers, community members, and school administrators for training, information, and experiences that help them work as partners to raise student achievement. The program was developed by the Prichard Committee in 1997 as a way to support informed, skilled parents as effective advocates who are passionate about improving Kentucky public schools. CIPL offers large-scale consulting, workshops and publications.

Making high-quality preschool available to every Kentucky child is the goal of Strong Start Kentucky: Quality Pre-K for Every Child. Strong Start Kentucky is a nonpartisan, citizen-led effort to ensure that every child has the opportunity to receive the highest-quality education possible. The program targets funding to increase access to pre-k programs for three and four year old children, enhancing the quality of all pre-k programs, support for public and community-based programs and expanding the coalition to create champions for preschool throughout the Commonwealth.

The Student Voice Team (SVT) is comprised of a team of self-selected middle school through college students working closely with the Prichard Committee for Academic Excellence to elevate the voices of Kentucky youth on the classroom impact of education issues and support students as policy partners in improving Kentucky schools. SVT looks for opportunities to collaborate with other student and adult leaders to create ways to share youth perspectives on education issues with an intergenerational audience. SVT believes students are largely an untapped resource when it comes to improving our schools. After spending 35 plus hours a week over many years observing school systems up close, many have developed a set of expertise that we are able and more than willing to share to make the education experience better.

Closing the Achievement Gap – the Prichard Committee has been committed to excellence for all students since its inception in 1983. While the Commonwealth has increased achievement for all students, the gap has not yet been closed in achievement between different populations of students. The Prichard Committee is strengthening its focus on closing the achievement gap by developing recommendations, highlighting the data and developing an action plan to create a sense of urgency and follow through to close these gaps.

Quality in Postsecondary Education – while the Prichard Committee has focused its last 30 years of work on preschool – 12th grade education, its roots from the late 1970s are in research to increase the quality in postsecondary education. With increasing numbers of students now college and career ready, the Committee is going back to those roots and beginning a new body of work to increase quality and access in postsecondary.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Prichard Committee prepares its financial statements in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Prichard Committee are classified and reported as follows:

Net assets without donor restrictions – Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of Prichard Committee or the passage of time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization reports investments at fair value rather than historical or amortized cost. Fair value is based on quoted market prices. Realized gains and losses on the sale of investments are computed using the specific cost of the investment sold.

Promises to Give

Promises to give are recorded as revenue when an unconditional promise to give is received or the condition has been fulfilled for a conditional promise to give. Promises to give are recorded at the present value of expected net proceeds ultimately payable to Prichard Committee. Promises to give are assessed for collection annually and are reflected in the statement of activities as contributions.

Property and Equipment

Property and equipment are stated at cost, if purchased, or market value on the date of gift, if donated. Assets with a cost or market value greater than \$1,000 are capitalized. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of property and equipment are as follows:

Equipment	3 – 5 years
Furniture and fixtures	10 years

Inventory

Inventory includes publications held for resale. Publications are stated at the lower of cost, determined by using the first-in, first-out method, or market.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 include gifts of cash, other assets or unconditional promises to give. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets consist of contributions that have been directed to the Endowment Fund by the donors. Contributions that are committed to the Endowment Fund will have the principal held in perpetuity so long as that is permitted by law and by the economic viability of Prichard Committee. All investment and interest income earned from temporarily restricted contributions and permanently restricted contributions is available to the activities of the Prichard Committee without restriction, unless the donor has explicitly stipulated how such income should be used.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Job description
Consultants	Time and effort
Meeting expenses	Time and effort
Travel	Time and effort
Occupancy	Square footage
Professional services	Full time equivalent
Depreciation	Square footage
Other	Time and effort

Income Taxes

The Prichard Committee is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The organization is classified as “other than a private foundation” by the Internal Revenue Service.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

3. PROMISES TO GIVE

Included in "Grants and pledges receivable" are the following unconditional promises to give as of December 31, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Pledges</u>	<u>Grants</u>	<u>Pledges</u>	<u>Grants</u>
Due currently	\$ 200	\$ 548,385	\$ 400	\$ 261,211
Restricted to future periods	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unconditional promises to give before unamortized discount and allowance for uncollectible amounts	\$ 200	\$ 548,385	\$ 400	\$ 261,211
Less: unamortized discount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$ 200	\$ 548,385	\$ 400	\$ 261,211
Less: allowance for uncollectible amounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 200</u>	<u>\$ 548,385</u>	<u>\$ 400</u>	<u>\$ 261,211</u>

An allowance for uncollectible accounts has not been established for the grants and pledges receivable, as they are considered fully collectible.

4. INVESTMENTS

Investments consist of the following at December 31, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 409,771	\$ 409,771	\$ 382,040	\$ 382,040
Exchange traded funds	1,828,381	2,512,620	1,828,387	2,747,456
Mutual funds	<u>627,895</u>	<u>577,186</u>	<u>608,195</u>	<u>597,736</u>
	<u>\$ 2,866,047</u>	<u>\$ 3,499,577</u>	<u>\$ 2,818,622</u>	<u>\$ 3,727,232</u>

Money market funds are recorded at cost, which approximates fair value. Stocks, exchange traded funds and mutual funds are recorded at fair value based on quoted market prices.

The following schedule summarizes the investment return including interest earned on money market accounts and its classification in the statement of activities for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dividend and interest income	\$ 77,858	\$ 69,555
Unrealized gain (loss) on investments	(275,077)	339,128
Realized gain (loss) on investments	<u>-</u>	<u>(1,474)</u>
	<u>\$ (197,219)</u>	<u>\$ 407,209</u>

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following assets at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 43,244	\$ 43,715
Furniture and fixtures	<u>21,505</u>	<u>21,505</u>
Subtotal	64,749	65,220
Less: accumulated depreciation	<u>(50,087)</u>	<u>(49,692)</u>
Net property and equipment	<u>\$ 14,662</u>	<u>\$ 15,528</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Bill & Melinda Gates Foundation - Smarter Spending	\$ 137,294	\$ 406,694
Bill & Melinda Gates Foundation - Advocacy Outreach	-	2,500
Bill & Melinda Gates Foundation - Postsecondary	-	127,854
Kellogg Foundation - Childcare Strategies	1,106,187	-
Lumina/Rockefeller Foundation - Affordability Initiative	25,000	-
Pathway to Tomorrow - Innovative Policy Ideas	50,000	-
James Graham Brown Foundation - Public Education	<u>637,500</u>	<u>29,954</u>
	<u>1,955,981</u>	<u>567,002</u>
Subject to the passage of time:		
Bill & Melinda Gates Foundation	-	100,000
The Education Trust	4,000	-
Metro United Way	<u>10,385</u>	<u>9,563</u>
	<u>14,385</u>	<u>109,563</u>
Endowment funds not subject to spending or appropriation	<u>2,617,593</u>	<u>2,617,593</u>
	<u>\$ 4,587,959</u>	<u>\$ 3,294,158</u>

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

6. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions:		
Bill & Melinda Gates Foundation - Smarter Spending	\$ 269,400	\$ 278,040
Bill & Melinda Gates Foundation - Advocacy Outreach	2,500	103,254
Bill & Melinda Gates Foundation - Postsecondary	127,854	137,698
Bill & Melinda Gates Foundation - 3KT	-	123,074
Kellogg Foundation - Childcare Strategies	93,813	-
Tides Foundation - Postsecondary Affordability	-	8,500
State Farm Insurance - Student Voice Team	-	25,697
KSBA - 3KT	-	66,637
Greater Cincinnati Foundation - Early Childhood	-	43,750
United Way of Greater Cincinnati - Early Childhood	-	20,000
CE&S Foundation - Strategic Plan	-	35,000
James Graham Brown Foundation - Public Education	29,954	217,820
	<u>523,522</u>	<u>1,059,470</u>
Satisfaction of time restrictions:		
Bill & Melinda Gates Foundation	100,000	250,000
The Education Trust	37,000	-
Metro United Way	19,947	9,563
	<u>156,947</u>	<u>259,563</u>
	<u>\$ 680,469</u>	<u>\$ 1,319,032</u>

7. ENDOWMENT

The endowment fund is comprised of funds that were established as the result of donors' specifications that the funds be invested and that, generally, only the income thereon be expended. The Board of Directors also designated Robert F. Sexton memorial gifts to the endowment fund. The income earned on the principal may be used for general activities of Prichard Committee. Endowment assets with donor restrictions totaled \$2,617,593 at December 31, 2018 and 2017.

The Organization has adopted the provisions of "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." This standard provides guidance on classifying the net assets associated with donor restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), passed by the state of Kentucky, and also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

7. ENDOWMENT (CONTINUED)

Interpretation of relevant law

The Organization has interpreted the Kentucky UPMIFA 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, Prichard Committee for Academic Excellence, Inc. classifies as net assets with donor restrictions (a) the original gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the endowment fund, not classified net assets with donor restrictions, is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization 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 organization 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 organization.
- 7) The investment policies of the organization.

Return objectives and risk parameters

The Prichard Committee has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding for operations supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The investment policy establishes an achievable return objective through diversification of asset classes. The long-term return objective is to return no less than an average annual rate of return of the Consumer Price Index plus 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Prichard Committee 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 Prichard Committee targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy of appropriating for distribution each year an amount not to exceed 5 percent of its endowment fund's average fair value over the current year and preceding year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain and/or grow its value from year to year. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. Changes in endowment fund assets for the year ended December 31, 2018 and 2017 are as follows:

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7. ENDOWMENT (CONTINUED)

	Net Assets <u>Without Restrictions</u>	Net Assets <u>With Restrictions</u>	<u>Total</u>
Endowment, January 1, 2018	\$ 1,181,081	\$ 2,617,593	\$ 3,798,674
Contributions	-	-	-
Investment return:			
Investment income	73,542	-	73,542
Investment expense	(26,120)	-	(26,120)
Net gain/(loss) on investments	<u>(275,077)</u>	<u>-</u>	<u>(275,077)</u>
Total investment gain	(227,655)	-	(227,655)
Expenditures under spending policy	<u>-</u>	<u>-</u>	<u>-</u>
Endowment, December 31, 2018	<u>\$ 953,426</u>	<u>\$ 2,617,593</u>	<u>\$ 3,571,019</u>

	Net Assets <u>Without Restrctitions</u>	Net Assets <u>With Restrictions</u>	<u>Total</u>
Endowment, January 1, 2017	\$ 799,796	\$ 2,617,593	\$ 3,417,389
Contributions	-	-	-
Investment return:			
Investment income	67,615	-	67,615
Investment expense	(23,984)	-	(23,984)
Net gain/(loss) on investments	<u>337,654</u>	<u>-</u>	<u>337,654</u>
Total investment loss	381,285	-	381,285
Expenditures under spending policy	<u>-</u>	<u>-</u>	<u>-</u>
Endowment, December 31, 2017	<u>\$ 1,181,081</u>	<u>\$ 2,617,593</u>	<u>\$ 3,798,674</u>

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8. LEASES

Prichard Committee leases office space located at 271 West Short Street, Lexington, Kentucky. The monthly rental is \$4,000 and the lease expires on July 31, 2021.

Prichard Committee leases office equipment under various agreements. The leases are summarized as follows:

<u>Description</u>	<u>Expiration Date</u>	<u>Monthly Payment</u>
Copier	October 2021	\$ 1,433
Postage machine	April 2022	136

A schedule of future minimum rental payments due is as follows:

<u>Year</u>	<u>Future Minimum Lease Payment</u>
2019	\$ 66,833
2020	66,833
2021	43,967
2022	546

9. RETIREMENT PLAN

Prichard Committee adopted a 403(b) plan in 1999. Employees are eligible to participate immediately upon hire. Employees may defer a portion of their own salary. The Prichard Committee matches 50% of employees' salary deferral up to 10% of the employee's salary. Prichard Committee contributed \$22,844 and \$22,734 on behalf of employees for the years ended December 31, 2018 and 2017, respectively.

10. FAIR VALUE MEASUREMENT

Prichard Committee's financial instruments consist primarily of cash and cash equivalents, investments, accounts receivable and accounts payable.

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to the short-term nature of such instruments.

Prichard Committee uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on Prichard Committee's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

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10. FAIR VALUE MEASUREMENT (CONTINUED)

At December 31, 2018 and 2017, Prichard Committee's investments consist of cash equivalents, common stocks, exchange traded funds and mutual funds. Shares of common stocks, exchange traded funds and mutual funds are valued at quoted market prices for identical assets. Below is a summary of the fair value hierarchy each investment falls:

As of December 31, 2018				
Investment	Level 1	Level 2	Level 3	Total
Money market funds	\$ 409,771	\$ -	\$ -	\$ 409,771
Equities	2,512,620			2,512,620
Mutual funds	577,186			577,186
	\$ 3,499,577	\$ -	\$ -	\$ 3,499,577

As of December 31, 2017				
Investment	Level 1	Level 2	Level 3	Total
Money market funds	\$ 382,040	\$ -	\$ -	\$ 382,040
Equities	2,747,456			2,747,456
Mutual funds	597,736			597,736
	\$ 3,727,232	\$ -	\$ -	\$ 3,727,232

11. SUBSEQUENT EVENTS

Prichard Committee has evaluated and considered the need to recognize or disclose subsequent events through June 3, 2019, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the years ended December 31, 2018 and 2017, have not been evaluated by Prichard Committee.

12. CONCENTRATIONS OF CREDIT RISK

Prichard Committee for Academic Excellence, Inc.'s cash deposits are maintained at various financial institutions located in Central Kentucky. Cash balances maintained in deposits accounts are insured up to \$250,000 at each financial institution. As of December 31, 2018 and 2017, the Committee had deposits of \$1,393,185 and \$577,687 in excess of the federally insured limit.

13. LIQUIDITY AND AVAILABILITY

The Prichard Committee regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Prichard Committee manages its liquidity and reserves following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets to fund near-term operating needs; and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Operating cash includes the funds the Prichard Committee uses for its regular, routine expenses such as salaries and benefits, occupancy, office, travel, professional services and program costs. Operating cash may be maintained in multiple checking accounts and may be invested in other cash-equivalent investments, such as savings accounts, money market accounts and other investments that are relatively easy to liquidate. The target minimum for operating cash is equal to three months of average operating expenses and the target maximum for operating cash is equal to twelve months of operating expenses.

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13. LIQUIDTY AND AVAILABILITY (CONTINUED)

The calculation of average annual operating expenses includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, professional services and program costs. Depreciation, in-kind and other non-cash expenses are not included in the calculation.

The Prichard Committee receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The Prichard Committee has established an endowment funded with donor restricted contributions preserving the fair value of the original gift as of the date of the gift. The funds are invested for long term appreciation. The current income as well as the appreciation is available for current operating needs based on the Prichard Committee's spending policy and at the discretion of the Board of Directors.

As of December 31, 2018, the following financial assets could readily be made available within one year of the statement of activities date to meet general expenditures:

Cash and cash equivalents	\$ 1,707,832
Accounts receivable	8,084
Grants and pledges receivable	548,585
Investments	<u>3,499,577</u>
Total financial assets	<u>5,764,078</u>
Less amounts not available to be used within one year	
Investments held in endowment	(3,571,019)
adjusted for amounts available under spending policy	184,242
Amounts received for periods exceeding one year	
Kellogg Foundation	(400,000)
James G. Brown Foundation	<u>(212,500)</u>
Financial assets not available to be used within one year	<u>(3,999,277)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,764,801</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Prichard Committee operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

14. ADOPTION OF ACCOUNTING STANDARD

During the year ending December 31, 2018, Prichard Committee for Academic Excellence, Inc. adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard amends how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. The new standard requires improved presentation and disclosure to help not-for-profits provide more relevant information about their resources (and changes in those resources) to donors, grantors, creditors, and other users. The financial statements presentation and disclosures have been adjusted to reflect adoption of this standard.

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15. PRIOR PERIOD ADJUSTMENT

Prichard Committee for Academic Excellence, Inc. has been allocated donated funds to the Bluegrass Community Foundation. These funds are held in an investment account and are maintained by the Bluegrass Community Foundation. In prior years, the funds were improperly reported as an asset to Prichard Committee for Academic Excellence, Inc. The Bluegrass Community Foundation maintains variance power over these funds. Due to this fact, these funds are not an asset of Prichard Committee for Academic Excellence, Inc. Managements has adjusted the Statement of Financial Position and the Statement of Activities and Changes in Net Assets as of and for the year ended December 31, 2017. Below is a summary of the changes:

Statement of Financial Postion December 31, 2017	As of	Before Adjustment	After Adjustment	Change
Investments		\$ 3,764,951	\$ 3,727,232	\$ (37,719)
Net assets without donor restrictions		1,526,605	1,519,936	(6,669)
Net assets with donor restrictions		3,325,208	3,294,158	(31,050)

Statement of Activities for the year ending December 31, 2017	Before Adjustment	After Adjustment	Change
Net assets without restrictions - beginning of year	\$ 1,008,161	\$ 1,006,393	\$ (1,768)
Net asset with restrictions - beginning of year	4,400,442	4,369,392	(31,050)
Investment income - without restrictions	70,792	69,555	(1,237)
Realized gain/(loss) on investments - without restrictions	(1,239)	(1,474)	(235)
Unrealized gain/(loss) on investments - without restrictions	342,731	339,128	(3,603)
Management and general expenses	293,738	293,564	(174)
Net assets without restrictions - end of year	1,526,605	1,519,936	(6,669)
Net assets with restrictions - end of year	3,325,208	3,294,158	(31,050)