

Public Education & Business Coalition

Financial Statements

June 30, 2017 and 2016

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

Board of Directors Public Education & Business Coalition:

We have audited the accompanying financial statements of Public Education & Business Coalition (PEBC), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 misstatement.

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 the 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 Public Education & Business Coalition as of June 30, 2017 and 2016, 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.

KUNDINGER, CORDER & ENGLE, P.C.

September 14, 2017

Public Education & Business Coalition
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets:		
Cash and cash equivalents	\$ 1,351,927	1,300,193
Short-term investments	804,010	802,395
Restricted cash (notes 4 and 6)	1,530,000	1,065,019
Accounts receivable	504,539	152,316
Prepaid expenses and other assets	121,921	95,850
Furniture and equipment, net (note 5)	11,863	17,581
Restricted cash—endowment fund (note 6)	11,870	11,870
Total assets	\$ 4,336,130	3,445,224
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 229,281	257,690
Deferred rent	12,104	27,925
Refundable advances (note 4)	1,000,000	100,000
Deferred revenue	93,764	107,543
Total liabilities	1,335,149	493,158
Net assets:		
Unrestricted:		
Board designated (note 10)	154,370	—
Undesignated	2,304,741	1,975,177
Total unrestricted net assets	2,459,111	1,975,177
Temporarily restricted (note 6)	530,000	965,019
Permanently restricted (notes 6 and 9)	11,870	11,870
Total net assets	3,000,981	2,952,066
Commitments (notes 7 and 8)		
Total liabilities and net assets	\$ 4,336,130	3,445,224

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

Public Education & Business Coalition
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions and grants:				
Boettcher Foundation	\$ -	1,000,000	-	1,000,000
Foundations	69,731	260,981	-	330,712
Government grants	1,399,677	-	-	1,399,677
Corporations and others	45,926	28,437	-	74,363
Special events revenue	132,925	-	-	132,925
Local professional development	575,354	-	-	575,354
Consulting fees	1,235,472	-	-	1,235,472
Conference tuition	638,443	-	-	638,443
Boettcher Teacher Residency program	930,454	-	-	930,454
Stanley Teacher Preparation program	884,540	-	-	884,540
Interest income and other revenue	12,464	-	-	12,464
Net assets released from restrictions	1,724,437	(1,724,437)	-	-
Total support and revenue	<u>7,649,423</u>	<u>(435,019)</u>	<u>-</u>	<u>7,214,404</u>
Expenses:				
Program services:				
Education based programs	2,774,595	-	-	2,774,595
Boettcher Fellows	2,923,290	-	-	2,923,290
Stanley Teacher Preparation	859,261	-	-	859,261
Total program services	<u>6,557,146</u>	<u>-</u>	<u>-</u>	<u>6,557,146</u>
Supporting services:				
General and administrative	330,620	-	-	330,620
Fund raising	217,341	-	-	217,341
Special events	60,382	-	-	60,382
Total supporting services	<u>608,343</u>	<u>-</u>	<u>-</u>	<u>608,343</u>
Total expenses	<u>7,165,489</u>	<u>-</u>	<u>-</u>	<u>7,165,489</u>
Change in net assets	483,934	(435,019)	-	48,915
Net assets at beginning of year	<u>1,975,177</u>	<u>965,019</u>	<u>11,870</u>	<u>2,952,066</u>
Net assets at end of year	<u>\$ 2,459,111</u>	<u>530,000</u>	<u>11,870</u>	<u>3,000,981</u>

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

Public Education & Business Coalition
Statement of Activities
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Contributions and grants:				
Boettcher Foundation	\$ —	1,000,000	—	1,000,000
Foundations	76,856	173,840	—	250,696
Government grants	1,493,999	—	—	1,493,999
Corporations and others	16,654	50,636	—	67,290
Special events revenue	152,215	—	—	152,215
Local professional development	746,030	—	—	746,030
Consulting fees	1,231,242	—	—	1,231,242
Conference tuition	532,733	—	—	532,733
Boettcher Teacher Residency program	712,137	—	—	712,137
Stanley Teacher Preparation program	663,636	—	—	663,636
Interest income and other revenue	12,274	—	—	12,274
Net assets released from restrictions	1,549,205	(1,549,205)	—	—
Total support and revenue	<u>7,186,981</u>	<u>(324,729)</u>	<u>—</u>	<u>6,862,252</u>
Expenses:				
Program services:				
Education based programs	2,384,701	—	—	2,384,701
Boettcher Fellows	3,040,982	—	—	3,040,982
Stanley Teacher Preparation	808,086	—	—	808,086
Total program services	<u>6,233,769</u>	<u>—</u>	<u>—</u>	<u>6,233,769</u>
Supporting services:				
General and administrative	263,477	—	—	263,477
Fund raising	226,297	—	—	226,297
Special events	71,321	—	—	71,321
Total supporting services	<u>561,095</u>	<u>—</u>	<u>—</u>	<u>561,095</u>
Total expenses	<u>6,794,864</u>	<u>—</u>	<u>—</u>	<u>6,794,864</u>
Change in net assets	392,117	(324,729)	—	67,388
Net assets at beginning of year	<u>1,583,060</u>	<u>1,289,748</u>	<u>11,870</u>	<u>2,884,678</u>
Net assets at end of year	<u>\$ 1,975,177</u>	<u>965,019</u>	<u>11,870</u>	<u>2,952,066</u>

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

Public Education & Business Coalition
Statement of Functional Expenses
Year Ended June 30, 2017

	Education based programs	Boettcher Fellows	Stanley Teacher Prep	Total program services	General and administrative	Fund raising	Special events	Total supporting services	Total expenses
Salaries and personnel	\$ 1,948,134	1,556,783	515,221	4,020,138	263,869	183,742	—	447,611	4,467,749
Consultants and contract personnel	228,756	257,537	69,013	555,306	3,628	2,627	619	6,874	562,180
Office expenses	139,980	150,071	42,877	332,928	56,454	20,014	—	76,468	409,396
Printing and publications	3,277	2,535	735	6,547	361	277	2,639	3,277	9,824
Meetings, travel and conferences	192,708	192,282	22,528	407,518	5,108	9,881	15,661	30,650	438,168
Direct materials and activities	230,675	65,100	18,137	313,912	141	94	41,463	41,698	355,610
Stipends, scholarships and release time	25,566	691,541	188,593	905,700	—	—	—	—	905,700
Depreciation expense	5,499	7,441	2,157	15,097	1,059	706	—	1,765	16,862
Total expenses	\$ 2,774,595	2,923,290	859,261	6,557,146	330,620	217,341	60,382	608,343	7,165,489

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

Public Education & Business Coalition
Statement of Functional Expenses
Year Ended June 30, 2016

	Education based programs	Boettcher Fellows	Stanley Teacher Prep	Total program services	General and administrative	Fund raising	Special events	Total supporting services	Total expenses
Salaries and personnel	\$ 1,726,793	1,641,788	478,698	3,847,279	201,740	204,130	–	405,870	4,253,149
Consultants and contract personnel	76,156	457,454	51,279	584,889	242	1,706	13,519	15,467	600,356
Office expenses	22,047	32,345	5,184	59,576	317,426	375	28	317,829	377,405
Printing and publications	5,551	–	94	5,645	5,339	525	1,550	7,414	13,059
Meetings, travel and conferences	189,670	180,769	12,659	383,098	53,563	360	8,756	62,679	445,777
Direct materials and activities	226,302	55,905	3,645	285,852	1,791	7,207	47,468	56,466	342,318
Stipends, scholarships and release time	23,325	519,068	201,548	743,941	–	–	–	–	743,941
Depreciation expense	834	–	1,657	2,491	16,368	–	–	16,368	18,859
Overhead allocation	114,023	153,653	53,322	320,998	(332,992)	11,994	–	(320,998)	–
Total expenses	\$ 2,384,701	3,040,982	808,086	6,233,769	263,477	226,297	71,321	561,095	6,794,864

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

Public Education & Business Coalition
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 48,915	67,388
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	16,862	18,859
Decrease (increase) in accounts receivable	(352,223)	380,850
Increase in prepaid expenses and other assets	(26,071)	(19,035)
Increase (decrease) in accounts payable and accrued liabilities	(28,409)	51,713
Decrease in deferred rent	(15,821)	(9,989)
Increase in refundable advances	900,000	100,000
Decrease in deferred revenue	(13,779)	(1,125,057)
Net cash provided by (used in) operating activities	<u>529,474</u>	<u>(535,271)</u>
Cash flows from investing activities:		
Decrease (increase) in restricted cash	(464,981)	1,224,729
Increase in short-term investments	(1,615)	(1,724)
Purchases of furniture and equipment	(11,144)	(10,791)
Net cash provided by (used in) investing activities	<u>(477,740)</u>	<u>1,212,214</u>
Net increase in cash and cash equivalents	51,734	676,943
Cash and cash equivalents, beginning of year	<u>1,300,193</u>	<u>623,250</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,351,927</u></u>	<u><u>1,300,193</u></u>

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

Public Education & Business Coalition
Notes to Financial Statements
June 30, 2017 and 2016

(1) Summary of Significant Accounting Policies

(a) General

The Public Education & Business Coalition (PEBC) is a nonprofit organization organized in Colorado whose mission is to cultivate excellence in public schools so all students succeed in learning and in life. PEBC is a partnership of education and business leaders working together to strengthen public schools and to improve academic achievement for all students. PEBC's work is guided by three strategic goals: (1) to provide professional development and consulting services for teachers, principals and administrators; (2) to provide analysis of, and advocacy for, education policies that support positive and sustainable change in schools; and (3) to mobilize corporate and community support and involvement in schools.

PEBC's activities are supported primarily through grants and earned revenue.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables and other liabilities.

(c) Financial Statement Presentation

Information regarding the financial position and activities of PEBC is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(d) Contributions and Contributions Receivable

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Donor-restricted support, including pledges, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional contributions receivable are recognized as revenue in the period the pledge is received. Conditional promises are recognized as receivables and revenue when the conditions on which they depend are substantially met. Conditional grants received prior to conditions being met are recorded as a refundable advance in the statement of financial position. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Uncollectible contributions receivable are expected to be insignificant and there were no discounted contributions receivable at June 30, 2017 or 2016.

Public Education & Business Coalition
Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(e) Contract and Fee Revenue

A significant portion of PEBC's revenue is derived from contracts and grants to provide services related to their education based programs, the Boettcher Fellows and the Stanley Teacher Preparation program. Amounts received are deemed to be earned and are reported as revenue as services are performed. Cash received but not yet earned is reported as deferred revenue.

(f) Donated Goods and Services

Contributed property and equipment are recorded at fair value on the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Contributed goods and services are recorded as contributions and corresponding expenses at their estimated fair values on the date of donation. There were no donated goods or services for the years ended June 30, 2017 and 2016.

(g) Cash and Cash Equivalents

For purposes of the statements of cash flows, PEBC considers all unrestricted highly liquid investments with an initial maturity of three months or less, and that are not part of the investment portfolio, to be cash equivalents.

(h) Restricted Cash

Restricted cash represents restricted contributions and refundable advances totaling \$1,530,000 at June 30, 2017 and \$1,065,019 at June 30, 2016, and amounts held for permanently restricted contributions for the endowment fund totaling \$11,870 at June 30, 2017 and 2016.

(i) Short-term Investments

Short-term investments consist of two certificate of deposit accounts totaling \$804,010 and \$802,395 at June 30, 2017 and 2016, respectively, earning interest at a rate of 0.20%. Short-term investments are stated at their fair values based on quoted market prices or other information evaluated periodically by management. Unrealized gains and losses, if any, are included in the changes in net assets in the statement of activities.

(j) Accounts Receivable

Accounts receivable represents amounts due for the performance of services provided by PEBC to other organizations and individuals. Accounts deemed uncollectible are written off to bad debt expense when that determination is made. The allowance for doubtful accounts was \$0 at June 30, 2017 and 2016 and is based on past collection experience and on analysis of current accounts receivable collectability.

Public Education & Business Coalition

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(k) Furniture and Equipment

PEBC follows the practice of capitalizing, at cost, all expenditures for furniture and equipment in excess of \$500 with an estimate useful life of one year or more. Furniture and equipment is stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from two to five years.

(l) Deferred Rent

PEBC recognizes rent expense on office space using a straight-line method over the term of the lease. Differences between payments made under the terms of the lease and expense for financial reporting purposes, including lease inducements, are recorded as deferred rent. See note 7 also.

(m) Concentrations of Credit Risk

Financial instruments which potentially subject PEBC to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, and accounts receivable. PEBC places its temporary cash and certificate of deposit accounts with creditworthy, high-quality financial institutions. A significant portion of the funds are not insured by the FDIC or similar entity. Credit risk with respect to receivables is generally diversified due to the large number of organizations and credit worthiness of the entities that comprise PEBC's customer base.

(n) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

(o) Functional Allocation of Expenses

The costs of providing the various service programs, activities, and related supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, salaries, fringe benefits and certain overhead costs have been allocated among the appropriate programs and supporting services benefited.

Public Education & Business Coalition Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(p) Income Taxes

PEBC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and contributions received qualify for the charitable contribution deduction. However, income from activities not directly related to PEBC's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2017 and 2016, PEBC generated no unrelated business income, and accordingly, the accompanying financial statements contain no provision for income taxes.

PEBC follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires PEBC to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. PEBC believes they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are significant to the financial statements. PEBC's tax returns for the three previous tax years, 2013 through 2015, are subject to examination by the IRS, generally for three years after initial filing.

(q) Subsequent Events

In accordance with the *Subsequent Events* accounting standard, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. PEBC's financial statements were available to be issued on September 14, 2017 and this is the date through which subsequent events were evaluated.

(2) Contributions Receivable

Pledges are recorded in the statements of financial position as contributions receivable. There were unconditional contributions receivable of \$20,000 and \$0 at June 30, 2017 and 2016, respectively, and are included in accounts receivable.

On July 1, 2014, PEBC was awarded a multi-year conditional contribution for the Boettcher Fellows program that is conditioned upon the donor's board of directors approving the grant on an annual basis. Conditional contributions not recognized within the financial statements for this program totaled \$1,500,000 as of June 30, 2017. On July 20, 2015, PEBC was awarded a multi-year conditional contribution for the Math Professional Development Initiative that is conditioned upon PEBC meeting specific deliverables throughout the grant period. Conditional contributions not recognized within the financial statements for this initiative totaled \$155,374 as of June 30, 2017.

Public Education & Business Coalition
Notes to Financial Statements

(3) Fair Value Measurements

The carrying amount reported in the statements of financial position for cash and cash equivalents, grants and contracts receivable, accounts payable and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments.

PEBC reports required types of financial instruments in accordance with fair value accounting standards. These standards require use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the assets and liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

Assets reported under the above fair value hierarchy at June 30, 2017 and 2016 consist of certificates of deposit measured using Level 1 inputs.

(4) Refundable Advances

PEBC received funds related to conditional promises to give in advance of those conditions being met. These amounts are recorded as a refundable advance, a liability account, and totaled \$1,000,000 and \$100,000 as of June 30, 2017 and 2016, respectively. When the conditions are met, that is when qualifying expenses are incurred and other conditions are met, the refundable advance is then recognized as contribution and grant revenue.

(5) Furniture and Equipment

Furniture and equipment consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 81,469	70,325
Accumulated depreciation	(69,606)	(52,744)
Net furniture and equipment	<u>\$ 11,863</u>	<u>17,581</u>

(6) Restrictions on Net Assets

Temporarily restricted net assets consist of contributions and grants that are restricted by the donor or grantor for certain educational activities and for the Boettcher Fellows program. Temporarily restricted net assets and deferred revenue from government grants totaling \$1,530,000 at June 30, 2017 and \$965,019 at June 30, 2016 consist of cash received but not spent. Temporarily restricted net assets totaling \$1,724,437 in 2017 and \$1,549,205 in 2016 were released from donor restrictions by incurring expenses satisfying the restricted purposes of the donor.

Permanently restricted net assets of \$11,870 represent amounts held in the endowment fund. See note 9.

Public Education & Business Coalition

Notes to Financial Statements

(7) Leases

PEBC has a non-cancelable operating lease for office space and parking that expires in February 2020. As part of the lease agreement, PEBC received from the landlord a cabling and moving allowance totaling \$13,990 and three months of abated rent. PEBC also has a non-cancelable operating lease for copier equipment that is scheduled to expire in November 2017. Future minimum lease payments for all leases for the years ending June 30 are as follows:

2018	\$ 245,455
2019	253,387
2020	<u>179,205</u>
	<u>\$ 678,047</u>

Total rent expense for operating leases was \$233,999 in 2017 and \$245,660 in 2016.

(8) Retirement Plan

PEBC has a tax deferred annuity plan (TDAP) and a defined contribution plan. All employees are immediately eligible to participate and may make voluntary contributions to the TDAP. Under the terms of the defined contribution plan (as amended) PEBC makes discretionary matching contributions of up to 3% of an employee's base salary. PEBC provided for matching contributions to the plan of \$45,000 in 2017 and \$56,581 in 2016.

(9) Endowment

PEBC's permanently restricted net assets consist of a donor-restricted endowment fund. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008. PEBC's board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, PEBC classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the board in a manner consistent with the standard of prudence prescribed by UPMIFA. The adoption of UPMIFA did not impact the financial position or results of operations.

Public Education & Business Coalition Notes to Financial Statements

(9) Endowment, Continued

In accordance with UPMIFA, PEBC 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 purpose of PEBC 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 PEBC
- (7) The investment policies of PEBC

As of June 30, 2017 and 2016, the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA totaled \$11,870 and consisted entirely of permanently restricted net assets.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original gift. There were no deficiencies of this nature as of June 30, 2017 and 2016.

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that PEBC must hold in perpetuity. PEBC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for PEBC while maintaining purchasing power and growing endowment assets. Under this policy, as approved by the investment committee of the board, the endowment assets are invested in a manner that is intended to maintain an adequate liquidity to meet the short-term cash flow needs of PEBC and preserve the capital base and the optimization rate of return with appropriate risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, PEBC allocates its investment to three pools of funds. Pools 1 and 2 consist of operating funds which are expected to be spent in the normal course of business over the next 0-12 months. Pools 1 and 2 investments are placed in lower risk investments, including cash, cash equivalents, bonds and other debt instruments. Pool 3 funds are expected to be used in more than 12 months and whose returns are maximized in high-income/growth managed funds with appropriate risk. Pool 3 investments are invested in longer term investments with the objective of growth and income with moderate risk. PEBC did not have any Pool 3 investments at June 30, 2017 and 2016.

Spending Policy and How the Investment Objectives Relate to Spending Policy

PEBC presently does not have a spending policy and has not made any distributions of its endowment during the years ended June 30, 2017 and 2016.

Public Education & Business Coalition
Notes to Financial Statements

(10) Board Designated Net Assets

Board designated net assets consist of funds to be used on marketing, branding and technology to invest in the impact that the organization can make. The board authorized a reserve of \$200,000 during the year ended June 30, 2017, of which \$45,630 was subsequently used for the outlined purposes.