



**The Abilene Education Foundation
P.O. Box 1999
Abilene, TX 79604**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

December 31, 2013 and 2012

**Prepared by
McElroy and Company PC**



Independent Auditor's Report

October 24, 2014

To the Board of Trustees of The Abilene Education Foundation Abilene, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of The Abilene Education Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows (direct method) for the years then ended, and the related notes to the financial statements, and the accompanying supplementary information, statement of cash flow (indirect method) for the years then ended.

Management's Responsibility for the Financial Statements

Management's responsibility is to prepare and fairly present the 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 the 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 the 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 of 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

McElroy *Certified Public Accountants*
& Company P.C.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Abilene Education Foundation as of December 31, 2013 and 2012, and the changes in its net assets, functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



McElroy & Company PC
Addison, Texas



ABILENE EDUCATION FOUNDATION

STATEMENTS OF FINANCIAL POSITION

As of DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash and Cash Equivalents	383,380	464,380
Contributions Receivable	750,000	600,000
CFA Endowment Earnings Receivable	14,495	8,585
Total Current Assets	<u>1,147,874</u>	<u>1,072,965</u>
Property and Equipment, Net	7,517	13,035
Other Assets		
Deposits	10	10
Investments - Available for Sale	483,822	391,559
Total Other Assets	<u>483,832</u>	<u>391,569</u>
Total Assets	<u>1,639,223</u>	<u>1,477,568</u>

Liabilities and Net Assets		
Current Liabilities		
Accrued Liabilities	10,500	9,300
Scholarship Payable	-	-
Payroll Liabilities	2,423	1,802
Total Current Liabilities	<u>12,923</u>	<u>11,102</u>
Net Assets		
Unrestricted	74,762	143,023
Temporarily Restricted	1,136,820	973,394
Permanently Restricted	414,718	350,048
Total Net Assets	<u>1,626,300</u>	<u>1,466,466</u>
Total Liabilities and Net Assets	<u>1,639,223</u>	<u>1,477,568</u>



ABILENE EDUCATION FOUNDATION, INC

STATEMENTS OF ACTIVITIES

Years Ended DECEMBER 31, 2013 and 2012

	2013				2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions, Gains, and Other Support								
Contributions by Program and Endowment								
Abilene COOL Administrative Assistant Supplement		22,000		22,000		22,000		22,000
Abilene COOL Program		366,283		366,283		767,775		767,775
Achievement Grants				-		500		500
AEF Endowment			3,084	3,084			3,161	3,161
AEF General Contributions	136,572			136,572	142,974			142,974
AEF Scholarship Programs		50,974		50,974		34,703		34,703
AHS Percussion Grant		500		500				-
Alumni Scholarship Administrative Fund		51		51		21		21
Alumni Scholarship Endowments Fund		-	5,833	5,833			5,126	5,126
Donor Database Funds				-		2,000		2,000
Jefferson Center Program		10,000		10,000				
Jennings Teach'g Excellance Endowments Fund			100	100			275,034	275,034
McMurry Intern		1,620		1,620		3,500		3,500
P-16 Looping Program		5,000		5,000				-
Royce Curtis Educator Scholarship Endowments Fund			26,485	26,485			20,000	20,000
Teacher Grant Programs		52,729		52,729		52,008		52,008
Teachers in the Limelight		8,832		8,832		18,000		18,000
Transportation Scholarship Endowment Fund				-			84	84
Website Maintenance Program		3,500		3,500		3,500		3,500
Investment Income	19,817	9,915		29,732	5,339			5,339
Realized / Unrealized Gain / (Loss) on Investments	5,391	51,436		56,827	11,128			11,128
Other Income	10,392			10,392				-
Net Assets Released from Restrictions				-				-
Satisfaction of Restrictions	429,370	(429,370)		-	318,440	(318,440)		-
Total Revenues, Gains, and Other Support	601,540	153,471	35,502	790,514	477,881	585,567	303,404	1,366,852
Expenses								
Grants and Scholarships Programs	165,107			165,107	123,396			123,396
Other Programs	308,464			308,464	235,244			235,244
Fundraising	51,822			51,822	61,177			61,177
Administrative	105,286	-		105,286	85,615	-		85,615
Total Expenses	630,679	-	-	630,679	505,432	-	-	505,432
Changes in Net Assets	(29,139)	153,471	35,502	159,834	(27,551)	585,567	303,404	861,420
Net Assets, Beginning of Year	143,023	973,394	350,048	1,466,466	170,574	387,828	46,644	605,046
Prior Period Adjustment	(39,123)	9,955	29,168	(0)				
Net Assets, Beginning of Year - Adjusted	103,901	983,349	379,216	1,466,466	170,574	387,828	46,644	605,046
Net Assets, End of Year	74,762	1,136,820	414,718	1,626,300	143,023	973,394	350,048	1,466,466

The Accompanying Notes are an Integral Part of the Financial Statements



ABILENE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended DECEMBER 31, 2013

	Program Services							Supporting Services			Combined Total	
	Abilene COOL Program	AEF Scholarship Program	Teacher in the Limelight	Teacher Grant Program	Achievement Grants	Pass-Thru Programs	Various Educational Grants	Total Program Services	Administrative	Fund Raising		Total Supporting Services
Salaries and Wages	41,857							41,857	54,947	7,527	62,474	104,331
Employee Taxes	3,202							3,202	4,203	576	4,779	7,981
Total Salaries and Payroll Related Expenses	45,059	-	-	-				45,059	59,150	8,103	67,253	112,312
Advertising	7,041	3,138	5,700					15,879		8,813	8,813	24,692
Bank Fees								-	82	1,033	1,115	1,115
Depreciation								-	5,518		5,518	5,518
Dues, Memberships and Subscriptions	1,130							1,130			-	1,130
Events		6,258	3,711	1,369				11,338		33,873	33,873	45,211
Gift		300						300	650		650	950
Grants			13,800	64,776	12,972		8,774	100,322			-	100,322
Insurance								-	1,218		1,218	1,218
Meals	692							692	49		49	741
Miscellaneous	61							61	76		76	137
Postage / Direct Mail	602							602	193		193	794
Professional and Legal Fees								-	31,452		31,452	31,452
Property Taxes								-			-	-
Rent	2,268							2,268	5,566		5,566	7,834
Repairs and Maintenance								-			-	-
Scholarship		44,400						44,400	1,333		1,333	45,733
Staffs and Staffs Benefits	196,205							196,205			-	196,205
Supplies	8,784					23,120		31,904		-	-	31,904
Telephone and Utilities	3,900							3,900			-	3,900
Technology Expense	2,623							2,623			-	2,623
Travel	16,888							16,888			-	16,888
								-			-	-
Total Expenses	285,253	54,096	23,211	66,145	12,972	23,120	8,774	473,570	105,286	51,822	157,109	630,679



ABILENE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended DECEMBER 31, 2012

	Program Services									Supporting Services			Combined Total	
	Abilene COOL Program	AEF Scholarship Program	Teacher in the Limelight	Teacher Grant Program	Young Musicians Program	Achievement Grants	Art Outreach Educational Grants	AISD Promotional Grants	Various Educational Grants	Total Program Services	Administrative	Fund Raising		Total Supporting Services
Salaries and Wages	40,057	499								40,556	38,090	26,331	64,421	104,977
Employee Benefits and Taxes	3,064	38								3,102	3,279	2,014	5,292	8,395
Total Salaries and Payroll Related Expenses	43,121	537	-	-	-					43,658	41,369	28,345	69,714	113,372
Advertising	11,053	3,181	5,000	2,715						21,949		3,760	3,760	25,708
Bank Fees										-	77	895	972	972
Depreciation										-	5,152		5,152	5,152
Dues, Memberships and Subscriptions	1,125									1,125			-	1,125
Events										-		28,177	28,177	28,177
Gift		390								390	195		195	585
Grants				55,880	2,300	5,000	5,000	12,160	5,050	85,390			-	85,390
Insurance										-	868		868	868
Meals	1,305									1,305	70		70	1,375
Miscellaneous	197									197	24		24	221
Postage / Direct Mail	102									102	401		401	504
Professional and Legal Fees											420		420	31,534
Property Taxes										-			-	-
Rent	3,054									3,054	5,566		5,566	8,620
Repairs and Maintenance										-			-	-
Scholarship		26,000								26,000			-	26,000
Staffs and Staffs Benefits	140,234									140,234			-	140,234
Supplies	9,088	4,200							216	13,504	778		778	14,282
Telephone and Utilities	2,575									2,575			-	2,575
Travel	18,390	347								18,737			-	18,737
										-			-	-
Total Expenses	230,244	34,655	5,000	58,595	2,300	5,000	5,000	12,160	5,686	358,640	85,615	61,177	146,791	505,432



ABILENE EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS - Direct Method

Years Ended DECEMBER 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
<u>Unrestricted</u>		
Contributions, Gains, and Other Support		
General Contributions	136,572	146,515
Endowment Earnings	-	(5,339)
Investment Fees	2,914	1,114
Investment Income	12,881	1,012
Other Income	10,392	
Net Assets Released from Restrictions		
Satisfaction of Restrictions		
Total Revenues, Gains, and Other Support	162,759	143,302
Expenses		
Supporting Services:		
Administrative	97,949	112,663
Fundraising	51,822	61,177
Total Expenses	149,771	173,840
Net Changes-Unrestricted	12,988	(30,539)
<u>Temporarily Restricted</u>		
Contributions, Gains, and Other Support		
Contributions by Program		
Abilene COOL Administrative Assistant Supplement	22,000	22,000
Abilene COOL Program	216,283	292,775
Achievement Grants	-	500
AEF Scholarship Programs	50,974	34,003
AHS Percussion Grant	500	
Alumni Scholarship Administrative Fund	51	21
Donor Database Funds	-	2,000
Jefferson Center Program	10,000	
McMurry Intern	1,620	3,500
P-16 Looping Program	5,000	
Teacher Grant Programs	52,729	52,008
Teachers in the Limelight	8,832	18,000
Website Maintenance Program	3,500	3,500
Young Musicians Program	-	700
Net Assets Released from Restrictions		
Satisfaction of Restrictions		
Total Revenues, Gains, and Other Support	371,489	429,006
Expenses		
Program Services:		
Abilene COOL Program	285,253	229,895
Achievement Grants	12,972	-
AEF Scholarship Programs	54,096	41,549
AISD Board Security Funds	-	420
Alumni Scholarship Administrative Fund	-	16
McMurry Intern	-	1,580
Pass-Thru Programs	23,120	
Teacher Grant Programs	66,145	51,000
Teachers in the Limelight	23,211	5,000
Various Educational Grants	8,774	
Website Maintenance Program	-	4,931
Young Musicians Program	-	700
Total Expenses	473,571	335,091
Net Changes-Temporarily Restricted	(102,082)	93,916

The Accompanying Notes are an Integral Part of the Financial Statements



ABILENE EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS - Direct Method
 Years Ended DECEMBER 31, 2013 and 2012

	2013	2012
<u>Permanently Restricted</u>		
Contributions, Gains, and Other Support		
Contributions by Endowments		
AEF Endowment	3,084	3,161
Alumni Scholarship Endowments Fund	5,833	5,126
Jennings Teach'g Excellance Endowments Fund	100	280,657
Royce Curtis Educator Scholarship Endowments Fund	26,485	20,000
Transportation Scholarship Endowment Fund	-	84
Endowment Donations	(27,408)	(304,862)
Investment Income		
Realized / Unrealized Gain / (Loss) on Investments		
Other Income		
Total Revenues, Gains, and Other Support	8,094	4,166
Net Cash Provided (Used) by Operating Activities	(81,000)	67,543
Cash Flows from Investing Activities		
Purchase of Property and Equipment	-	(7,281)
Cash from Sale of Building	-	-
Sale of Property and Equipment		
Net Cash Provided (Used) by Investing Activities	-	(7,281)
Net Increase (Decrease) in Cash and Cash Equivalents	(81,000)	60,261
Cash and Cash Equivalents at Beginning of Year	464,380	404,119
Cash	383,380	464,380
Overdrafts		
Cash and Cash Equivalents at End of Year	383,380	464,380
Supplemental Disclosures		
Interests Paid	-	-

Abilene Education Foundation

Supplemental Information



ABILENE EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS - Indirect Method
 Years Ended DECEMBER 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in Net Assets	159,834	861,420
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,518	5,152
Unrealized Loss (Gain) on Investments	(56,827)	(11,914)
Endowment Donations	(27,408)	(304,862)
Endowment Earnings	(10,942)	(5,339)
Investment Fees	2,914	1,114
Contributions Restricted from Long Term Investment		
 (Increase) Decrease in Operating Assets		
Contributions Receivable	(150,000)	(475,000)
CFA Endowment Earnings Receivable	(5,910)	5,624
Increase (Decrease) in Operating Liabilities		
Accrued Liabilities	1,200	8,000
Scholarship Payable	-	(17,000)
Payroll Liabilities	620	349
Net Cash Provided (Used) by Operating Activities	(81,001)	67,543
 Cash Flows from Investing Activities		
Purchase of Property and Equipment	-	(7,281)
Cash from Sale of Building		
Sale of Property and Equipment		
Net Cash Provided (Used) by Investing Activities	-	(7,281)
 Net Increase (Decrease) in Cash and Cash Equivalents	(81,001)	60,262
 Cash and Cash Equivalents at Beginning of Year	464,380	404,119
Cash	383,380	464,380
Overdrafts		
Cash and Cash Equivalents at End of Year	383,380	464,380
 Supplemental Disclosures		
Interests Paid	-	-

The Abilene Education Foundation

Notes to the Financial Statements

Abilene Education Foundation Notes to the Financial Statements

NOTE 1: STATEMENT OF ORGANIZATION AND PURPOSE

The Abilene Education Foundation (the "AEF") was incorporated on October 10th, 2000, under the laws of the State of Texas as a non-profit corporation. The purpose of the AEF is to receive gifts, bequests, and donations from both the general public and other nonprofit entities, and to use those donations to maintain a fund or funds of real, personal, or other property, to use and apply in whole or in part of the net income and principle exclusively for the support of the Abilene Independent School District, to enrich its academic curriculum, fine arts, and co-curricular programs. Support of the Abilene Independent School District may also include the grant of college, technical, or vocational school scholarships to graduating seniors.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for Not For Profit Organizations. Under this basis of accounting, revenue is recognized when earned, and expenses are recognized when incurred. Policies and practices which materially affect the determination of financial position are summarized as follows:

Basis of Presentation

The AEF has adopted Statements of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 117 requires the AEF to classify the net assets of the AEF based on the existence or absence of donor imposed restrictions. These classifications of net assets are described as follows:

Unrestricted - All resources over which the governing board has discretionary control.

Temporarily Restricted - Resources that have donor imposed restrictions that permits the AEF to expend the assets as specified and is satisfied either by the passage of time or by actions of the AEF.

Permanently Restricted - Resources that include a donor imposed restriction that stipulates that resources be maintained permanently but permits the AEF to use or expend part or all of the income (or other economic benefit) derived from the donated assets. The endowment principal may be decreased due to market valuations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Changes in other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. When a donor 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.

Abilene Education Foundation Notes to the Financial Statements

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

With respect to temporarily restricted net assets, the Foundation has adopted the following accounting policies:

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

The Foundation uses restricted net assets first for contributions received for which both restricted and unrestricted net assets are available.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid instruments including certificate of deposits invested with regulated financial institutions.

Investments – Available for Sale

Investments are carried at market value. Cash held in certain brokerage accounts is considered a short-term investment. Realized gains and losses on marketable equity securities are recorded and are added to or subtracted from the applicable category of net assets. Unrealized gains and losses are recorded annually on marketable equity securities. Unrealized and realized gains and losses are recorded in the accompanying statements of activities as realized and unrealized gains (losses) on investments.

Investment income is recorded and added to or subtracted from the applicable category of net assets, and is reported as investment income in the accompanying financial statements.

Promises to Give

Contributions are recognized when the AEF is notified of the contribution. Contributions that have donor-imposed restrictions are reported as increases in temporarily or permanently restricted net assets. Other contributions are reported as increases in unrestricted net assets. All are recorded at expected fair market value and are expected to be received within 12 months. AEF has not recorded a bad debt reserve due to immaterial amount.

The AEF received notices from Dian Graves Owen Foundation and Shelton Family Foundation for grants over the next five years to expand and duplicate the COOL program. The AEF will use the funds, in conjunction with other high schools in the district, to hire more college advisors, take more college tours, reach students in the middle schools with information about opportunities for attending college and provide summer camps for students. As of December 31, 2013 and 2012, the AEF has contributions receivable of \$750,000 and \$600,000 outstanding, respectively.



Abilene Education Foundation Notes to the Financial Statements

Fixed Assets

Acquisitions of equipment have been recorded at historical cost. Donated items and other fixed assets are recorded at estimated fair market value of the donated property or equipment as of the date of the donation. Repairs and maintenance of equipment are recorded as expenses when incurred for fixed assets under a year; assets with a useful life of greater than one year are capitalized. Significant improvements to fixed assets are capitalized as additional cost and depreciated. Depreciation is computed using the straight line method over the estimated useful lives of assets. The estimated useful life of office equipment, office furniture and technology grant assets is five years. Depreciation expenses were \$5,518 for the year ended December 31, 2013 and \$5,152 for the year ended December 31, 2012.

Property and equipment consists of the following as of December 31, 2013.

	2013	2012
Software	6,096	6,096
Equipment, Office Equipment, Technology Grant Assets	21,805	21,805
Office Furniture	6,910	6,910
	<u>34,811</u>	<u>34,811</u>
Less: Accumulated Depreciation	<u>(27,294)</u>	<u>(21,776)</u>
Net Property and Equipment	<u>7,517</u>	<u>13,035</u>

Prior Period Adjustments

The AEF has reconstructed its net assets and implemented new procedures for endowment funds based on actual donations, which includes recognizing gains, losses, interests, management fees and grant payouts as the temporarily restricted activities.

Federal Income Taxes

The AEF has been granted an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code in an exemption letter dated February 21, 2001. The Internal Revenue Service has further determined that the AEF is a publicly supported organization under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

For the year ended December 31, 2013, the Organization did not conduct any unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying financial statements. The Organization's Federal Return of Organization Exempt from Income Tax is subject to examination by the Internal Revenue Service for three years from the date of filing. As a result, the organization is no longer subject to income tax examinations by the tax authorities for years prior to 2010. Under current authoritative pronouncements, Accounting for Uncertainty in Income Taxes, it is necessary to evaluate the tax positions taken or expected to be taken in the course of preparing the Organization's

Abilene Education Foundation Notes to the Financial Statements

financial statements to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions or settlements. However, the conclusions regarding the uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations and interpretations thereof.

Contributions

The AEF has adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". SFAS No. 116 requires the AEF to record contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of any restrictions made by the donor. Contributions include gifts of cash and promises to give.

All donor-restricted contributions are 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.

Contributions of securities and property to the AEF are recorded at fair market value at the date of the gift. Restricted contributions are reported as restricted support in the period received.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value Measurements

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable,

Abilene Education Foundation Notes to the Financial Statements

meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

The following schedule classifies the Foundation's assets and liabilities carried at fair value based upon the three-tier hierarchy required by ASC 820.

Assets at Fair Value as of December 31, 2013				
	Level 1	Level 2	Level 3	Total
Pooled Fund Investment	483,822	-	-	483,822
Total	483,822	-	-	483,822

Assets at Fair Value as of December 31, 2012				
	Level 1	Level 2	Level 3	Total
Pooled Fund Investment	391,559	-	-	391,559
Total	391,559	-	-	391,559

NOTE 3: RISK AND UNCERTAINTIES

Economic and Geographic Concentrations

The Abilene Education Foundation's activities are focused on the educational needs of the students in the Abilene Independent School District. Thus, the contributors to the organization are limited to individuals, businesses and foundations that have an interest in enhancing the



Abilene Education Foundation Notes to the Financial Statements

education of AISD students. The economic conditions of the community may have an affect on the level of contributions received.

Concentrations of Credit Risk – Cash and Investment

The AEF maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The AEF maintains balances at the financial institutions in lack of the insured amount.

The AEF has invested its endowment funds into a variety of financial securities in order to have a better return than money market rates of interest. These investments are subject to market valuation fluctuations and the investments are subject to a risk of loss.

NOTE 4: NET ASSETS

Net Assets are stated at fair value at December 31, 2013 and 2012 and consist of the following:

Unrestricted net assets:

	2013	2012 (Adjusted)	2012
General Fund	67,188	101,568	114,292
AEF Agency Endowment Funds	7,574	2,334	
Board Restricted Endowment			
AHS Alumni Scholarship	-	-	8,014
CHS Alumni Scholarship	-	-	20,718
Total Unrestricted Net Assets	74,762	103,901	143,024

Temporarily Restricted Net Assets:

	2013	2012 (Adjusted)	2012
Alumni Scholarship End			
AHS	4,580	1,526	-
CHS	4,437	1,495	-
Jennings Teaching Excellence Fund	53,644	6,671	-
Royce Curtis Scholarship Endowment Fund	5,039	1,085	-
Abilene COOL Program	989,850	888,668	889,091
Abilene COOL Administrative Assistant Supplement	1,959	111	111
Achievement Grants	500	500	500
AEF Scholarship Programs	50,917	32,965	30,542
AISD Board Security Funds	135	135	135
Alumni Scholarship Admin Funds	52	2	6



**Abilene Education Foundation
Notes to the Financial Statements**

Donor Database Funds	567	2,417	6,267
Jefferson Center Program	8,880	-	-
McMurry Intern	82	1,920	1,920
P-16 Looping Program	-	15,000	15,000
Teacher in the Limelight	-	13,000	13,000
Teacher Grant Programs	12,679	17,736	16,705
Website Maintenance Fund	3,500	117	117
Total Temporarily Restricted Net Assets	1,136,820	983,349	973,394

Permanently Restricted Net Assets:

	2013	2012 (Adjusted)	2012
AEF Endowment Fund	37,351	34,267	28,493
Alumni Scholarship Endowment			
AHS	27,631	22,839	17,129
CHS	23,117	22,075	3,886
Jennings Teaching Excellence Fund	275,134	275,034	275,034
Royce Curtis Scholarship Endowment Fund	51,485	25,000	25,000
Transportation Endowment Scholarship Fund	-	-	506
Total Permanently Restricted Assets	414,718	379,216	350,048

NOTE 5: FUND HELD IN TRUST BY OTHERS (INVESTMENTS)

Investments held by the AEF as of December 31, 2013 and 2012 consist of funds held at The Community Foundation of Abilene. These funds are invested in marketable securities at the Community Foundation of Abilene's discretion. The board of trustees of The Community Foundation of Abilene shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization, if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (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, the Organization classifies as permanently restricted net assets (a) the original value of 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 donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those

Abilene Education Foundation Notes to the Financial Statements

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.

Funds held in trust by others and changes in funds held in trust by others for the year ended December 31, 2013 and 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance	42,997	-	348,562	391,559
Prior Period Adjustment	(40,663)	10,778	29,885	(0)
Beginning Balance - Adjusted	2,334	10,778	378,448	391,559
Contribution Received			30,102	30,102
Interests and Dividends Income	1,026	9,915		10,942
Net Realized Gains / Losses				-
Net Unrealized Gains / Losses	5,391	51,436		56,827
Total Increases	6,417	61,352	30,102	97,871
Grants Paid	905	1,789		2,694
Investments Fees	272	2,642		2,914
Total Decreases	1,177	4,431	-	5,608
Ending Balance 12/31/2013	7,574	67,699	408,550	483,822

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance	29,336	-	41,221	70,557
Contribution Received	-		308,127	308,127
Interests and Dividends Income	5,339	-		5,339
Net Realized Gains / Losses			(786)	(786)
Net Unrealized Gains / Losses	11,914	-		11,914
Total Increases	17,253	-	307,341	324,595



**Abilene Education Foundation
Notes to the Financial Statements**

Grants Paid	2,479	-		2,479
Investments Fees	1,114	-		1,114
Total Decreases	3,593	-	-	3,593
Ending Balance 12/31/2012	42,997	-	348,562	391,559

The Foundation is the income beneficiary of a trust (the JJM Fund) held by the Community Foundation of Abilene. The Foundation receives income from the trust less administrative and investment fees. The Community Foundation of Abilene retains ownership of the principal. As of December 31, 2013 and 2012, the total beneficial interest receivable from the trust were 14,495 and 8,585, respectively.

This trust agreement has been valued at the discounted present value of expected future cash flows. The expected future cash flows have been discounted at a rate of 5% over an infinite period of time and calculated based upon the current fair value of the trust’s assets and other factors stipulated in the agreement. The present value of the expected future cash flows has been reflected as a beneficial interest receivable from the trust agreement in the statement of financial position. The resulting net asset is temporarily restricted due to time. The change in estimated value is reflected as a change in value of trust agreement in the statement of activities.

NOTE 6: PROGRAMS

Grant to Abilene Independent School District

The Abilene Education Foundation purchased television air time on the local TV stations to promote Abilene ISD and the educational advantages available in their offering of advanced placement and dual credit classes in the high schools in the district. The ads were intended to encourage transfers into the district and provide people moving to our community information about the wonderful opportunities offered in AISD that are not available in other districts.

The Royce Curtis Excellence in Education Endowed Scholarship Program

The Abilene Education Foundation received donations to provide the financial assistance for AISD’s graduating seniors in order for them to continue their education.

AEF Teacher Grants

The AEF raises money each year to honor outstanding AISD teachers with classroom and instructional grants. These grants are provided to teachers after submission of grant requests to fund school educational projects. Awards are provided to teachers each September to fund the educational projects for the school year.

Abilene Education Foundation Notes to the Financial Statements

Teachers in the Limelight

The AEF received donations from Edwin and Agnes Jennings to provide a Teaching Excellence Awards Program. The Teaching Excellence Awards consist of four awards – Outstanding Elementary Teacher, Outstanding Secondary Teacher, Outstanding Math Teacher and Outstanding Science Teacher. The AEF establishes a Committee to evaluate the nominees and determines the recipients of the Teaching Awards and plan the awards ceremony.

AEF Scholarship Program:

- Alumni Scholarship Endowment Program - The AEF began an Alumni Scholarship Endowment Program in February of 2008. The monies raised for the program are used to fund an endowment where earnings are awarded to seniors in AISD in the form of college scholarships. The amount of the scholarships varies depending on the donations and earnings from investments. The AEF collects all donations, writes all acknowledgements, and administers all scholarships following the guidelines established for past AEF scholarships and all activities to promote the program for a 1 % fee of the donations. The remaining funds are sent to the Community Foundation of Abilene for investment and remain there as a permanent (asset) endowment for future scholarships.
- AHS and CHS Alumni Scholarship Funds - Funds in the AEF Alumni Scholarship Endowment Program are designated as \$23,117 to Cooper High School and \$27,631 to Abilene High School for scholarships. The AHS and CHS funds consist of permanently restricted donations and as well as board restricted funds. Other funds added to the program will be shared equally by both unless restricted by the donor.
- Meta Keith Scholarship Fund - This is a donor-directed memorial scholarship fund to be given as renewable scholarships each year for four years, beginning in the 2012 fall semester.
- AEF Young Masters Program - The AEF Young Masters Juried Art Exhibition for Advanced Placement Art students celebrates young master artists and their dedicated teachers for demonstrating excellence in artistic education with a quality museum art exhibition. The Young Masters exhibition extends the supporting role of the AEF with AISD, and will impact the future of not only the students selected for the show, but all advanced placement art students by inspiring them to reach their full potential. Additionally, it provides students acclamation that may further enhance opportunities for acceptance into higher education art programs. Scholarship winners are selected by a professional artist, as well as other non-scholarship recognition categories.
- Donations for Other Scholarships - Funds for the Royce Curtis Excellence in Education Endowed Scholarship are from a restricted donation for an endowed scholarship by Bracken Kolle of \$50,000. The scholarship is to be awarded at a future date when enough funds are added that will provide spin off to support a scholarship to

Abilene Education Foundation Notes to the Financial Statements

an AHS senior. The Kolle Class Endowed Scholarship was renamed to the Royce Curtis Excellence in Education Endowed Scholarship in the summer of 2013.

- AEF Donor Directed Scholarships are given by donors for specific scholarships for students at both AHS and CHS. These scholarships vary in criteria and amount as per the request of the donor.
- Abilene Education Foundation also raises funds for AEF Scholarships on an annual basis. In 2013 AEF gave \$2,000 Scholarships to three AHS seniors and three CHS seniors, and one A TEMS senior.

AEF COOL Program (College Opportunities for Life)

The Abilene COOL program began in 2007 and provided four counselors (added two counselors in July 2012), two on each AISD high school campus, to identify students that need assistance regarding the college application process. In addition to assisting students in the completion of college applications, the COOL program organizes field trips to college campuses and helps students find scholarships and funds for college. In 2013, the program received contributions of \$366,283 and incurred expenses of \$285,253. In 2012, the program received contributions of \$767,775 and incurred expenses of \$230,244.

Abilene Education Foundation Alumni Scholarship Endowment Program

The Abilene Education Foundation began a Scholarship Endowment Program in February of 2008. The monies raised for the program will be used to fund an endowment where earnings will be awarded to seniors in AISD in the form of College Scholarships. The amount of the scholarships will vary depending on the donations and earnings from investments. The AEF will collect all donations, write all acknowledgements, administer all scholarships following the guidelines established for past AEF scholarships, and administer all activities to promote the program for an 1% fee of the donations. The remaining funds will be sent to the Community Foundation of Abilene for investment and remain there as a permanent endowment for future scholarships.

P-16 Looping Program

This is a donor-directed program that aims to improve mathematics scores by allowing teachers in 8th and 9th grades to teach the same students in mathematics for two consecutive years from middle school to high school, thereby providing consistency. The program will continue as a pilot program for two years, and will thereafter be picked up by AISD if successful.

NOTE 7: IN-KIND DONATION

The AEF received office space and administrative services for its Executive Director from AISD. The office is supplied with phone service, computer and internet service, copy machine, copy paper, storage room, office supplies, etc. Three other offices with similar



Abilene Education Foundation Notes to the Financial Statements

provisions are also provided to the two AEF COOL Program College Advisors and the COOL Program Facilitator. The four offices are located at the AISD Administration Building at One AISD Center, 241 Pine Street, Abilene, TX 79601. For the years ended December 31, 2013 and 2012, \$7,459 was included in the financial statements for the use of these offices each year. The offices are provided on a month-to-month basis.

NOTE 8: CONTINGENCIES

In the ordinary course of conducting its operations, the Organization may be subjected to loss contingencies arising from lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on the Organization's financial position or results of future operations.

NOTE 9: SUBSEQUENT EVENTS

Subsequent events were evaluated through October 24, 2014, the financial statements issue date.