

ABILENE EDUCATION FOUNDATION

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

ABILENE EDUCATION FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Abilene Education Foundation:

We have audited the accompanying statement of financial position of **Abilene Education Foundation** (a nonprofit organization) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **Abilene Education Foundation's** management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the **Abilene Education Foundation** as of December 31, 2008, were audited by other auditors whose report dated June 12, 2009, expressed an unqualified opinion on those statements.

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 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Abilene Education Foundation** as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Davis Kinard & Co, PC

DAVIS KINARD & CO, PC

Abilene, Texas
September 13, 2010

ABILENE EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS	2009	2008
Current Assets		
Cash and cash equivalents	\$ 551,215	\$ 664,222
Contributions receivable	60,000	15,592
CFA endowment grants receivable	7,087	191
Employee receivable		64
Accrued endowment earnings		16,159
Total Current Assets	618,302	696,228
Fixed Assets		
Property and equipment	18,962	11,221
Less: accumulated depreciation	(8,313)	(4,662)
Total Fixed Assets	10,649	6,559
Other Noncurrent Assets		
Deposits	10	10
Endowment fund investments	15,317	12,689
Total Other Noncurrent Assets	15,327	12,699
TOTAL ASSETS	\$ 644,278	\$ 715,486
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accrued liabilities	\$	\$ 4,200
Scholarship payable	92,250	151,500
Payroll liabilities	1,026	966
Total Current Liabilities	93,276	156,666
Long-term Liabilities		
Scholarship payable	67,000	218,000
Total Long-Term Liabilities	67,000	218,000
TOTAL LIABILITIES	160,276	374,666
NET ASSETS		
Unrestricted	86,510	97,487
Temporarily restricted	374,520	225,097
Permanently restricted	22,972	18,236
TOTAL NET ASSETS	484,002	340,820
TOTAL LIABILITIES AND NET ASSETS	\$ 644,278	\$ 715,486

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

ABILENE EDUCATION FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Contributions	\$ 62,438	\$ 262,634	\$ 4,736	\$ 329,808
Investment income	7,977			7,977
Realized and unrealized gains (losses) on investments	2,872			2,872
Net assets released from restrictions	113,211	(113,211)		
TOTAL REVENUES AND OTHER SUPPORT	<u>186,498</u>	<u>149,423</u>	<u>4,736</u>	<u>340,657</u>
EXPENSES				
Grants and distributions	120,591			120,591
Administrative expenses	76,884			76,884
TOTAL EXPENSES	<u>197,475</u>	<u>-</u>	<u>-</u>	<u>197,475</u>
CHANGE IN NET ASSETS	(10,977)	149,423	4,736	143,182
NET ASSETS AT BEGINNING OF YEAR	<u>97,487</u>	<u>225,097</u>	<u>18,236</u>	<u>340,820</u>
NET ASSETS AT END OF YEAR	<u>\$ 86,510</u>	<u>\$ 374,520</u>	<u>\$ 22,972</u>	<u>\$ 484,002</u>

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

2008

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 99,771	\$ 440,901	\$ 10,947	\$ 551,619
14,476			14,476
(4,643)			(4,643)
<u>450,338</u>	<u>(450,338)</u>		<u>-</u>
559,942	(9,437)	10,947	561,452
436,978			436,978
<u>83,022</u>			<u>83,022</u>
520,000			520,000
39,942	(9,437)	10,947	41,452
<u>57,545</u>	<u>234,534</u>	<u>7,289</u>	<u>299,368</u>
<u>\$ 97,487</u>	<u>\$ 225,097</u>	<u>\$ 18,236</u>	<u>\$ 340,820</u>

ABILENE EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 143,182	\$ 41,452
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,651	2,092
(Increase) decrease in:		
Contributions receivable	(44,408)	2,392
Endowments receivable	13,531	(13,165)
Other accounts receivable	(6,832)	(2,456)
Increase (decrease) in:		
Accrued liabilities	(4,140)	966
Scholarship payable	(210,250)	38,000
Net unrealized and realized (gains) and losses on long-term investments		(6,541)
Net cash (used in) provided by operating activities	(105,266)	62,740
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,741)	(815)
Endowment investments contributed		(5,713)
Net cash used in investing activities	(7,741)	(6,528)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for endowment investments		5,713
Net cash provided by financing activities		5,713
CHANGE IN CASH AND CASH EQUIVALENTS	(113,007)	61,925
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	664,222	602,297
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 551,215	\$ 664,222

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

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Abilene Education Foundation's (the "AEF" or the "Foundation") significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Organization and Nature of Activities

The Foundation was incorporated on October 10, 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 non-profit 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 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.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Under this basis of accounting, revenue is recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

The focus of these financial statements is to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of revenues, expenses, gains and losses into three classes of net assets – unrestricted, temporarily restricted or permanently restricted.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations. The AEF reports all resources over which the governing board has discretionary control as unrestricted assets. The Foundation reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the AEF and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations and that may be maintained permanently by the AEF. Gifts that are restricted by the donor to be retained in perpetuity are recorded as changes in permanently restricted net assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support.

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - continued

Revenues are reported as increases in unrestricted net assets unless use of the related asset 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. 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.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. As a result, actual results may differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits in checking or savings accounts with banks, and money market mutual funds at securities brokerage firms with original maturities of three months or less.

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments

Investments are carried at market value. 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.

Contributions

Under authoritative guidance, the Foundation must 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.

Contribution revenue is recognized when donors make pledges to support the Foundation. The majorities of contributions are not receipts of pledges, but are a reflection of the generosity of individuals who make periodic contributions to assist the Foundation in its support. All contributions are recorded at expected fair market value and are expected to be received within 12 months.

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. Therefore, no provision has been made for income taxes in the financial statements.

The Foundation adopted authoritative guidance related to uncertain tax positions on January 1, 2009. The Foundation had no unrecognized tax benefits that would require an adjustment to the January 1, 2009, beginning balance of net assets. The Foundation had no unrecognized tax benefits at January 1, 2009 and December 31, 2009.

The Foundation recognizes interest accrued on and penalties related to unrecognized tax benefits in tax expense. During the year ended December 31, 2009, the Foundation recognized no interest and penalties.

The Foundation files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Foundation is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2005.

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, Plant and Equipment

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.

Reclassifications

Certain 2008 amounts have been reclassified to conform to 2009 presentation.

NOTE 2: FUNDRAISING

Most of the expenses associated with fundraising are paid individually and are not recorded as expenses or revenue of AEF. The Foundation's expenses for fundraising are included in Administrative expenses. A detail of these expenses is presented as follows:

	<u>2009</u>	<u>2008</u>
Fundraising Expenses		
Promotional	\$ 231	\$ 1,168
Printing costs	2,057	293
Credit card fees	788	215
Corporate drive	309	1,300
Annual letter campaign	336	1,395
Web site		4,000
10th anniversary event	<u>2,163</u>	
Total Fundraising Expenses	<u>\$ 5,884</u>	<u>\$ 8,371</u>

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: SCHOLARSHIPS

AEF awarded scholarships to AISD seniors in years prior to 2009, which were accrued at the date awarded. In 2009 and 2008, \$131,750 and \$136,500, respectively was distributed. Estimated future payments of scholarships are as follows:

<u>Year</u>	<u>Scholarship Liability</u>
2010	\$ 92,250
2011	39,000
2012	<u>28,000</u>
Total	<u>\$ 159,250</u>

The net assets of this program were transferred to the COOL program as of December 31, 2009. Any future forfeitures by students will also be added to the COOL program. Such forfeitures are expected to be minimal.

NOTE 4: ENDOWMENT

Investments held by the AEF as of December 31, 2009 and December 31, 2008 consist of one individual donor restricted endowment fund - the AEF Endowment Fund held at the Community Foundation of Abilene (the "CFA"). These funds are invested in marketable securities at the CFA's discretion. The Board of Trustees of the CFA has 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 or fulfillment, or inconsistent with the charitable needs of the community served.

Interpretation of Relevant Law

The Foundation, relying on information and advice from legal counsel and appointed officers, has interpreted Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary. As a result of this interpretation, for financial reporting purposes, the Foundation classifies as permanently restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the instructions of the applicable gift instruments. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure with the standard of care required by UPMIFA.

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: ENDOWMENT – continued

Endowment net assets consist of the following at December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ <u>2,314</u>	\$ <u> </u>	\$ <u>13,003</u>	\$ <u>15,317</u>

Endowment net assets consist of the following at December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ <u>(314)</u>	\$ <u> </u>	\$ <u>13,003</u>	\$ <u>12,689</u>

Changes in endowment net assets for the year ended December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2008	\$ (314)	\$ <u> </u>	\$ 13,003	\$ 12,689
Investment return:				
Endowment and investment income	129			129
Net realized losses				
Net unrealized gains	2,872			2,872
Contributions				
Withdrawals and distributions	(292)			(292)
Appropriations for expenditure	<u>(81)</u>	<u> </u>	<u> </u>	<u>(81)</u>
Endowment net assets, December 31, 2009	\$ <u>2,314</u>	\$ <u> </u>	\$ <u>13,003</u>	\$ <u>15,317</u>

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: ENDOWMENT – continued

Changes in endowment net assets for the year ended December 31, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2007 \$	4,231	\$	\$ 7,290	\$ 11,521
Investment return:				
Endowment and investment income	288			288
Net unrealized losses	(4,358)			(4,358)
Net realized gains				
Contributions			5,713	5,713
Withdrawals and distributions	(384)			(384)
Appropriations for expenditure	<u>(91)</u>	<u> </u>	<u> </u>	<u>(91)</u>
Endowment net assets, December 31, 2008 \$	<u>(314)</u>	<u>\$</u>	<u>\$ 13,003</u>	<u>\$ 12,689</u>

Funds with Deficiencies

From time to time, the fair market value of assets associated with individual donor-restricted endowment accounts may fall below the level that the donor or UPMIFA requires the Foundation to retain for perpetuity. Deficiency of this nature would be reported in unrestricted net assets. No individual donor-restricted endowment accounts fell below this threshold for the year ending December 31, 2009. The deficiency reported in unrestricted net assets as of December 31, 2008 was \$314. This deficiency resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and the continued appropriation for certain programs that was deemed prudent by the Board of Directors. Subsequent gains that restored the fair value of the assets of the endowment fund to the required level are classified as an increase in unrestricted net assets.

AEF currently does not have endowment policies regarding the investment or spending of endowment funds.

NOTE 5: RISKS AND UNCERTAINTIES

The Foundation's investments in the Community Foundation of Abilene consist of a variety of securities that are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such change could materially affect investment amounts reported in the statements of financial position.

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: RISKS AND UNCERTAINTIES – continued

The AEF maintains checking and money market cash accounts with financial institutions that are subject to credit risk by the amount such deposits exceed federal deposit insurance limits \$250,000. The Foundation maintains balances at the financial institutions in excess of the insured amount.

The AEF'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 education of AISD students. The economic conditions of the community may affect the level of contributions received. One contributor accounted for 39% of the AEF's contributions in 2009.

NOTE 6: FUNDS HELD IN TRUST BY OTHERS

The Foundation is the income beneficiary of a trust (the JJM Fund) held by the Community Foundation of Abilene. The Foundation will receive income from the trust less administrative and investment fees. The Community Foundation of Abilene retains ownership of the principal. At December 31, 2009, the total beneficial interest receivable from the trust was \$7,087. There was no beneficial interest receivable from the trust at December 31, 2008.

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 statements of financial position. The resulting net asset is temporarily restricted due to time. The change in estimated present value is reflected as a change in value of trust agreement in the statements of activities.

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

Property and equipment consists of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 2,092	\$ 2,092
Office equipment	4,120	4,120
Office furniture	5,009	5,009
Technology grant assets	<u>7,741</u>	<u> </u>
	18,962	11,221
Less: accumulated depreciation	<u>(8,313)</u>	<u>(4,662)</u>
Net Property and Equipment	<u>\$ 10,649</u>	<u>\$ 6,559</u>

Depreciation expense was \$3,651 and \$2,092 for the years ended December 31, 2009 and 2008, respectively.

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: RESTRICTED NET ASSETS

Temporarily restricted funds and permanently restricted funds consisted of the following:

	2009	2008
Temporarily Restricted Assets		
Present and Accounted for Fund	\$	\$ 7,637
Administrative Overhead Fund	4,951	9,438
Abilene COOL Fund	337,516	102,727
Alumni Scholarship Admin Fund	894	132
GIFT (New Teachers) Fund	(50)	800
Teacher Grant Fund	22,504	24,113
Scholarship Program Fund	-	75,044
AEF Website Maintenance Fund	3,423	2,625
Young Masters School Fund	5,282	2,581
Total Temporary Restricted Assets	\$ 374,520	\$ 225,097
Permanently Restricted Assets		
AEF Endowment Fund	\$ 13,003	\$ 13,003
Alumni Scholarship Fund	9,628	5,203
Transportation Endowment Scholarship Fund	341	30
Total Permanently Restricted Assets	\$ 22,972	\$ 18,236

NOTE 9: FAIR VALUE MEASUREMENTS

ASC 820 requires certain disclosures about assets and liabilities measured and reported at fair value and emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Foundation's investments and liabilities. The inputs are summarized in three levels as outlined below:

Level 1 Inputs - Quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 1 assets include publicly traded securities and mutual funds. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: FAIR VALUE MEASUREMENTS - continued

Level 2 Inputs - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies as described below. Assets in this category generally include real estate, hedge funds of funds, private equity, and other equity instruments. Liabilities in this category include interest rate swaps and bonds payable subject to interest rate swaps.

Level 3 Inputs - Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Assets in this category generally include hedge funds of funds, private equity funds, managed long/short funds, privately held stock, other similar assets, and mineral interests. Liabilities in this category include the reserve for charitable trusts and annuities, the asset retirement obligation, and postretirement benefits other than pensions. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

The Foundation has adopted ASU No. 2009-12, Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent), which became effective for annual periods ending after December 15, 2009. This update provides amendments to ASC 820 for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) and also requires disclosures by major category of investment about the attributes of these investments. For classification purposes, the standard provides that if a reporting entity has the ability to redeem an investment with a private investment fund at the net asset value per share (or its equivalent) at the measurement date or within the near term and there are no other liquidity restrictions, the private investment shall be categorized as Level 2.

The Foundation's investments in private investment funds not otherwise traded on a securities exchange are classified within Level 2 or Level 3 of the fair value hierarchy, as the value of these interests are primarily based on the respective net asset value reported by management of each private investment fund rather than actual market transactions and other observable market data. If the Foundation has the ability to redeem its investment at the net asset value per share (or its equivalent) at the measurement date or within 120 days thereof and upon no greater than 90 days prior written notice and there are no other potential liquidity restrictions, the investment is categorized within Level 2.

The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: FAIR VALUE MEASUREMENTS - continued

The following schedules classify the Foundation's assets and liabilities carried at fair value based upon the three-tier hierarchy required by ASC 820:

	December 31, 2009	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
AEF Endowment Fund	\$ 15,317	\$ _____	\$ 15,317	\$ _____
Total Investments	<u>\$ 15,317</u>	<u>\$ _____</u>	<u>\$ 15,317</u>	<u>\$ _____</u>

	December 31, 2008	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
AEF Endowment Fund	\$ 12,689	\$ _____	\$ 12,689	\$ _____
Total Investments	<u>\$ 12,689</u>	<u>\$ _____</u>	<u>\$ 12,689</u>	<u>\$ _____</u>

NOTE 10: RECENT ACCOUNTING PRONOUNCEMENTS

In January, 2010, FASB issued Accounting Standards Update ("ASU") No. 2010-06, Improving Disclosures about Fair Value Measurements. The standard amends ASC 820 to require additional disclosures related to transfers between levels in the hierarchy of fair value measurement. This standard does not change how fair values are measured. The standard is effective for reporting periods beginning after December 15, 2009. The Foundation does not believe that the adoption of this standard will have a material impact on its financial statements.

ABILENE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: PROGRAMS

Early College Advanced Placement Incentive Program

The AEF is currently participating with the Dodge Jones Foundation and AISD in funding the Early College Advanced Placement Incentive Program – a ten year multi-million dollar program started in 2002 and underwritten by the Dodge Jones Foundation. The program is designed to enhance the District's Advanced Placement high school program.

AEF Teacher Grants

The AEF raises money each year to honor outstanding AISD teachers with classroom and instruction grants. These STAR (Supporting Teachers with Academic Resources) 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 of the school year.

The "Giving to First-time Teachers" (GIFT) grant is awarded to AISD employees who are teaching for the first time. Grant funds are for additional classroom materials to enhance those provided by the school district.

AEF Present and Accounted for Program

The Present and Accounted for Program is sponsored by the Partners in Education department of AISD, and uses funds contributed by community businesses and individuals to purchase and distribute incentives to AISD students who had perfect or near-perfect attendance. Incentives were gift certificates to the Mall of Abilene purchased by Maryann Martin, Director of Partners in Education. In 2009 and 2008, AEF collected \$7,825 and \$36,300 respectively to use for purchasing incentives. This program ended in 2009.

AEF In-Kind Contributions from AISD

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 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, 242 Pine Street, Abilene, TX, 79601. \$2,340 was included in the financial statements for each year ended December 31, 2009 and 2008 for the use of these offices. The offices are provided on a month-to-month basis.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: PROGRAMS - continued

AEF COOL Program (College Opportunities for Life)

The Abilene COOL Program began in 2007 and provided two counselors, one 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 to find scholarships and funds for college. In 2009 and 2008, the program received contributions of \$143,285 and \$162,933 and incurred expenses of \$122,014 and \$128,423 respectively.

AEF Alumni Scholarship Endowment Program

The AEF 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, and administer 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 will be sent to the Community Foundation of Abilene for investment and remain there as a permanent (asset) endowment for future scholarships.

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.

NOTE 12: SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 13, 2010, the date the financial statements were available to be issued.