

**ABILENE EDUCATION FOUNDATION**

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FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

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FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

**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 statements of financial position of Abilene Education Foundation (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years 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 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 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 audits provide 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Davis Kinard & Co, PC*  
Certified Public Accountants

Abilene, Texas  
June 26, 2012

**ABILENE EDUCATION FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
DECEMBER 31, 2011 AND 2010

ASSETS	2011	2010
Current Assets		
Cash and cash equivalents	\$ 404,119	\$ 433,178
Contributions receivable	125,000	250,000
CFA endowment earnings receivable	14,208	6,999
Total Current Assets	543,327	690,177
Property and Equipment		
Property and equipment	27,529	19,776
Less: accumulated depreciation	(16,624)	(11,964)
Total Property and Equipment	10,905	7,812
Other Noncurrent Assets		
Deposits	10	10
Funds held in trust by others	70,557	28,597
Total Other Noncurrent Assets	70,567	28,607
TOTAL ASSETS	\$ 624,799	\$ 726,596
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accrued liabilities	\$ 1,300	\$ 55,250
Scholarship payable	17,000	55,250
Payroll liabilities	1,453	1,350
Total Current Liabilities	19,753	56,600
Long-term Liabilities		
Scholarship payable		22,000
Total Long-Term Liabilities		22,000
TOTAL LIABILITIES	19,753	78,600
NET ASSETS		
Unrestricted	170,574	133,026
Temporarily restricted	387,828	478,374
Permanently restricted	46,644	36,596
TOTAL NET ASSETS	605,046	647,996
TOTAL LIABILITIES AND NET ASSETS	\$ 624,799	\$ 726,596

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

**ABILENE EDUCATION FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 147,681	\$ 138,388	\$ 10,048	\$ 296,117
Investment income	21,643			21,643
Realized and unrealized gains (losses) on investments	(1,979)			(1,979)
Net assets released from restrictions	228,934	(228,934)		
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>396,279</u>	<u>(90,546)</u>	<u>10,048</u>	<u>315,781</u>
<b>EXPENSES</b>				
Grants and distributions	198,759			198,759
Administrative expenses	159,972			159,972
<b>TOTAL EXPENSES</b>	<u>358,731</u>			<u>358,731</u>
<b>CHANGE IN NET ASSETS</b>	37,548	(90,546)	10,048	(42,950)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>133,026</u>	<u>478,374</u>	<u>36,596</u>	<u>647,996</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 170,574</u>	<u>\$ 387,828</u>	<u>\$ 46,644</u>	<u>\$ 605,046</u>

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

2010

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 142,357	\$ 666,867	\$ 14,983	\$ 824,207
13,655			13,655
2,355			2,355
<u>522,046</u>	<u>(522,046)</u>		
<u>680,413</u>	<u>144,821</u>	<u>14,983</u>	<u>840,217</u>
492,552			492,552
<u>143,671</u>			<u>143,671</u>
<u>636,223</u>			<u>636,223</u>
44,190	144,821	14,983	203,994
<u>88,836</u>	<u>333,553</u>	<u>21,613</u>	<u>444,002</u>
<u>\$ 133,026</u>	<u>\$ 478,374</u>	<u>\$ 36,596</u>	<u>\$ 647,996</u>

**ABILENE EDUCATION FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (42,950)	\$ 203,994
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	4,660	3,651
(Increase) decrease in:		
Contributions receivable	125,000	(190,000)
Endowments receivable	(7,209)	(13,280)
Other accounts receivable		88
Increase (decrease) in:		
Accrued liabilities	1,403	324
Scholarship payable	(60,250)	(122,000)
	20,654	(117,223)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(7,753)	(814)
Funds held in trust by others	(41,960)	
	(49,713)	(814)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(29,059)	(118,037)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	433,178	551,215
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 404,119	\$ 433,178

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 principal 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 December 31, 2011 and 2010.

The Foundation recognizes interest accrued on and penalties related to unrecognized tax benefits in tax expense. During the year ended December 31, 2011, the Foundation recognized no interest and penalties.

The Foundation annually 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 2008.

No contributions were received during 2011 or 2010 that would jeopardize the Foundation's tax-exempt status.

**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.

NOTE 2: FUNDRAISING

The Foundation’s expenses for fundraising are included in Administrative expenses. A detail of these expenses is presented as follows:

	2011	2010
Fundraising Expenses		
Promotional	\$ 1,618	\$ 138
Printing costs	1,175	1,640
Credit card fees	1,035	1,044
Annual letter campaign	1,242	2,616
10th anniversary event		18,308
Cajun fest	18,838	4,229
Billboard		500
Administrative assistants	4,742	
Annual report	1,007	
Franklin brick expense	200	
Total Fundraising Expenses	\$ 29,857	\$ 28,475

**ABILENE EDUCATION FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3: SCHOLARSHIPS

AEF awarded scholarships to AISD seniors in years prior to 2011, which were accrued at the date awarded. In 2011 and 2010, \$54,750 and \$93,750 respectively, was distributed. Estimated future payments of scholarships are as follows:

<u>Year</u>	<u>Scholarship Liability</u>
2012	\$ <u>17,000</u>
Total	\$ <u><u>17,000</u></u>

The net assets of this program were transferred to the COOL program as of December 31, 2011. Any future forfeitures by students will also be added to the COOL program. Such forfeitures are expected to be minimal.

NOTE 4: FUNDS HELD IN TRUST BY OTHERS

Investments held by the AEF consist of three donor-restricted endowment funds held at the Community Foundation of Abilene (the "CFA"). As of December 31, 2011 and December 31, 2010, the AEF held the AEF Endowment Fund with the CFA. As of December 31, 2011, two additional endowment funds were held – the Abilene High School Alumni Scholarship Fund and the Cooper High School Alumni Scholarship Fund. All endowment 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: FUNDS HELD IN TRUST BY OTHERS – continued

Funds held in trust by others consist of the following at December 31, 2011:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Funds held in trust by others	\$ <u>29,336</u>	\$ <u>          </u>	\$ <u>41,221</u>	\$ <u>70,557</u>

Funds held in trust by others consist of the following at December 31, 2010:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Funds held in trust by others	\$ <u>6,972</u>	\$ <u>          </u>	\$ <u>21,625</u>	\$ <u>28,597</u>

Changes in funds held in trust by others for the year ended December 31, 2011 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Funds held in trust by others, December 31, 2010	\$ 6,972	\$	\$ 21,625	\$ 28,597
Investment return:				
Endowment and investment income		1,238		1,238
Net realized losses				
Net unrealized gains		(1,979)		(1,979)
Contributions		24,111	19,596	43,707
Withdrawals and distributions		(701)		(701)
Appropriations for expenditure		<u>(305)</u>		<u>(305)</u>
Funds held in trust by others, December 31, 2011	\$ <u>29,336</u>	\$ <u>          </u>	\$ <u>41,221</u>	\$ <u>70,557</u>

**ABILENE EDUCATION FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: FUNDS HELD IN TRUST BY OTHERS – continued

Changes in funds held in trust by others for the year ended December 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Funds held in trust by others, December 31, 2009	\$ 4,641	\$	\$ 10,676	\$ 15,317
Investment return:				
Endowment and investment income	508			508
Net unrealized losses				
Net realized gains	2,355			2,355
Contributions			10,949	10,949
Withdrawals and distributions	(387)			(387)
Appropriations for expenditure	<u>(145)</u>			<u>(145)</u>
Funds held in trust by others, December 31, 2010	<u>\$ 6,972</u>	<u>\$</u>	<u>\$ 21,625</u>	<u>\$ 28,597</u>

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. At December 31, 2011 and 2010, the total beneficial interest receivable from the trust was \$14,208 and \$6,999, 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 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.

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 years ending December 31, 2011 and 2010.

AEF transfers endowment investments received to CFA and abides by policies established by CFA for investments held by that organization.

**ABILENE EDUCATION FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS

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.

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. At December 31, 2011, there was \$4,156 in a PayPal account that was not covered by the Federal Deposit Insurance Corporation (FDIC). This balance was subsequently transferred to an FDIC institution in January 2012.

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.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Donor database	\$ 5,550	\$
Equipment	2,722	2,722
Office equipment	4,304	4,304
Office furniture	6,563	5,009
Technology grant assets	<u>8,390</u>	<u>7,741</u>
	27,529	19,776
Less: accumulated depreciation	<u>(16,624)</u>	<u>(11,964)</u>
Net Property and Equipment	<u>\$ 10,905</u>	<u>\$ 7,812</u>

Depreciation expense was \$4,660 and \$3,651 for the years ended December 31, 2011 and 2010, respectively.

**ABILENE EDUCATION FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
<b>Temporarily Restricted Assets</b>		
Administrative Overhead Fund	\$	\$ 1,797
Abilene COOL Fund	329,672	458,429
AEF Scholarship Program Fund (Anonymous)	2,000	
AISD Board Security Fund	555	
Alumni Scholarship Admin Fund		(319)
Donor Database Fund	4,267	
GIFT (New Teachers) Fund	425	80
Meta Keith Scholarship Fund	12,000	
P-16 Looping Fund	15,000	
STAR Teacher Grant Fund	15,272	14,379
AEF Website Maintenance Fund	1,548	2,600
Young Masters School Fund	<u>7,089</u>	<u>1,408</u>
Total Temporary Restricted Assets	\$ <u>387,828</u>	\$ <u>478,374</u>
<b>Permanently Restricted Assets</b>		
AEF Endowment Fund	\$ 25,333	\$ 21,625
Alumni Scholarship Fund	15,889	14,600
Kolle Class Scholarship Fund	5,000	
Transportation Endowment Scholarship Fund	<u>422</u>	<u>371</u>
Total Permanently Restricted Assets	\$ <u>46,644</u>	\$ <u>36,596</u>

At December 31, 2011, the AEF had two CFA accounts for the Alumni Scholarship Endowment Program. One fund was for the Abilene High School Alumni Scholarships and the other was for the Cooper High School Alumni Scholarships. The balance in each fund was \$19,949, for a total of \$39,898. Each fund contains a portion of permanently restricted net assets and a portion of Board-restricted net assets. Board-restricted funds are considered unrestricted funds. See also Notes 8 and 9.



**ABILENE EDUCATION FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8: 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.

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

**ABILENE EDUCATION FOUNDATION**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: FAIR VALUE MEASUREMENTS – continued

	<u>December 31,</u> <u>2011</u>	<u>Quoted Prices</u> <u>in Active Markets</u> <u>For Identical</u> <u>Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Investments:				
AEF Endowment Fund	\$ 30,659	\$ 30,659	\$	\$
AHS Alumni Scholarship Endowment Fund (See Note 7)	19,949	19,949		
CHS Alumni Scholarship Endowment Fund (See Note 7)	19,949	19,949		
Total Investments	<u>\$ 70,557</u>	<u>\$ 70,557</u>	<u>\$</u>	<u>\$</u>

	<u>December 31,</u> <u>2010</u>	<u>Quoted Prices</u> <u>in Active Markets</u> <u>For Identical</u> <u>Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Investments:				
AEF Endowment Fund	<u>\$ 28,597</u>	<u>\$ 28,597</u>	<u>\$</u>	<u>\$</u>
Total Investments	<u>\$ 28,597</u>	<u>\$ 28,597</u>	<u>\$</u>	<u>\$</u>

NOTE 9: PROGRAMS

Early College Advanced Placement Incentive Program

The AEF is currently participating in an advisory capacity with the Dodge Jones Foundation and AISD in 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.

**ABILENE EDUCATION FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9: PROGRAMS – continued

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 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 find scholarships and funds for college. In 2011 and 2010, the program received contributions of \$36,354 and \$280,493 and incurred expenses of \$165,112 and \$147,831, respectively.

AEF Scholarship Programs

*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 \$20,000 to Cooper High School and \$20,000 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.

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NOTE 9: PROGRAMS – continued

AEF Scholarship Programs – continued

*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 Kolle Class Endowed Scholarship are from a restricted donation for an endowed scholarship by Bracken Kolle of \$5,000. 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 an AHS senior. At that time the endowment will be renamed in honor of an AISD educator TBA.

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 for both AHS and CHS on an annual basis. In 2011 AEF gave an AHS and CHS senior a \$2,000 AEF Scholarship.

AEF also receives donations for other scholarships.

P-16 Looping Fund

This is a donor-directed program that aims to improve mathematics scores by allowing teachers in 8<sup>th</sup> and 9<sup>th</sup> 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.

AEF also receives donations valued under \$5,000 for other programs.

NOTE 10: IN-KIND CONTRIBUTIONS

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, 241 Pine Street, Abilene, TX, 79601. For the years ended December 31, 2011 and 2010, \$7,185 and \$6,800, respectively, was included in the financial statements for the use of these offices. The offices are provided on a month-to-month basis.

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NOTE 11: SUBSEQUENT EVENTS

In fiscal year 2012, the AEF received verbal notice that the Dian Graves Owen Foundation will grant \$750,000 at \$150,000 in each of 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 two 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.

The Foundation has evaluated subsequent events through June 26, 2012, the date the financial statements were available to be issued.