



The Abilene Education Foundation

**P.O. Box 1999
Abilene, TX 79604**

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

July 31, 2018 and 2017

**Prepared by
McElroy and Company PC**



Independent Auditor's Report

January 24, 2019

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 July 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows (direct method) for the year ended July 31, 2018, and the related notes to the financial statements, and the accompanying supplementary information, statement of cash flow (indirect method) for the year 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 qualified audit opinion.



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 July 31, 2018 and 2017, and the changes in its net assets, functional expenses and its cash flows for the year ended July 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Cash Flow (indirect method) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink, appearing to read "Michael McElroy, CPA".

McElroy & Company PC
Addison, Texas



ABILENE EDUCATION FOUNDATION

STATEMENTS OF FINANCIAL POSITION

As of July 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 600,907	\$ 549,076
Contributions Receivable - Restricted to COOL Program	247,000	247,000
CFA Endowment Earnings Receivable	5,438	5,280
Total Current Assets	<u>853,345</u>	<u>801,355</u>
Property and Equipment, Net	-	77
Other Assets		
Contributions Receivable - Restricted to COOL Program	-	247,000
Deposits	10	10
Prepaid Expenses	-	7,415
Interest in Assets Held by Community Foundation of Abilene	599,477	566,130
Total Other Assets	<u>599,487</u>	<u>820,555</u>
Total Assets	<u>\$ 1,452,832</u>	<u>\$ 1,621,987</u>
Liabilities and Net Assets		
Current Liabilities		
Accrued Liabilities	\$ 11,000	\$ 10,225
Payroll Liabilities	2,085	2,059
Total Current Liabilities	<u>13,085</u>	<u>12,284</u>
Net Assets		
Without Donor Restrictions	118,623	95,591
With Donor Restrictions	1,321,124	1,514,112
Total Net Assets	<u>1,439,747</u>	<u>1,609,703</u>
Total Liabilities and Net Assets	<u>\$ 1,452,832</u>	<u>\$ 1,621,987</u>

The Accompanying Notes are an Integral Part of the Financial Statements



ABILENE EDUCATION FOUNDATION, INC

STATEMENTS OF ACTIVITIES

For the Year Ended July 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Contributions, Gains, and Other Support						
Contributions by Program and Endowment						
Abilene COOL Program	\$ -	\$ 29,680	\$ -	\$ -	\$ 678,821	\$ -
AEF Choice		17,781			14,569	
AEF Endowment			-			-
AEF General Contributions	141,865			144,606		
AEF Scholarship Programs		38,655			46,893	
AHS Percussion Grant			-			-
AHS Support Fund (Pass-Thru)		-			250	
Alumni Scholarship Endowments Fund			2,293			2,178
Basketball Shooters (Pass-Thru)		-			1,500	
Hygiene Supply Program (Pass-Thru)		16,193			873	
Jefferson Center Program (Pass-Thru)		-			34,301	
Literacy Software (Pass-Thru)		990				
Martha Kiel Scholarship			1,700			21,770
Royce Curtis Educator Scholarship Endowments Fund			995			900
Teacher Grant Programs		74,258			80,953	
Teachers in the Limelight		16,935			13,575	
In-kind Contribution	25,960	4,359		23,135	5,769	
Investment Income	26,397	13,921		22,780	8,847	
Realized / Unrealized Gain / (Loss) on Investments	3,817	34,469		5,863	51,382	
Other Income			-			-
Net Assets Released from Restrictions			-			-
Satisfaction of Restrictions	445,217	(445,217)		455,996	(455,996)	
Total Revenues, Gains, and Other Support	643,256	(197,976)	4,988	652,379	481,737	24,848
Expenses						
Grants and Scholarships Programs	135,443			132,518		
Other Programs	305,042			318,477		
Fundraising	66,517			69,053		
Administrative	113,222	-		111,998	-	
Total Expenses	620,224	-	-	632,046	-	-
Changes in Net Assets	23,032	(197,976)	4,988	20,333	481,737	24,848
Net Assets, Beginning of Year	95,591	1,048,305	465,807	75,259	566,568	440,959
Net Assets, End of Year	\$ 118,623	\$ 850,329	\$ 470,795	\$ 95,591	\$ 1,048,305	\$ 465,807
			\$ 1,439,747			\$ 1,609,703



ABILENE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended July 31, 2018

	Program Services						Supporting Services				Combined Total
	Abilene COOL Program	AEF Scholarship Program	Teacher in the Limelight	Teacher Grant Program	Pass-Thru Programs	Various Educational Grants	Total Program Services	Administrative	Fund Raising	Total Supporting Services	
Salaries and Wages	\$ 48,273	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,273	\$ 54,027	\$ 6,593	\$ 60,620	\$ 108,893
Employee Taxes	3,693	-	-	-	-	-	3,693	4,133	504	4,637	8,330
Total Salaries and Payroll Related Expenses	51,966	-	-	-	-	-	51,966	58,160	7,097	65,257	117,223
Advertising	1,802	-	-	-	-	-	1,802	-	5,717	5,717	7,519
Bank Fees and Credit Card Charges	-	-	-	-	-	-	-	-	874	874	874
Conference & Seminars	1,607	-	-	-	-	-	1,607	150	-	150	1,757
Contract Labor	-	-	330	200	-	-	530	400	50	450	980
Depreciation	-	-	-	-	-	-	-	77	-	77	77
Dues, Memberships and Subscriptions	1,405	-	-	-	-	-	1,405	298	-	298	1,703
Events	739	7,311	9,933	2,581	-	-	20,564	-	29,615	29,615	50,179
Grants	-	-	16,100	69,022	-	5,976	91,098	-	-	-	91,098
Honorariums	-	-	-	-	-	-	-	528	-	528	528
Insurance	-	-	-	-	-	-	-	1,815	1,339	3,154	3,154
Miscellaneous	-	-	-	-	-	-	-	154	-	154	154
Postage / Direct Mail	368	-	-	-	-	-	368	592	358	950	1,318
Professional and Legal Fees	-	-	-	-	-	-	-	44,566	-	44,566	44,566
Repairs and Maintenance	-	-	-	-	-	-	-	617	1,072	1,689	1,689
Scholarship	-	31,650	-	-	-	-	31,650	-	-	-	31,650
Staffs and Staffs Benefits	210,363	-	-	-	-	-	210,363	-	-	-	210,363
Supplies	626	-	-	-	16,237	-	16,863	268	-	268	17,131
Telephone and Utilities	3,100	-	-	-	-	-	3,100	-	-	-	3,100
Technology Expense	21	-	-	-	-	-	21	-	-	-	21
Travel	4,789	-	-	-	-	-	4,789	31	-	31	4,820
Sub-Total	276,786	38,961	26,363	71,803	16,237	5,976	436,126	107,656	46,122	153,778	589,904
In-Kind Events	-	2,466	-	-	-	-	2,466	-	20,395	20,395	22,861
In-Kind Rent	1,893	-	-	-	-	-	1,893	5,566	-	5,566	7,459
In-Kind Supplies	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 278,679	\$ 41,427	\$ 26,363	\$ 71,803	\$ 16,237	\$ 5,976	\$ 440,485	\$ 113,222	\$ 66,517	\$ 179,739	\$ 620,224

The Accompanying Notes are an Integral Part of the Financial Statements.



ABILENE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended July 31, 2017

	Program Services						Supporting Services				Combined Total
	Abilene COOL Program	AEF Scholarship Program	Teacher in the Limelight	Teacher Grant Program	Pass-Thru Programs	Various Educational Grants	Total Program Services	Administrative	Fund Raising	Total Supporting Services	
Salaries and Wages	\$ 49,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,547	\$ 51,534	\$ 6,422	\$ 57,956	\$ 107,503
Employee Taxes	3,790						3,790	4,047	491	4,538	8,328
Total Salaries and Payroll Related Expenses	53,337	-	-	-			53,337	55,581	6,913	62,494	115,831
Advertising	2,539						2,539	-	10,054	10,054	12,593
Bank Fees							-	3	726	729	729
Conference & Seminars	878						878	111		111	989
Contract Labor	500	575					1,075		145	145	1,220
Depreciation							-	1,424		1,424	1,424
Dues, Memberships and Subscriptions	1,835						1,835	312		312	2,147
Events	6,194	9,038	8,586	3,539			27,357		33,686	33,686	61,043
Grants			16,600	59,346		10,074	86,020			-	86,020
Honorariums							-	488		488	488
Insurance							-	1,233		1,233	1,233
Postage / Direct Mail	323						323	559		559	882
Professional and Legal Fees							-	42,934		42,934	42,934
Repairs and Maintenance							-	1,879	-	1,879	1,879
Scholarship		34,200					34,200			-	34,200
Staffs and Staffs Benefits	211,580						211,580	-		-	211,580
Supplies	3,851				11,870		15,721	1,836		1,836	17,557
Telephone and Utilities	3,300						3,300			-	3,300
Technology Expense	476						476				476
Travel	6,585						6,585	32		32	6,617
Sub-Total	291,398	43,813	25,186	62,885	11,870	10,074	445,226	106,392	51,524	157,916	603,142
In-Kind Events		1,036	-	2,840			3,876		17,529	17,529	21,405
In-Kind Rent	1,893						1,893	5,566		5,566	7,459
In-Kind Supplies							-	40		40	40
Total Expenses	\$ 293,291	\$ 44,849	\$ 25,186	\$ 65,725	\$ 11,870	\$ 10,074	\$ 450,995	\$ 111,998	\$ 69,053	\$ 181,051	\$ 632,046

The Accompanying Notes are an Integral Part of the Financial Statements.



ABILENE EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS - Direct Method

For the Year Ended July 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
<u>Without Donor Restrictions - Unrestricted</u>		
Contributions, Gains, and Other Support		
General Contributions	\$ 141,865	\$ 144,606
Investment Fees	4,344	3,984
Investment Income	24,661	16,474
Other Income	-	-
Net Assets Released from Restrictions		
Satisfaction of Restrictions		
Total Revenues, Gains, and Other Support	170,870	165,064
Expenses		
Supporting Services:		
Administrative	99,364	111,467
Fundraising	46,122	51,524
Total Expenses	145,486	162,991
Net Changes-Unrestricted	25,384	2,072
<u>With Donor Restrictions - Temporarily Restricted</u>		
Contributions, Gains, and Other Support		
Contributions by Program		
Abilene COOL Program	276,680	188,071
AEF Choice	17,781	14,569
AEF Scholarship Programs	38,655	46,893
AHS Support Fund (Pass-Thru)	-	250
Basketball Shooters (Pass-Thru)	-	1,500
Hygiene Supply Program (Pass-Thru)	16,193	873
Jefferson Center Program	-	34,301
Literacy Software (Pass-Thru)	990	-
Teacher Grant Programs	74,258	80,953
Teachers in the Limelight	16,935	13,575
Other Income		
Net Assets Released from Restrictions		
Satisfaction of Restrictions		
Total Revenues, Gains, and Other Support	441,492	380,985
Expenses		
Program Services:		
Abilene COOL Program	276,786	291,398
AEF Scholarship Programs	38,961	43,813
Pass-Thru Programs	16,237	11,870
Teacher Grant Programs	71,803	62,885
Teachers in the Limelight	26,363	25,186
Various Educational Grants	5,976	10,074
Total Expenses	436,126	445,226
Net Changes-Temporarily Restricted	5,366	(64,241)



ABILENE EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS - Direct Method

For the Year Ended July 31, 2018 and 2017

	2018	2017
<u>With Donor Restrictions - Permanently Restricted</u>		
Contributions, Gains, and Other Support		
Contributions by Endowments		
AEF Endowment	-	-
Alumni Scholarship Endowments Fund	2,293	2,178
Jennings Teach'g Excellance Endowments Fund		
Martha Kiel Scholarship	1,700	21,770
Royce Curtis Educator Scholarship Endowments Fund	995	900
Transportation Scholarship Endowment Fund	-	-
Other Income		
Total Revenues, Gains, and Other Support	4,988	24,848
Net Cash Provided (Used) by Operating Activities	35,738	(37,321)
Cash Flows from Investing Activities		
<u>Without Donor Restrictions - Unrestricted</u>		
Endowment Grant	1,820	1,767
<u>With Donor Restrictions - Temporarily Restricted</u>		
Endowment Grant	17,543	17,046
<u>With Donor Restrictions - Permanently Restricted</u>		
Funds Transferred to Investment Account	(3,270)	(31,463)
Net Cash Provided (Used) by Investing Activities	16,093	(12,650)
Cash Flows from Financing Activities		
Contributions Restricted for Long Term Investment		
Payment on Note Payable	-	-
Proceeds from Notes Payable	-	-
Net Cash Provided (Used) by Financing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	51,831	(49,970)
Cash and Cash Equivalents at Beginning of Year	549,076	599,045
Cash and Cash Equivalents at End of Year	\$ 600,907	\$ 549,076
Supplemental Disclosures		
Interests Paid	-	-

Abilene Education Foundation

Supplemental Information



ABILENE EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS - Indirect Method
For the Year Ended July 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ (169,956)	\$ 526,917
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	77	1,424
Unrealized Loss (Gain) on Investments	(38,286)	(57,245)
Endowment Earnings	(15,498)	(9,872)
Investment Fees	4,344	3,984
Contributions Restricted from Long Term Investment		
(Increase) Decrease in Operating Assets		
Contributions Receivable - Restricted to COOL Program	247,000	(490,750)
CFA Endowment Earnings Receivable	(159)	(5,280)
Prepaid Expenses	7,415	(7,415)
Increase (Decrease) in Operating Liabilities		
Account Payable	-	-
Accrued Liabilities	775	1,225
Scholarship Payable	-	-
Payroll Liabilities	26	(309)
Net Cash Provided (Used) by Operating Activities	35,738	(37,319)
Cash Flows from Investing Activities		
<u>Without Donor Restrictions - Unrestricted</u>		
Endowment Grant	1,820	1,767
<u>With Donor Restrictions - Temporarily Restricted</u>		
Endowment Grant	17,543	17,046
<u>With Donor Restrictions - Permanently Restricted</u>		
Funds Transferred to Investment Account	(3,270)	(31,463)
Net Cash Provided (Used) by Investing Activities	16,093	(12,650)
Net Increase (Decrease) in Cash and Cash Equivalents	51,831	(49,969)
Cash and Cash Equivalents at Beginning of Year	549,076	599,045
Cash and Cash Equivalents at End of Year	\$ 600,907	\$ 549,076
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 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:

Without Donor Restrictions

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

With Donor Restrictions

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.

Abilene Education Foundation Notes to the Financial Statements

Revenues are reported as increases in without-donor-restriction - unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in without-donor-restriction - unrestricted net assets. Changes in other assets or liabilities are reported as increases or decreases in without-donor-restriction - 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, with-donor-restrictions - temporarily restricted net assets are reclassified to without-donor-restriction - 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 with-donor-restrictions - 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 with-donor-restrictions - temporarily restricted net assets class, and a reclassification to without-donor-restriction - 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

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.



Abilene Education Foundation Notes to the 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 with-donor-restrictions - temporarily or - permanently restricted net assets. Other contributions are reported as increases in without-donor-restrictions - 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 or used present value techniques for promises to give due in more than one year due to immaterial amount.

The AEF had received notices from Dian Graves Owen Foundation and Shelton Family Foundation for grants to expand and duplicate the COOL program and from other donors to support its operation. As of July 31, 2018 and 2017, the AEF has contributions receivable of \$247,000 and \$494,000 outstanding, respectively. This series of contributions will be completed in 2019.

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 \$77 and \$1,424 for the period ended July 31, 2018 and 2017.

Property and equipment consist of the following as of July 31, 2018 and 2017.

	<u>7/31/2018</u>	<u>7/31/2017</u>
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	(34,811)	(34,734)
Net Property and Equipment	<u>\$ 0</u>	<u>\$ 77</u>

Abilene Education Foundation Notes to the Financial Statements

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 July 31, 2018 and 2017, 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 2014. 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 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 without donor restrictions or with donor restrictions 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 with-donor-restrictions - 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), with-donor-restrictions - temporarily restricted net assets are reclassified to without-donor-restrictions-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.

Abilene Education Foundation Notes to the Financial Statements

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.

Cost Allocation

The AEF report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and amortization and occupancy, which are allocated on a square footage basis. Telephone costs are allocated based on line counts by functional category.

Fair Value Measurements

ASC 820-10, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the AEF uses various methods including market, income, and cost approaches. Based on these approaches, the AEF often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The AEF utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the AEF is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Abilene Education Foundation Notes to the Financial Statements

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For fiscal year ended July 31, 2018 and 2017, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

Interest in net assets of CFA (Community Foundation of Abilene): valued at the balance provided by CFA which represents the market value of the assets as invested and recorded by CFA and allocated to the AEF. These are classified by CFA in their audited financial statement to the various levels of Fair Market Measurements. The assets transferred to CFA are not assessable by the AEF and therefore are reflected at the lowest level of fair value classification.

The AEF has transferred assets to CFA which is holding them as an agency fund (“Fund”) for the benefit of the AEF. The AEF has granted CFA variance power which gives CFA’s Board of Trustees the power to use the Fund for other purposes in certain circumstances. The Fund is subject to CFA’s investment and spending policies. The AEF investment is solely as a beneficiary of a stated return on investment conducted by CFA, stated as 4% of a rolling investment value. The AEF reports the fair value of the Fund as Beneficial Interest in Assets Held at the CFA in the statement of financial position and reports distributions received as investment income. An interest in assets held by CFA is analogous to an ownership interest in which a proportionate share of net assets is attributed, however, the AEF does not have the ability to redeem its principle investment.



Abilene Education Foundation Notes to the Financial Statements

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

Assets at Fair Value as of July 31, 2018				
	Level 1	Level 2	Level 3	Total
Interest in Assets Held by Community Foundation of Abilene	-	-	\$ 599,477	\$ 599,477
Total	-	-	\$ 599,477	\$ 599,477

Assets at Fair Value as of July 31, 2017				
	Level 1	Level 2	Level 3	Total
Interest in Assets Held by Community Foundation of Abilene	-	-	\$ 566,130	\$ 566,130
Total	-	-	\$ 566,130	\$ 566,130

The interest in assets held at the Community Foundation of Abilene has been valued, as a practical expedient, at the fair value of the AEF's share of CFA's investment pool as of the measurement date, utilizing valuations provided by the investment funds. CFA values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of CFA, which includes private placements and other securities for which prices are not readily available, are determined by the management of CFA and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets held at the CFA is not redeemable by the AEF.

Financial instruments classified as Level 3 in the fair value hierarchy represent the AEF's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table represents a reconciliation of the activities for Level 3 financial instruments:

Balance at August 1, 2016	\$ 490,348
Additional amounts invested in fund	31,463
Share of appreciation of fund	67,117
Investment fees	(3,984)
Distributions received	(18,813)
Balance at July 31, 2017	566,130
Additional amounts invested in fund	3,270
Share of appreciation of fund	53,784
Investment fees	(4,344)
Distributions received	(19,363)
Balance at July 31, 2018	\$ 599,477



Abilene Education Foundation Notes to the Financial Statements

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 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 excess of the insured amount. Management consistently monitors, from time to time, the liquidity of the financial institution holding the assets and believes the risk of loss is remote. As of July 31, 2018, and July 31, 2017, the cash balance that exceeded the federally insured amount approximated \$135,000 and \$87,000, respectively.

The AEF has invested its endowment funds with CFA which invests the assets 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: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the AEF's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date. As part of the organization's liquidity management, it invests cash in excess of daily requirements in bank certificates of deposit and bank money market accounts.

	<u>7/31/2018</u>	<u>7/31/2017</u>
Financial Assets at Year-End	\$ 1,452,822	\$ 1,614,485
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to COOL Program Contribution due in more than one year	(247,000.00)	(494,000.00)
Donor-restricted Scholarship and Teaching Funds as Endowments	(599,477.11)	(566,130.05)
Financial Assets available to meet cash needs for general expenditure within one year	<u>\$ 606,345</u>	<u>\$ 554,355</u>



Abilene Education Foundation
Notes to the Financial Statements

NOTE 5: NET ASSETS

Net Assets are stated at fair value at July 31, 2018 and 2017 and consist of the following:

Without Donor Restrictions - Unrestricted net assets:

	7/31/2018	7/31/2017
General Fund	\$ 102,745	\$ 82,855
AEF Agency Endowment Funds	15,878	12,736
Total Unrestricted Net Assets	\$ 118,623	\$ 95,591

With Donor Restrictions - Temporarily Restricted Net Assets:

	7/31/2018	7/31/2017
Alumni Scholarship End		
AHS	\$ 9,438	\$ 7,012
CHS	7,924	6,025
Jennings Teaching Excellence Fund	80,523	63,947
Martha Kiel Scholarship Endowment Fund	2,763	749
Royce Curtis Scholarship Endowment Fund	13,875	9,854
Abilene COOL Program	479,231	726,337
AEF Choice	20,123	8,318
AEF Scholarship Programs	67,969	63,729
AHS Support Program (Pass Thru)	13,629	13,629
Basketball Shooters (Pass Thru)	-	5,131
Hygiene Supply Program (Pass Thru)	10,108	454
Jefferson Center Program (Pass Thru)	38,623	42,200
Teacher in the Limelight	6,133	2,768
Teacher Grant Programs	95,521	93,065
Website Maintenance Fund	4,469	5,086
Total Temporarily Restricted Net Assets	\$ 850,329	\$ 1,048,305

With Donor Restrictions - Permanently Restricted Net Assets:

	7/31/2018	7/31/2017
AEF Agency Endowment Fund	\$ 44,230	\$ 44,230
Alumni Scholarship Endowment		
AHS	38,351	37,151
CHS	29,959	28,866
Jennings Teaching Excellence Fund	275,034	275,034
Martha Kiel Scholarship Endowment Fund	23,470	21,770
Royce Curtis Scholarship Endowment Fund	59,751	58,756
Total Permanently Restricted Assets	\$ 470,795	\$ 465,807

Abilene Education Foundation Notes to the Financial Statements

NOTE 6: FUND HELD IN TRUST BY OTHERS (INVESTMENTS)

Investments held by the AEF as of July 31, 2018 and 2017 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 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 July 31, 2018 and 2017 are as follows:



Abilene Education Foundation Notes to the Financial Statements

	Without Donor Restrictions - Unrestricted	With Donor Restrictions - Temporarily Restricted	With Donor Restrictions - Permanently Restricted	Total
Beginning Balance	12,736	87,587	465,807	566,130
Contribution Received			3,270	3,270
Interests and Dividends Income	1,577	13,921		15,498
Net Realized Gains / Losses				-
Net Unrealized Gains / Losses	3,817	34,469		38,286
Total Increases	5,394	48,390	3,270	57,054
Grants Paid	1,820	17,543		19,363
Investments Fees	432	3,912		4,344
Total Decreases	2,252	21,455	-	23,707
Ending Balance 07/31/2018	15,878	114,522	469,076	599,477

	Without Donor Restrictions - Unrestricted	With Donor Restrictions - Temporarily Restricted	With Donor Restrictions - Permanently Restricted	Total
Beginning Balance	8,023	47,981	434,344	490,348
Contribution Received			31,463	31,463
Interests and Dividends Income	1,025	8,847		9,872
Net Realized Gains / Losses				-
Net Unrealized Gains / Losses	5,863	51,382		57,245
Total Increases	6,888	60,229	31,463	98,579
Grants Paid	1,767	17,046		18,813
Investments Fees	408	3,576		3,984
Total Decreases	2,175	20,622	-	22,797
Ending Balance 07/31/2017	12,735	87,588	465,807	566,130

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 July 31, 2018 and 2017, the total beneficial interests' receivable from the trust were \$5,438 in 2018 and \$5,280 in 2017.

Abilene Education Foundation Notes to the Financial Statements

NOTE 7: PROGRAMS

AEF STAR 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.

The Judy Dudley Memorial GIFT (Giving to First-time Teachers) Grants

GIFT (Giving to First-time Teachers) Grants are awarded to AISD teachers who are teaching for the first time (new to the profession). Grant funds are for additional classroom materials to enhance those provided by the school district.

Teachers in the Limelight

The Teacher in the Limelight Celebration honors the dedicated work of teachers in AISD with campus recognition, a formal dinner, and a monetary award. A TLC teacher possesses integrity and a love for teaching that spills into the classroom. With the donation of 3,000 shares of Exxon Mobile stock from Mr. Edwin Jennings, Jr. a permanent endowment held at Community Foundation of Abilene has been established to honor teachers making a difference in the lives of students in Abilene ISD with an “Edwin and Agnes Jennings Teaching Excellence Award” in memory of his parents. This endowment will allow AEF to continue these awards yearly for generations to come, as part of TLC (Teachers in the Limelight Celebration). Mr. Jennings, due to his passion for teaching math and science, also wishes to honor a secondary math and a secondary science teacher with an “Edwin and Agnes Jennings Teaching Excellence Award.” Nominations for these awards are made by students, parents, colleagues, and community members, as well as school administrators. Mr. Jennings, Jr.’s parents, Edwin and Agnes Jennings, were active and well-regarded members of the Abilene community. In addition to campus awards, math and science finalists, there are four main Teaching Excellence 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. Additional donations provide for the ceremony and additional monetary awards.

AEF Young Masters Juried Art Exhibition 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 at the Grace Museum. 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

Abilene Education Foundation Notes to the Financial Statements

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.

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. The funds are sent to the Community Foundation of Abilene for investment and remain there as a permanent (asset) endowment for future scholarships. They are the AHS and CHS Alumni Scholarship Endowed Funds, further details below.
- AHS and CHS Alumni Endowed Scholarship Funds - Funds in the AEF Alumni Scholarship Endowment Program are designated to Cooper High School and to Abilene High School for scholarships. The AHS and CHS funds consist of permanently restricted donations as well as board restricted funds. Other funds added to the program will be shared equally by both unless restricted by the donor or school reunion class.
- Royce Curtis Excellence in Education Endowed Scholarship Fund - During their 20th class reunion, the Class of 1993 announced a scholarship fund which will help future Eagles reach their goals of a college education in honor of Royce Curtis who served as the AHS principal for 14 years. This fund, which was established by Dr. Bracken and Mrs. Joana Kolle from a restricted donation of \$50,000, honors his legacy at Abilene High by awarding a deserving college-bound Abilene High School senior with a scholarship. The Kolle Class Endowed Scholarship was renamed to the Royce Curtis Excellence in Education Endowed Scholarship in the summer of 2013.
- Meta Alice Keith Bratten Scholarship Fund - This is a donor-directed memorial scholarship fund to be given as renewable scholarships each year for four years. It first began in the 2012 fall semester. It is restricted to an Abilene High School graduating senior.
- The Martha Kiel Scholarship Fund - The Martha Kiel Scholarship Fund honors long-time beloved art teacher Martha Kiel's legacy by providing a scholarship to a high school student participating in the annual Young Masters Juried Art Exhibition at the Grace Museum. This fund was established in 2017 by various individual donors,



Abilene Education Foundation Notes to the Financial Statements

retired teachers, current teachers, and charitable foundations, and is held at the Community Foundation of Abilene.

- AEF Young Masters Juried Art Exhibition Program Scholarships – The exhibition 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.
- AEF Donor Directed Scholarships are given by donors for specific scholarships for students at AHS, CHS and ATEMS High Schools. 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.

AEF COOL Program (College Opportunities for Life)

The Abilene COOL program began in 2007 and provided four counselors (added two counselors in July 2012) 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. They also provide educational workshops for elementary, middle and high school students about the benefits and pathways to college. For the year ended July 31, 2018 and 2017, the program received contributions of \$29,680 and \$678,821, and incurred expenses of \$276,786 and \$291,398, respectively.

NOTE 8: 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. The other offices with similar provisions are also provided to the four AEF COOL Program College Advisors and the COOL Program Facilitator. The offices are located at AISD campuses: WCE, ATEMS, CHS, AHS and one AISD Center. For the year ended July 31, 2018 and 2017, \$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. The AEF also received events services from various providers to raise it funds and promote its programs. For the year ended July 31, 2018 and 2017, the in-kind donations were \$22,861 and \$21,445, respectively.

NOTE 9: 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.



Abilene Education Foundation Notes to the Financial Statements

AEF awards scholarship annually to current AISD school students. Some of these scholarships span several years. AEF recognizes scholarship expense at the point when all requirements for the scholarship award have been met and the student has met enrollment requirements. At the end of the fiscal year 2018 and 2017, AEF had outstanding scholarship awards totaling \$41,250 and \$35,750, respectively.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 24, 2019, the financial statements issue date.