

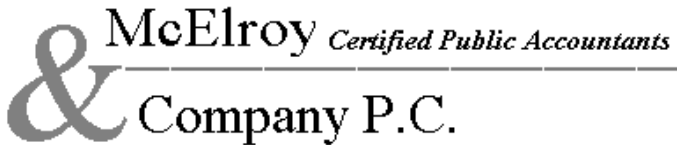


**The Abilene Education Foundation
P.O. Box 1999
Abilene, TX 79604**

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

December 31, 2012

**Prepared by
McElroy and Company PC**



Independent Auditor's Report

September 23, 2013

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

Report on the Financial Statements

We have audited the accompanying statement of financial position of The Abilene Education Foundation (a nonprofit organization) as of December 31, 2012 and the related statements of activities, functional expenses and cash flows (direct method) for the year then ended, 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 audit opinion.

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

Opinion

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



McElroy & Company PC
Addison, Texas



ABILENE EDUCATION FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

Assets

	<u>12/31/2012</u>
Current Assets	
Cash and Cash Equivalents	464,380
Contributions Receivable	600,000
CFA Endowment Earnings Receivable	8,585
Total Current Assets	<u>1,072,965</u>
Property and Equipment, Net	13,035
Other Assets	
Deposits	10
Fund Held in Trust by Others	391,559
Total Other Assets	<u>391,569</u>
Total Assets	<u><u>1,477,568</u></u>

Liabilities and Net Assets

Current Liabilities	
Accrued Liabilities	9,300
Scholarship Payable	-
Payroll Liabilities	1,802
Total Current Liabilities	<u>11,102</u>
Net Assets	
Unrestricted	143,023
Temporarily Restricted	973,394
Permanently Restricted	350,048
Total Net Assets	<u>1,466,466</u>
Total Liabilities and Net Assets	<u><u>1,477,568</u></u>



ABILENE EDUCATION FOUNDATION, INC

STATEMENT OF ACTIVITIES

Twelve-Month Period Ended DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions, Gains, and Other Support				
Contributions by Program and Endowment				
Abilene COOL Administrative Assistant Supplement		22,000		22,000
Abilene COOL Program		767,775		767,775
Achievement Grants		500		500
AEF Endowment			3,161	3,161
AEF General Contributions	142,974			142,974
AEF Scholarship Programs		34,003		34,003
Alumni Scholarship Administrative Fund		21		21
Alumni Scholarship Endowments Fund			5,126	5,126
Donor Database Funds		2,000		2,000
Jennings Teach'g Excellence Endowments Fund			275,034	275,034
McMurry Intern		3,500		3,500
Retired Educator's Scholarship Endowments Fund			20,000	20,000
Teacher Grant Programs		52,008		52,008
Teachers in the Limelight		18,000		18,000
Transportation Scholarship Endowment Fund			84	84
Website Maintenance Program		3,500		3,500
Young Musicians Program		700		700
Investment Income	5,339			5,339
Realized / Unrealized Gain / (Loss) on Investments	11,128			11,128
Other Income				-
Net Assets Released from Restrictions				-
Satisfaction of Restrictions	318,440	(318,440)		-
Total Revenues, Gains, and Other Support	<u>477,881</u>	<u>585,567</u>	<u>303,404</u>	<u>1,366,852</u>
Expenses				
Grants and Scholarships Programs	123,396			123,396
Other Programs	235,244			235,244
Fundraising	61,177			61,177
Administrative	85,615	-		85,615
Total Expenses	<u>505,432</u>	<u>-</u>	<u>-</u>	<u>505,432</u>
Changes in Net Assets	<u>(27,551)</u>	<u>585,567</u>	<u>303,404</u>	<u>861,420</u>
Net Assets, Beginning of Year	<u>170,574</u>	<u>387,828</u>	<u>46,644</u>	<u>605,046</u>
Net Assets, End of Year	<u>143,023</u>	<u>973,394</u>	<u>350,048</u>	<u>1,466,466</u>



ABILENE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
 Twelve-Month Period Ended DECEMBER 31, 2012

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



ABILENE EDUCATION FOUNDATION

STATEMENT OF CASH FLOWS - Direct Method

Twelve-Month Period Ended DECEMBER 31, 2012

12/31/2012

Cash Flows from Operating Activities

Unrestricted

Contributions, Gains, and Other Support	
General Contributions	146,515
Endowment Earnings	(5,339)
Investment Fees	1,114
Investment Income	1,012
Realized / Unrealized Gain / (Loss) on Investments	-
Other Income	
Net Assets Released from Restrictions	
Satisfaction of Restrictions	
Total Revenues, Gains, and Other Support	143,301
Expenses	
Supporting Services:	
Administrative	112,663
Fundraising	61,177
Total Expenses	173,840
Net Changes-Unrestricted	(30,539)

Temporarily Restricted

Contributions, Gains, and Other Support	
Contributions by Program	
Abilene COOL Administrative Assistant Supplement	22,000
Abilene COOL Program	292,775
Achievement Grants	500
AEF Scholarship Programs	34,003
Alumni Scholarship Administrative Fund	21
Donor Database Funds	2,000
McMurry Intern	3,500
Teacher Grant Programs	52,008
Teachers in the Limelight	18,000
Website Maintenance Program	3,500
Young Musicians Program	700
Investment Income	
Realized / Unrealized Gain / (Loss) on Investments	
Other Income	
Net Assets Released from Restrictions	
Satisfaction of Restrictions	
Total Revenues, Gains, and Other Support	429,006
Expenses	
Program Services:	
Abilene COOL Program	229,895
Achievement Grants	-
AEF Scholarship Programs	41,549
AISD Board Security Funds	420
Alumni Scholarship Administrative Fund	16
McMurry Intern	1,580
P-16 Looping Program	
Teacher Grant Programs	51,000
Teachers in the Limelight	5,000
Website Maintenance Program	4,931
Young Musicians Program	700
Total Expenses	335,091
Net Changes-Temporarily Restricted	93,916



ABILENE EDUCATION FOUNDATION

STATEMENT OF CASH FLOWS - Direct Method

Twelve-Month Period Ended DECEMBER 31, 2012

<u>Permanently Restricted</u>	
Contributions, Gains, and Other Support	
Contributions by Endowments	
AEF Endowment	3,161
Alumni Scholarship Endowments Fund	5,126
Jennings Teach'g Excellance Endowments Fund	280,657
Retired Educator's Scholarship Endowments Fund	20,000
Transportation Scholarship Endowment Fund	84
Endowment Donations	(304,862)
Investment Income	
Realized / Unrealized Gain / (Loss) on Investments	
Other Income	
Total Revenues, Gains, and Other Support	<u>4,166</u>
Net Cash Provided (Used) by Operating Activities	<u>67,542</u>
Cash Flows from Investing Activities	
Purchase of Property and Equipment	(7,281)
Cash from Sale of Building	-
Sale of Property and Equipment	
Net Cash Provided (Used) by Investing Activities	<u>(7,281)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	60,261
Cash and Cash Equivalents at Beginning of Year	<u>404,119</u>
Cash	464,380
Overdrafts	
Cash and Cash Equivalents at End of Year	<u>464,380</u>
Supplemental Disclosures	
Interests Paid	-

Abilene Education Foundation

Supplemental Information



ABILENE EDUCATION FOUNDATION

STATEMENT OF CASH FLOWS - Indirect Method

Twelve-Month Period Ended DECEMBER 31, 2012

	<u>12/31/2012</u>
Cash Flows from Operating Activities	
Change in Net Assets	861,420
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	5,152
Realized/Unrealized Loss (Gain) on Investments	(11,914)
Endowment Donations	(304,862)
Endowment Earnings	(5,339)
Investment Fees	1,114
Contributions Restricted from Long Term Investment	
(Increase) Decrease in Operating Assets	
Contributions Receivable	(475,000)
CFA Endowment Earnings Receivable	5,624
Increase (Decrease) in Operating Liabilities	
Accrued Liabilities	8,000
Scholarship Payable	(17,000)
Payroll Liabilities	349
Net Cash Provided (Used) by Operating Activities	<u>67,543</u>
Cash Flows from Investing Activities	
Purchase of Property and Equipment	(7,281)
Cash from Sale of Building	
Sale of Property and Equipment	
Net Cash Provided (Used) by Investing Activities	<u>(7,281)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	60,261
Cash and Cash Equivalents at Beginning of Year	<u>404,119</u>
Cash	464,380
Overdrafts	
Cash and Cash Equivalents at End of Year	<u><u>464,380</u></u>
Supplemental Disclosures	
Interests Paid	-

The Abilene Education Foundation

Notes to the Financial Statements



Abilene Education Foundation Notes to the Financial Statements

NOTE 1: STATEMENT OF ORGANIZATION AND PURPOSE

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for NFPs. Under this basis of accounting, revenue is recognized when earned, and expenses are recognized when incurred. Policies and practices which materially affect the determination of financial position are summarized as follows:

Basis of Presentation

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

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

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

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

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Changes in other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained,

Abilene Education Foundation Notes to the Financial Statements

the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

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

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

Cash and Cash Equivalents

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

Investments

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

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

Promises to Give

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

In 2012, the AEF received a notice that the Dian Graves Owen Foundation will grant \$750,000 at \$150,000 in each of the next five years to expand and duplicable the COOL program. The AEF will use the funds, in conjunction with other high schools in the district, to hire more college advisor, take more college tours, reach students in the middle schools with information about opportunities for attending college and provide summer camps for students. As of December 31, 2012, the AEF has contribution receivable \$600,000 outstanding.

Abilene Education Foundation Notes to the Financial Statements

Fixed Assets

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

Property and equipment consists of the following as of December 31, 2012.

	2012
Software	6,096
Equipment, Office Equipment, Technology Grant Assets	21,805
Office Furniture	6,910
	34,811
Less: Accumulated Depreciation	(21,776)
Net Property and Equipment	13,035

Federal Income Taxes

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

For the year ended December 31, 2012, 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 result, the organization is no longer subject to income tax examinations by the tax authorities for years prior to 2009. Under current authoritative pronouncements, Accounting for Uncertainty in Income Taxes, requires the evaluation of 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

Abilene Education Foundation Notes to the Financial Statements

uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations and interpretations thereof.

Contributions

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

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

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

Use of Estimates

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

Fair Value Measurements

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

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices

Abilene Education Foundation Notes to the Financial Statements

in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

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

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

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

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

NOTE 3: RISK AND UNCERTAINTIES

Economic and Geographic Concentrations

The Abilene Education Foundation’s activities are focused on the educational needs of the students in the Abilene Independent School District. Thus, the contributors to the organization are limited to individuals, businesses and foundations that have an interest in enhancing the education of AISD students. The economic conditions of the community may have an affect on the level of contributions received.

Concentrations of Credit Risk – Cash and Investment

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

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



Abilene Education Foundation Notes to the Financial Statements

market valuation fluctuations and the investments are subject to a risk of loss.

NOTE 4: ASSETS

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

Unrestricted net assets:

	2012
General Fund	114,292
Board Restricted Endowment	
AHS Alumni Scholarship	8,014
CHS Alumni Scholarship	20,718
Total Unrestricted Net Assets	143,024

Temporarily Restricted Net Assets:

	2012
Abilene COOL Program	889,091
Abilene COOL Administrative Assistant Supplement	111
Achievement Grants	500
AEF Scholarship Programs	30,542
AISD Board Security Funds	135
Alumni Scholarship Admin Funds	6
Donor Database Funds	6,267
McMurry Intern	1,920
P-16 Looping Program	15,000
Teacher in the Limelight	13,000
Teacher Grant Programs	16,705
Website Maintenance Fund	117
Total Temporarily Restricted Net Assets	973,394

Permanently Restricted Net Assets:

	2012
AEF Endowment Fund	28,493
Alumni Scholarship End	
AHS	17,129
CHS	3,886
Jennings Teaching Excellence Fund	275,034
Retired Educator' Scholarship Endowment Fund	25,000
Transportation Endowment Scholarship Fund	506
Total Permanently Restricted Assets	350,048

Abilene Education Foundation Notes to the Financial Statements

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

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

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those 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 consist of the following as of December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Funds Held in Trust by Others	42,997	-	348,562	391,559



Abilene Education Foundation Notes to the Financial Statements

Changes in funds held in trust by others for the year ended December 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance	29,336	-	41,221	70,557
Contribution Received	-	-	308,127	308,127
Interests and Dividends Income	5,339	-	-	5,339
Net Realized Gains / Losses	-	-	(786)	(786)
Net Unrealized Gains / Losses	11,914	-	-	11,914
Total Increases	17,253	-	307,341	324,595
Grants Paid	2,479	-	-	2,479
Investments Fees	1,114	-	-	1,114
Total Decreases	3,593	-	-	3,593
Ending Balance	42,997	-	348,562	391,559

The Foundation is the income beneficiary of a trust (the JJM Fund) held by the Community Foundation of Abilene. The Foundation receives income from the trust less administrative and investment fees. The Community Foundation of Abilene retains ownership of the principal. As of December 31, 2012, the total beneficial interest receivable from the trust was 8,584.50.

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

NOTE 6: PROGRAMS

Grant to Abilene Independent School District

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

Abilene Education Foundation Notes to the Financial Statements

Early College Advanced Placement Incentive Program

The Abilene Education Foundation 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 begun in 2002 and underwritten by the Dodge Jones Foundation that is designed to enhance the District's Advanced Placement (AP) high school program

AEF Teacher Grants

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

Teachers in the Limelight

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

AEF Scholarship Program:

- Alumni Scholarship Endowment Program - The AEF began an Alumni Scholarship Endowment Program in February of 2008. The monies raised for the program are used to fund an endowment where earnings are awarded to seniors in AISD in the form of college scholarships. The amount of the scholarships varies depending on the donations and earnings from investments. The AEF collects all donations, writes all acknowledgements, and administers all scholarships following the guidelines established for past AEF scholarships and all activities to promote the program for a 1 % fee of the donations. The remaining funds are sent to the Community Foundation of Abilene for investment and remain there as a permanent (asset) endowment for future scholarships.
- AHS and CHS Alumni Scholarship Funds - Funds in the AEF Alumni Scholarship Endowment Program are designated as \$20,241 to Cooper High School and \$20,906 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.

Abilene Education Foundation Notes to the Financial Statements

- 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 2012 AEF gave two AHS seniors and two CHS seniors a \$2,000 AEF Scholarship per senior.

AEF COOL Program (College Opportunities for Life)

The Abilene COOL program began in 2007 and provided four counselors (added two counselors in July 2012), two on each AISD high school campus, to identify students that need assistance regarding the college application process. In addition to assisting students in the completion of college applications, the COOL program organizes field trips to college campuses and helps students find scholarships and funds for college. In 2012, the program received contributions of \$789,775 and incurred expenses of \$230,244.

Abilene Education Foundation Alumni Scholarship Endowment Program

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

Abilene Education Foundation Notes to the Financial Statements

P-16 Looping Program

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

NOTE 7: IN-KIND DONATION

The AEF received office space and administrative services for its Executive Director from AISD. The office is supplied with phone service, computer and internet service, copy machine, copy paper, storage room, office supplies, etc. Three other offices with similar 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, 2012, \$7,459 was included in the financial statements for the use of these offices. The offices are provided on a month-to-month basis.

NOTE 8: CONTINGENCIES

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

NOTE 9: SUBSEQUENT EVENTS

The AEF received paper notice that the Shelton Family Foundation will grant \$327,622 for the 2014-2017 COOL Program on February 15, 2013. The AEF will use the funds to expand COOL Program.

Subsequent events were evaluated through September 23, 2013, the financial statements issue date.