



The Abilene Education Foundation

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

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

July 31, 2016 and 2015

**Prepared by
McElroy and Company PC**



Independent Auditor's Report

November 17, 2016

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, 2016 and 2015, and the related statements of activities, functional expenses and cash flows (direct method) for the year ended July 31, 2016, 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.



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, 2016 and 2015, and the changes in its net assets, functional expenses and its cash flows for the year ended July 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read "William McElroy CPA", is written over the printed name of the firm.

McElroy & Company PC
Addison, Texas



ABILENE EDUCATION FOUNDATION

STATEMENTS OF FINANCIAL POSITION

As of July 31, 2016 and 2015

Assets			
		2016	2015
Current Assets			
Cash and Cash Equivalents		599,045	643,986
Contributions Receivable		3,250	150,000
CFA Endowment Earnings Receivable		-	4,977
Total Current Assets		<u>602,295</u>	<u>798,963</u>
Property and Equipment, Net		1,501	3,437
Other Assets			
Deposits		10	10
Investments - Available for Sale		490,348	510,234
Total Other Assets		<u>490,358</u>	<u>510,244</u>
Total Assets		<u>1,094,153</u>	<u>1,312,643</u>
Liabilities and Net Assets			
Current Liabilities			
Account Payable		-	500
Accrued Liabilities		9,000	8,000
Payroll Liabilities		2,368	2,125
Total Current Liabilities		<u>11,368</u>	<u>10,625</u>
Net Assets			
Unrestricted		75,259	77,038
Temporarily Restricted		566,568	792,820
Permanently Restricted		440,959	432,160
Total Net Assets		<u>1,082,786</u>	<u>1,302,018</u>
Total Liabilities and Net Assets		<u>1,094,153</u>	<u>1,312,643</u>



ABILENE EDUCATION FOUNDATION, INC
STATEMENTS OF ACTIVITIES
For the Year Ended July 31, 2016

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Contributions, Gains, and Other Support			<u>Total</u>
Contributions by Program and Endowment			
Abilene COOL Administrative Assistant Supplement			-
Abilene COOL Program		25,231	25,231
AEF Choice		6,867	6,867
AEF Endowment			3,418
AEF General Contributions	152,896		152,896
AEF Scholarship Programs		66,571	66,571
AHS Percussion Grant			-
AHS Support Fund (Pass-Thru)		20,615	20,615
Alumni Scholarship Endowments Fund			4,441
Basketball Shooters (Pass-Thru)		3,631	3,631
Royce Curtis Educator Scholarship Endowments Fund			940
Teacher Grant Programs		81,802	81,802
Teachers in the Limelight		14,575	14,575
Inkind Contribution	39,619	26,318	65,937
Investment Income	22,561	12,400	34,961
Realized / Unrealized Gain / (Loss) on Investments	(1,401)	(13,904)	(15,306)
Other Income			-
Net Assets Released from Restrictions			-
Satisfaction of Restrictions	470,356	(470,356)	-
Total Revenues, Gains, and Other Support	684,030	(226,252)	466,578
Expenses			
Grants and Scholarships Programs	140,588		140,588
Other Programs	332,720		332,720
Fundraising	96,190		96,190
Administrative	116,312	-	116,312
Total Expenses	685,810	-	685,810
Changes in Net Assets	(1,779)	(226,252)	8,799
Net Assets, Beginning of Year	77,038	792,820	432,160
Prior Period Adjustment	-	-	-
Net Assets, Beginning of Year - Adjusted	77,038	792,820	432,160
Net Assets, End of Year	75,259	566,568	440,959

The Accompanying Notes are an Integral Part of the Financial Statements



ABILENE EDUCATION FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2016

	Program Services						Supporting Services				
	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	Combined Total
Salaries and Wages	49,142						49,142	50,502	6,726	57,228	106,370
Employee Taxes	3,759						3,759	3,950	515	4,465	8,224
Total Salaries and Payroll Related Expenses	52,901	-	-	-			52,901	54,452	7,241	61,693	114,594
Advertising	3,545						3,545	50	12,348	12,398	15,943
Bank Fees							-	150	1,109	1,259	1,259
Conference & Seminars	8,041						8,041	217		217	8,258
Contract Labor	1,678						1,678			-	1,678
Depreciation							-	1,936		1,936	1,936
Dues, Memberships and Subscriptions	1,345						1,345	275		275	1,620
Events		7,886	8,358	1,384			17,628		41,967	41,967	59,595
Gift							-			-	-
Grants			16,800	56,771		6,380	79,951			-	79,951
Honorariums							-	1,709		1,709	1,709
Insurance							-	1,629		1,629	1,629
Meals	229						229			-	229
Miscellaneous							-			-	-
Postage / Direct Mail	447				71		518	510		510	1,028
Professional and Legal Fees							-	45,172		45,172	45,172
Property Taxes							-			-	-
Rent	-						-	-		-	-
Repairs and Maintenance							-	1,724	21	1,745	1,745
Scholarship		57,200					57,200			-	57,200
Staffs and Staffs Benefits	201,207						201,207	1,038		1,038	202,245
Supplies	4,511				3,385		7,896	1,335		1,335	9,231
Telephone and Utilities	3,300						3,300			-	3,300
Technology Expense	1,637						1,637				1,637
Travel	9,914						9,914			-	9,914
Sub-Total	288,755	65,086	25,158	58,155	3,456	6,380	446,990	110,197	62,686	172,883	619,872
In-Kind Advertising			16,809				16,809			-	16,809
In-Kind Conference & Seminars							-	1,013		1,013	1,013
In-Kind Events		2,377	263	5,134			7,774		33,504	33,504	41,278
In-Kind Grants							-			-	-
In-Kind Program							-			-	-
In-Kind Rent	1,735						1,735	5,102		5,102	6,837
Total Expenses	290,490	67,463	42,230	63,289	3,456	6,380	473,308	116,312	96,190	212,502	685,810

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, 2016

	<u>2016</u>
Cash Flows from Operating Activities	
<u>Unrestricted</u>	
Contributions, Gains, and Other Support	
General Contributions	152,896
Endowment Grant	1,587
Investment Fees	3,607
Investment Income	26,188
Other Income	-
Net Assets Released from Restrictions	
Satisfaction of Restrictions	
Total Revenues, Gains, and Other Support	<u>184,278</u>
Expenses	
Supporting Services:	
Administrative	107,517
Fundraising	62,686
Total Expenses	<u>170,202</u>
Net Changes-Unrestricted	<u>14,075</u>
<u>Temporarily Restricted</u>	
Contributions, Gains, and Other Support	
Contributions by Program	
Abilene COOL Administrative Assistant Supplement	-
Abilene COOL Program	171,981
AEF Choice	6,867
AEF Scholarship Programs	66,571
AHS Support Fund (Pass-Thru)	20,615
Basketball Shooters (Pass-Thru)	3,631
Donor Database Funds	-
Endowment Grant	16,552
Teacher Grant Programs	81,802
Teachers in the Limelight	14,575
Transportation Scholarship Endowment Fund	-
Investment Income	-
Realized / Unrealized Gain / (Loss) on Investments	-
Other Income	
Net Assets Released from Restrictions	
Satisfaction of Restrictions	
Total Revenues, Gains, and Other Support	<u>382,593</u>
Expenses	
Program Services:	
Abilene COOL Program	288,755
AEF Scholarship Programs	65,086
Pass-Thru Programs	3,456
Teacher Grant Programs	58,155
Teachers in the Limelight	25,158
Various Educational Grants	6,380
Total Expenses	<u>446,990</u>
Net Changes-Temporarily Restricted	<u>(64,397)</u>



ABILENE EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS - Direct Method

For the Year Ended July 31, 2016

	<u>2016</u>
<u>Permanently Restricted</u>	
Contributions, Gains, and Other Support	
Contributions by Endowments	
AEF Endowment	-
Alumni Scholarship Endowments Fund	4,441
Jennings Teach'g Excellance Endowments Fund	
Royce Curtis Educator Scholarship Endowments Fund	940
Transportation Scholarship Endowment Fund	-
Endowment Grant / (Donations)	
Investment Income	
Realized / Unrealized Gain / (Loss) on Investments	
Other Income	
Total Revenues, Gains, and Other Support	<u>5,381</u>
Net Cash Provided (Used) by Operating Activities	<u>(44,941)</u>
Cash Flows from Investing Activities	
No Tansactions	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(44,941)
Cash and Cash Equivalents at Beginning of Year	<u>643,986</u>
Cash and Cash Equivalents at End of Year	<u><u>599,045</u></u>
Supplemental Disclosures	
Interests Paid	-

Abilene Education Foundation

Supplemental Information



ABILENE EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS - Indirect Method

For the Year Ended July 31, 2016

	<u>2016</u>
Cash Flows from Operating Activities	
Change in Net Assets	(219,232)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	1,936
Unrealized Loss (Gain) on Investments	15,306
Endowment Grant / (Donations)	14,722
Endowment Earnings	(13,748)
Investment Fees	3,607
Contributions Restricted from Long Term Investment	
(Increase) Decrease in Operating Assets	
Contributions Receivable	146,750
CFA Endowment Earnings Receivable	4,977
Increase (Decrease) in Operating Liabilities	
Account Payable	(501)
Accrued Liabilities	1,000
Payroll Liabilities	242
Net Cash Provided (Used) by Operating Activities	<u>(44,941)</u>
Cash Flows from Investing Activities	
No Transactions	
Net Cash Provided (Used) by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(44,941)
Cash and Cash Equivalents at Beginning of Year	643,986
Cash and Cash Equivalents at End of Year	<u>599,045</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 the net income and principle exclusively for the support of the Abilene Independent School District, to enrich its academic curriculum, fine arts, and co-curricular programs. Support of the Abilene Independent School District may also include the grant of college, technical, or vocational school scholarships to graduating seniors.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

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

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

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

Abilene Education Foundation Notes to the Financial Statements

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

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

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

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

Cash and Cash Equivalents

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

Investments – Available for Sale

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

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

Promises to Give

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

The AEF 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, 2016 and 2015, the AEF has contributions receivable of \$3,250 and \$150,000 outstanding, respectively. This series of contributions was completed in 2016.

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 and a cost more than \$1,000 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 \$1,936 for the period ended July 31, 2016.

Property and equipment consists of the following as of July 31, 2016 and 2015.

	<u>7/31/2016</u>	<u>7/31/2015</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	(33,310)	(31,374)
Net Property and Equipment	<u><u>1,501</u></u>	<u><u>3,437</u></u>

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, 2015, 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 2012. 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,

Abilene Education Foundation Notes to the Financial Statements

with no interim additions, reductions or settlements. However, the conclusions regarding the uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations and interpretations thereof.

Contributions

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

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

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

Use of Estimates

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

Fair Value Measurements

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

Abilene Education Foundation Notes to the Financial Statements

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

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

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

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

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

Assets at Fair Value as of July 31, 2016				
	Level 1	Level 2	Level 3	Total
Pooled Fund Investment	490,348	-	-	490,348
Total	490,348	-	-	490,348

Assets at Fair Value as of July 31, 2015				
	Level 1	Level 2	Level 3	Total
Pooled Fund Investment	510,234	-	-	510,234
Total	510,234	-	-	510,234

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.

Abilene Education Foundation Notes to the Financial Statements

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.

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

NOTE 4: NET ASSETS

Net Assets are stated at fair value at July 31, 2016 and 2015 and consist of the following:

Unrestricted net assets:

	<u>7/31/2016</u>	<u>7/31/2015</u>
General Fund	67,236	67,013
AEF Agency Endowment Funds	8,023	10,026
Total Unrestricted Net Assets	<u>75,259</u>	<u>77,038</u>

Temporarily Restricted Net Assets:

	<u>7/31/2016</u>	<u>7/31/2015</u>
Alumni Scholarship End		
AHS	3,398	4,862
CHS	3,247	4,547
AEF Choice	3,823	
Jennings Teaching Excellence Fund	37,322	53,314
Royce Curtis Scholarship Endowment Fund	4,013	6,560
Abilene COOL Program	338,913	602,437
AEF Scholarship Programs	57,751	48,340
AHS Support Program (Pass Thru)	20,279	
Basketball Shooters (Pass Thru)	3,631	
Hygiene Supply Program (Pass Thru)	500	500
Jefferson Center Program (Pass Thru)	11,950	15,000
Intern	393	
Teacher in the Limelight	1,902	
Teacher Grant Programs	74,997	51,350
Website Maintenance Fund	4,448	5,911
Total Temporarily Restricted Net Assets	<u>566,568</u>	<u>792,820</u>

Abilene Education Foundation Notes to the Financial Statements

Permanently Restricted Net Assets:

	<u>7/31/2016</u>	<u>7/31/2015</u>
AEF Agency Endowment Fund	44,230	40,812
Alumni Scholarship Endowment		
AHS	36,232	33,306
CHS	27,607	26,092
Jennings Teaching Excellence Fund	275,034	275,034
Royce Curtis Scholarship Endowment Fund	57,856	56,916
Total Permanently Restricted Assets	<u>440,959</u>	<u>432,160</u>

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

Investments held by the AEF as of July 31, 2016 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.

Abilene Education Foundation Notes to the Financial Statements

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, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance	10,025	69,282	430,926	510,234
Contribution Received			3,418	3,418
Interests and Dividends Income	1,348	12,400		13,748
Net Realized Gains / Losses				-
Net Unrealized Gains / Losses	(1,401)	(13,904)		(15,306)
Total Increases	(54)	(1,504)	3,418	1,860
Grants Paid	1,587	16,552		18,139
Investments Fees	362	3,245		3,607
Total Decreases	1,949	19,797	-	21,746
Ending Balance 07/31/2016	8,023	47,981	434,344	490,348

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance	8,338	69,472	424,804	502,614
Contribution Received			6,122	6,122
Interests and Dividends Income	242	2,216		2,457
Net Realized Gains / Losses				-
Net Unrealized Gains / Losses	1,662	15,325		16,987
Total Increases	1,904	17,540	6,122	25,566
Grants Paid		15,754		15,754
Investments Fees	216	1,976		2,192
Total Decreases	216	17,730	-	17,946
Ending Balance 07/31/2015	10,025	69,282	430,926	510,234

Abilene Education Foundation Notes to the Financial Statements

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, 2016 and 2015, the total beneficial interests' receivable from the trust were \$0 in 2016 and \$4,977 in 2015.

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

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

Abilene Education Foundation Notes to the Financial Statements

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 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 remaining 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.

Abilene Education Foundation Notes to the Financial Statements

- 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.
- 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, 2016, the program received contributions of \$25,231 and incurred expenses of \$288,755.

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. 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, 2016, \$6,837 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, 2016, the in-kind donations were \$59,100.

Abilene Education Foundation Notes to the Financial Statements

NOTE 8: CONTINGENCIES

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

NOTE 9: SUBSEQUENT EVENTS

Subsequent events were evaluated through November 30, 2016, the financial statements issue date.