

ABILENE EDUCATION FOUNDATION

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JULY 31, 2021 and 2020



Abilene Education Foundation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Abilene Education Foundation
Abilene, Texas

We have audited the accompanying financial statements of **Abilene Education Foundation** (a nonprofit organization), which comprise the statements of financial position as of July 31, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 Abilene Education Foundation as of July 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Roberts + McGee, CPA

ROBERTS & MCGEE, CPA

Abilene, Texas
October 13, 2021

Abilene Education Foundation
Statements of Financial Position
July 31, 2021 and 2020

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 671,515	\$ 561,710
Contributions receivable	124,600	241,715
Prepaid expenses	-	2,670
Total current assets	796,115	806,095
NONCURRENT ASSETS		
Contributions receivable	-	235,700
Beneficial interest in assets held by Community Foundation of Abilene	748,170	598,455
Property and equipment, net	-	-
Other noncurrent assets	10	10
Total noncurrent assets	748,180	834,165
Total assets	\$ 1,544,295	\$ 1,640,260
CURRENT LIABILITIES		
Accrued expenses	\$ 19,566	\$ 19,367
Grants payable	-	11,850
Deferred revenue	-	17,879
Total current liabilities	19,566	49,096
NET ASSETS		
Net assets without donor restrictions	155,193	116,531
Net assets with donor restrictions	1,369,536	1,474,633
Total net assets	1,524,729	1,591,164
Total liabilities and net assets	\$ 1,544,295	\$ 1,640,260

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

Abilene Education Foundation
Statements of Activities
For the Years Ended July 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	REVENUES, GAINS, AND OTHER SUPPORT					
Grants and contributions	\$ 98,332	\$ 195,843	\$ 294,175	\$ 76,028	\$ 913,726	\$ 989,754
In-kind contributions	5,566	3,393	8,959	8,914	11,385	20,299
Endowment income, net	27,751	9,126	36,877	26,727	10,122	36,849
Realized/unrealized gain on investments	14,593	142,172	156,765	123	1,084	1,207
Payroll Protection Program loan forgiveness	22,085	-	22,085	23,500	-	23,500
Employee Retention Credit	12,609	-	12,609	-	-	-
Net assets released from time restrictions	455,631	(455,631)	-	488,437	(488,437)	-
Total Revenues, Gains, and Other Support	636,567	(105,097)	531,470	623,729	447,880	1,071,609
Expenses						
Program services						
Abilene COOL Program	269,933		269,933	309,806		309,806
AEF Scholarship Program	56,313		56,313	59,537		59,537
Teachers in the Limelight Program	30,849		30,849	16,766		16,766
AEF Teacher Grant Program	72,881		72,881	100,128		100,128
Pass-Thru Programs	-		-	1,441		1,441
Other Educational Grants	17,363		17,363	5,942		5,942
Supporting services						
General and administrative	134,518		134,518	128,949		128,949
Fundraising	16,048		16,048	26,548		26,548
Total Expenses	597,905	-	597,905	649,117	-	649,117
Total Change in Net Assets	38,662	(105,097)	(66,435)	(25,388)	447,880	422,492
Net Assets at Beginning of Year	116,531	1,474,633	1,591,164	141,919	1,026,753	1,168,672
Net Assets at End of Year	\$ 155,193	\$ 1,369,536	\$ 1,524,729	\$ 116,531	\$ 1,474,633	\$ 1,591,164

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

Abilene Education Foundation
Statement of Functional Expenses
For the Year Ended July 31, 2021

	Program Services						Supporting Services			Total Expenses	
	Abilene COOL Program	AEF Scholarship Program	Teachers in the Limelight Program	AEF Teacher Grant Program	Pass-Thru Programs	Other Educational Grants	Total Program Services	General and Administrative	Fundraising		Total Supporting Services
EXPENSES											
Salaries	\$ 32,922	\$ -	\$ 1,456	\$ 5,096	\$ -	\$ 9,534	\$ 49,008	\$ 53,162	\$ 6,969	\$ 60,131	\$ 109,139
Payroll taxes	2,519		111	390		729	3,749	4,067	533	4,600	8,349
Employee benefits	552						552	9,904	307	10,211	10,763
Total personnel expenses	35,993		1,567	5,486		10,263	53,309	67,133	7,809	74,942	128,251
Advertising and promotion							-		400	400	400
Bank and credit card fees	259						259		1,339	1,339	1,598
Board expenses							-	414		414	414
Conferences and seminars	40						40	918		918	958
Consulting fee								7,200		7,200	7,200
Contract labor			375	125			500			-	500
Dues and subscriptions	819						819	295		295	1,114
Event supplies and expenses	2,998	3,656	9,807			7,100	23,561		4,066	4,066	27,627
Grants		5,000	19,100	67,270			91,370			-	91,370
Honorariums	209						209			-	209
Insurance							-	1,647		1,647	1,647
Miscellaneous							-	289		289	289
Postage and direct mail	219						219	684		684	903
Professional and legal fees							-	38,358		38,358	38,358
Repairs and maintenance							-	5,283		5,283	5,283
Scholarships		47,657					47,657			-	47,657
Staff and staff benefits	227,195						227,195			-	227,195
Supplies and printing	308						308	3,415	934	4,349	4,657
Telephone and utilities							-	3,300		3,300	3,300
Travel							-	16		16	16
Total other expenses	232,047	56,313	29,282	67,395	-	7,100	392,137	61,819	6,739	68,558	460,695
In-kind - Events	-						-		1,500	1,500	1,500
In-kind - Rent	1,893						1,893	5,566		5,566	7,459
Total expenses	\$ 269,933	\$ 56,313	\$ 30,849	\$ 72,881	\$ -	\$ 17,363	\$ 447,339	\$ 134,518	\$ 16,048	\$ 150,566	\$ 597,905

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

Abilene Education Foundation
Statement of Functional Expenses
For the Year Ended July 31, 2020

	Program Services						Supporting Services				Total Expenses
	Abilene COOL Program	AEF Scholarship Program	Teachers in the Limelight Program	AEF Teacher Grant Program	Pass-Thru Programs	Other Educational Grants	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
EXPENSES											
Salaries	\$ 39,514	\$	\$	\$	\$	\$ 39,514	\$ 53,467	\$ 14,536	\$ 68,003	\$ 107,517	
Payroll taxes	2,847					2,847	3,870	1,047	4,917	7,764	
Employee benefits							7,054	1,074	8,128	8,128	
Total personnel expenses	42,361					42,361	64,391	16,657	81,048	123,409	
Advertising and promotion						-		459	459	459	
Bank and credit card fees	114					114	15	898	913	1,027	
Board expenses						-	410		410	410	
Conferences and seminars	143					143	634		634	777	
Contract labor				451		786	300		300	1,086	
Dues and subscriptions	898					898	275		275	1,173	
Event supplies and expenses	2,946	3,453	366		1,441	5,607		3,384	3,384	17,197	
Grants		3,000	16,400	99,677						119,077	
Honorariums						-	269		269	269	
Insurance						-	1,593		1,593	1,593	
Miscellaneous						-	20		20	20	
Next University	23,809					23,809			-	23,809	
Postage and direct mail	571					571	401	165	566	1,137	
Professional and legal fees						-	43,785		43,785	43,785	
Repairs and maintenance						-	5,965		5,965	5,965	
Scholarships		53,084				53,084			-	53,084	
Staff and staff benefits	222,645					222,645			-	222,645	
Supplies and printing	219					219	2,071	1,637	3,708	3,927	
Telephone and utilities						-	3,212		3,212	3,212	
Travel	4,715					4,715	42		42	4,757	
Total other expenses	256,060	59,537	16,766	100,128	1,441	5,942	439,874	58,992	65,535	505,409	
In-kind - Events	9,492					9,492		3,348	3,348	12,840	
In-kind - Rent	1,893					1,893	5,566		5,566	7,459	
Total expenses	\$ 309,806	\$ 59,537	\$ 16,766	\$ 100,128	\$ 1,441	\$ 5,942	\$ 493,620	\$ 128,949	\$ 26,548	\$ 155,497	\$ 649,117

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

Abilene Education Foundation
Statements of Cash Flows
For the Years Ended July 31, 2021 and 2020

CASH FLOWS FROM OPERATING ACTIVITIES

	2021	2020
Increase (decrease) in net assets	\$ (66,435)	\$ 422,492
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized\unrealized (gain) loss on investment	(156,765)	(1,207)
Endowment earnings, net	(10,090)	(11,194)
(Increase) decrease in:		
Contributions receivable	352,815	(461,625)
Prepaid expenses	2,670	(2,670)
Increase (decrease) in:		
Accrued expenses	199	(38,501)
Grants payable	(11,850)	11,850
Deferred revenue	(17,879)	17,879
Net cash provided (used) by operating activities	92,665	(62,976)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from endowment distributions	19,135	21,915
Contributions restricted for endowment	(1,995)	(4,015)
Net cash provided by investing activities	17,140	17,900
 Net change in cash and cash equivalents	 109,805	 (45,076)
 Cash and cash equivalents at beginning of year	 561,710	 606,786
 Cash and cash equivalents at end of year	 \$ <u>671,515</u>	 \$ <u>561,710</u>

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

Abilene Education Foundation
Notes to the Financial Statements
July 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and financial reporting policies of Abilene Education Foundation (the Foundation) conform to accounting principles generally accepted in the United States of America and are based upon accounting practices generally followed by nonprofit organizations. A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Organization and Purpose

The Abilene Education Foundation was incorporated on October 10, 2000, under the laws of the State of Texas as a non-profit corporation. The purpose of the Foundation 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 support of the Abilene Independent School District (AISD), 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. The Foundation operates under the following programs: Abilene COOL Program (College Opportunities for Life), AEF Scholarship Program, Teachers in the Limelight Program, AEF Teacher Grant Program, and other pass-through programs.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Under this basis of accounting, revenue is recognized when earned, and expenses are recognized when incurred. The focus of these financial statements is to present the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into the following two classes of net assets:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by the actions of the Foundation and/or passage of time, and net assets subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Abilene Education Foundation
Notes to the Financial Statements
July 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In accordance with accounting principles generally accepted in the United States, contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Income and net gains on investments of endowments and similar funds are reported as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of the endowment fund. If the investment gains on investments that are available for current use by the Foundation are reported as increases in net assets without donor restrictions.

With respect to net assets with donor restrictions, 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 net asset with donor restriction class, and a reclassification of net assets without donor restrictions is made to reflect the expiration of such restrictions. The Foundation will use net assets with donor restrictions first for contributions received for which both net assets with and without donor restrictions are available.

Cash and Cash Equivalents

Cash and cash equivalents consist of liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts.

Contributions Receivable

Contributions receivable are recorded at fair market value and all are expected to be received; therefore, an allowance for uncollectible amounts has not been recorded.

The Foundation has received grant awards from the Dian Graves Owen Foundation and the Shelton Family Foundation for grants to continue and expand the COOL program. As of July 31, 2021 and 2020, the Foundation has contributions receivable of \$117,850 and \$471,400, respectively from the Foundations.

Contributed Office Space, Services and Materials

The Foundation receives in-kind administrative office space and administrative services from AISD. Other office space is also provided by AISD for the Abilene COOL Program along with other in-kind donations for the program. The Foundation also receives in-kind donations for fundraising events. During the year ended July 31, 2021 and 2020, total in-kind donations and expenses totaled \$8,959 and \$20,299, respectively.

Abilene Education Foundation
Notes to the Financial Statements
July 31, 2021 and 2020

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued*

Property and Equipment

Property and equipment are recorded at cost when purchased or at estimated fair market value of donated property or equipment as of the date of the donation. When the Foundation disposes of property and equipment, the cost and accumulated depreciation are removed from the accounting records. Maintenance, repairs and renewals are expensed as incurred. The Foundation's policy is to capitalize assets with a cost in excess of \$1,000 and a useful life in excess of one year. Depreciation is computed by the straight-line method over the estimated useful life of the asset as follows:

	<u>Years</u>
Buildings and Improvements	25
Furniture and Equipment	5-10
Vehicles	5

Federal Income Taxes

The Foundation has been granted an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code in an exemption letter dated March 24, 2005. The Internal Revenue Service has further determined that the Foundation is a publicly supported organization under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

For the years ended July 31, 2021 and 2020, the Foundation 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 Foundation'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 Foundation is no longer subject to income tax examinations by the tax authorities for years prior to 2017.

Allocation of Expenses

The Foundation's expenses are charged directly to specific program functions when specifically identifiable. Indirect costs are allocated across the programs, administrative and fundraising functions based on a weighted benefit for each function. Salaries, taxes and related benefits are allocated based on percentage of time applicable to each function.

Advertising Costs

All advertising costs in the statement of functional expenses are charged to operations when incurred. The Foundation has not estimated the value of any future benefits from these expenses. Advertising costs for fundraising for the years ended July 31, 2021 and 2020 were \$400 and \$459, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

Abilene Education Foundation
Notes to the Financial Statements
 July 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Subsequent Events

Management has evaluated subsequent events through October 13, 2021, the date the financial statements were available to be issued.

NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation has \$796,115 and \$803,425 of financial assets available within one year of the statement of financial position dates of July 31, 2021 and 2020, respectively, to meet cash needs for general operating which consists of:

Cash and cash equivalents	\$ 671,515	\$ 561,710
Contributions receivable	124,600	477,415
Beneficial interest in assets held by CFA	<u>748,170</u>	<u>598,455</u>
Total Financial Assets	<u>1,544,285</u>	<u>1,637,580</u>
Less those unavailable for general expenditures within one year, due to:		
Endowments restricted for scholarships and teaching	(748,170)	(598,455)
Restricted for programs due in more than one year	<u>-</u>	<u>(235,700)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 796,115</u>	<u>\$ 803,425</u>

NOTE 3: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation has transferred assets to the Community Foundation of Abilene (CFA), which holds them as agency funds (Funds) for the benefit of the Foundation. The Funds are subject to CFA's investment and spending policies. The objective of the spending policies related to the Funds held at the Community Foundation of Abilene is to distribute funds while maintaining real growth of endowment principal over the long-term, equaling, or exceeding the rate of inflation. The distribution rate is based upon a total return approach, which utilizes both income and capital appreciation to be withdrawn for spending, stated as 4% of a rolling investment value. The Foundation reports the fair value of the Funds as Beneficial Interest in Assets Held by CFA in the statements of financial position. CFA holds seven Funds on behalf of the Foundation as follows:

Abilene Education Foundation Agency Endowment
 Chessmates: The Scholastic Chess Club of AISD Fund
 Abilene Education-AHS Alumni Scholarship Fund
 Abilene Education-CHS Alumni Scholarship Fund
 AEF Edwin & Agnes Jennings Teaching Excellence Award
 Abilene Education – Martha Kiel Scholarship
 Royce Curtis Excellence in Education Scholarship Fund

Abilene Education Foundation
Notes to the Financial Statements
July 31, 2021 and 2020

NOTE 3: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS - continued

The Beneficial Interest in Assets Held by Community Foundation of Abilene activity for the years ended July 31, 2021 and 2020 is as follows:

Balance at July 31, 2019	\$	603,954
Contributions invested		4,015
Endowment earnings		14,873
Investment fees		(3,679)
Realized gains (losses)		(3,730)
Unrealized gains (losses)		4,937
Distributions		<u>(21,915)</u>
Balance at July 31, 2020		598,455
Contributions invested		1,995
Endowment earnings		14,273
Investment fees		(4,183)
Realized gains (losses)		4,193
Unrealized gains (losses)		152,572
Distributions		<u>(19,135)</u>
Balance at July 31, 2021	\$	<u><u>748,170</u></u>

NOTE 4: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles under ASC 820 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 in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

Abilene Education Foundation
Notes to the Financial Statements
 July 31, 2021 and 2020

NOTE 4: FAIR VALUE MEASUREMENTS – continued

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Assets in this category generally include real estate, certain hedge funds, and other equity instruments.

Level 3 – Unobservable inputs for the valuation of the asset or liability. Level 3 assets include instruments for which there is little, if any, market activity. These inputs require significant management judgement or estimation. Assets in this category generally include certain hedge funds, private equity funds, privately held stock, and debenture bonds. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgement by management.

The following table summarize financial assets measured at fair value on a recurring basis, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value.

Fair Value Measurements at July 31, 2021				
	Level 1	Level 2	Level 3	Total
	<u>Inputs</u>	<u>Inputs</u>	<u>Inputs</u>	<u> </u>
Beneficial interest in assets held by CFA **	\$ _____	\$ _____	\$ _____	\$ <u>748,170</u>
Total	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u>748,170</u>
Fair Value Measurements at July 31, 2020				
	Level 1	Level 2	Level 3	Total
	<u>Inputs</u>	<u>Inputs</u>	<u>Inputs</u>	<u> </u>
Beneficial interest in assets held by CFA **	\$ _____	\$ _____	\$ _____	\$ <u>598,455</u>
Total	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u>598,455</u>

** In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The beneficial interest in assets held at Community Foundation of Abilene (CFA) has been valued as a practical expedient, at the fair value of the Foundation’s share of CFA’s investment pool as of the measurement dates of July 31, 2021 and 2020. The CFA values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the CFA, which includes private placements and other securities for which prices are not readily available, are determined by 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.

Abilene Education Foundation
Notes to the Financial Statements
July 31, 2021 and 2020

NOTE 5: ENDOWMENT INVESTMENTS

Endowment investments held by the Foundation as of July 31, 2021 and 2020 consist of funds held at the Community Foundation of Abilene. These funds are invested 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 purpose 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.

Changes in endowment investments for the years ended July 31, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at July 31, 2019	\$ 14,764	\$ 589,190	\$ 603,954
Contributions Received	-	4,015	4,015
Dividend/Interest/Other Income	1,429	13,444	14,873
Realized Gain (Loss)	(353)	(3,377)	(3,730)
Unrealized Gain (Loss)	476	4,461	4,937
Total Increases	<u>1,552</u>	<u>18,543</u>	<u>20,095</u>
Distributions	(2,159)	(19,756)	(21,915)
Investment Fees	(356)	(3,323)	(3,679)
Total Decreases	<u>(2,515)</u>	<u>(23,079)</u>	<u>(25,594)</u>
Balance at July 31, 2020	13,801	584,654	598,455
Contributions Received		1,995	1,995
Dividend/Interest/Other Income	1,362	12,911	14,273
Realized Gain (Loss)	401	3,792	4,193
Unrealized Gain (Loss)	14,552	138,020	152,572
Total Increases	<u>16,315</u>	<u>156,718</u>	<u>173,033</u>
Distributions	(2,255)	(16,880)	(19,135)
Investment Fees	(401)	(3,782)	(4,183)
Total Decreases	<u>(2,656)</u>	<u>(20,662)</u>	<u>(23,318)</u>
Balance at July 31, 2021	\$ <u>27,460</u>	\$ <u>720,710</u>	\$ <u>748,170</u>

Abilene Education Foundation
Notes to the Financial Statements
July 31, 2021 and 2020

NOTE 5: ENDOWMENT INVESTMENTS – continued

In addition to the endowment funds disclosed above, Abilene Education Foundation is the beneficiary of other endowments held at CFA.

The Foundation is the named beneficiary of the JJM Fund for the Abilene Education Foundation held by the Community Foundation of Abilene. The fair market value of the fund at July 31, 2021 and 2020 was \$772,541 and \$622,579, respectively. The Foundation receives unrestricted income distributions from the fund on a quarterly basis, which were \$ 24,589 and \$24,061 for the years ended July 31, 2021 and 2020, respectively, with a receivable from the fund of \$6,147 and \$6,015 at each year end. The Community Foundation of Abilene retains variance power for the fund.

The Foundation is the named beneficiary of the Martha Scott Carlson Fund for AEF GIFT Grants held by the Community Foundation of Abilene. The fair market value of the fund at July 31, 2021 and 2020 was \$ 35,304 and 28,301, respectively. The Foundation receives an annual income distribution from the fund, which was \$825 and \$1,075 for the years ended July 31, 2021 and 2020. The Community Foundation of Abilene retains variance power for the fund.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original restricted gift in perpetuity 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 Foundation classifies as 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 perpetuity as restricted net assets is classified as restricted by time or purpose 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 with Deficiencies

From time to time, the fair market value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of July 31, 2021 and 2020.

Abilene Education Foundation
Notes to the Financial Statements
 July 31, 2021 and 2020

NOTE 5: ENDOWMENT INVESTMENTS – continued

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation manages risk and return on the endowment using a framework that allocates the charitable assets to different types of investment strategies under a long-term asset allocation model.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at July 31:

	2021	2020
Office buildings and improvements	\$ 17,293	\$ 17,293
Software	6,096	6,096
Furniture and equipment	11,422	11,422
	34,811	34,811
Less: Accumulated Depreciation	(34,811)	(34,811)
Net Capital Assets	\$ -	\$ -

NOTE 7: NOTES PAYABLE

On April 10, 2020, the Foundation entered into a note payable with First National Bank Baird under the Payroll Protection Program (PPP) which is part of the government stimulus package, the Coronavirus Aid, Relief, and Economic Securities (CARES) Act. The amount of the loan was \$23,500. In accordance with the provisions in the CARES Act, the Foundation has spent the loan on allowable payroll expenses and has filed for forgiveness with the Small Business Administration. During 2020, the Foundation received a letter from First National Bank Baird, approving the PPP loan for forgiveness. The amount of the loan proceeds is recognized as revenue in fiscal year 2020, and the Foundation has no future payments due on this note.

Abilene Education Foundation
Notes to the Financial Statements
July 31, 2021 and 2020

NOTE 7: NOTES PAYABLE – continued

Additionally, on January 29, 2021, the Foundation entered into a note payable with First National Bank Baird under the PPP which is part of the CARES Act. The amount of the loan was \$22,085. In accordance with the provisions in the CARES Act, the Foundation has spent the loan on allowable payroll expenses and has filed for forgiveness with the Small Business Administration. During 2021, the Foundation received a letter from First National Bank Baird, approving the PPP loan for forgiveness. The amount of the loan proceeds is recognized as revenue in fiscal year 2021, and the Foundation has no future payments due on this note.

NOTE 8: NET ASSETS

Net assets at July 31, 2021 and 2020 consist of the following:

	2021	2020
<u>Without Donor Restriction</u>		
General Fund	\$ 127,733	\$ 102,730
AEF Agency Endowment Fund	27,460	13,801
Net assets without donor restrictions	\$ 155,193	\$ 116,531
<u>With Donor Restrictions</u>		
Alumni Scholarship Endowment		
AHS	\$ 61,128	\$ 48,035
CSH	51,496	40,254
Jennings Teaching Excellence Fund	426,774	342,180
Martha Kiel Scholarship Endowment Fund	32,191	25,779
Royce Curtis Scholarship Endowment Fund	92,085	73,664
Abilene COOL Program	466,534	691,441
AEF Choice	34,565	35,435
AEF Scholarship Programs	53,590	67,821
Pass - Thru Programs	8,055	8,915
AISD Chess Program Endowment Funds	13,437	10,462
Teachers in the Limelight	3,022	12,335
AEF Teacher Grant Programs	81,121	72,054
Website Maintenance Fund	1,178	1,978
AEF Agency Endowment Fund	44,360	44,280
Net assets with donor restrictions	\$ 1,369,536	\$ 1,474,633

Abilene Education Foundation
Notes to the Financial Statements
July 31, 2021 and 2020

NOTE 9: 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 Foundation 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 effect on the level of contributions received.

Concentrations of Credit Risk – Cash and Investments

The Foundation maintains cash accounts at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). The Foundation maintains balances at financial institutions in excess of the insured amounts. At July 31, 2021, the Foundation's cash held at financial institutions exceeded the federally insured amount..

The Foundation has invested its endowment funds with CFA, which invests the assets in a variety of financial securities. These investments are subject to market valuation fluctuations, and the investments are subject to a risk of loss.

NOTE 10: NEW ACCOUNTING PRONOUNCEMENT

The Foundation has adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* for the year ended July 31, 2020. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how a Foundation determines whether a resource provider is receiving commensurate value in return for a contribution. If the resource provider does receive commensurate value from the recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the contribution is not considered to be commensurate value. Results for the July 31, 2020 year are presented under ASU 2018-08 with no effect on net assets or previously issued financial statements.

NOTE 11: CONTINGENCIES

In the ordinary course of conducting its operations, the Foundation 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 Foundation's financial position or results of future operations.

The Foundation awards scholarship annually to current AISD school students. Some of these scholarships span several years. The Foundation recognizes scholarship expense at the point when all requirements for the scholarship award have been met and the student has met enrollment requirements. As of July 31, 2021, the Foundation had outstanding scholarship awards totaling \$30,250.

Abilene Education Foundation
Notes to the Financial Statements
 July 31, 2021 and 2020

NOTE 11: CONTINGENCIES - continued

The COVID-19 outbreak in the United States has created economic uncertainties that may impact current and future operations. The extent of the impact on operational and financial performance will depend upon certain developments, including the duration and spread of the outbreak and the impact on the Foundation's participants, volunteers, donors, and employees. At this point, the extent to which COVID-19 may impact the Foundation's financial condition or results of operations is uncertain.

NOTE 12: PRIOR PERIOD ADJUSTMENTS

During the current fiscal year, it was noted that the Judy Dudley Gift Grant due for 2020 had not been recorded in fiscal year ending July 31, 2020. This causes the following changes to previously recorded amounts.

	Per Issued Financial Statements	As Restated	Change
Statement of Financial Position			
Grants payable	\$ -	\$ 11,850	\$ 11,850
Net assets with donor restrictions	1,486,483	1,474,633	(11,850)
Statement of Activities			
AEF Teacher Grant Programs	88,278	100,128	11,850
Total Change in Net Assets	459,730	447,880	(11,850)

