

Eanes Education Foundation
Financial Statements and
Independent Auditors' Report
June 30, 2015 and 2014

Eanes Education Foundation

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Dunagan★Jack LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eanes Education Foundation

We have audited the accompanying financial statements of Eanes Education Foundation (a Texas nonprofit corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows 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.

Auditors' 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 audits 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 also includes evaluating the appropriateness of accounting policies 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 Eanes Education Foundation as of June 30, 2015 and 2014, 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.

A handwritten signature in black ink that reads "DUNAGAN JACK LLP". The signature is stylized and cursive.

Austin, Texas
December 28, 2015

FINANCIAL STATEMENTS

Eanes Education Foundation

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 400,847	\$ 637,445
Investments (Note C)	715,808	461,348
Contributions receivable (Note D)	114,382	38,008
Prepaid expenses	<u>6,443</u>	<u>10,000</u>
Total assets	<u>\$ 1,237,480</u>	<u>\$ 1,146,801</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 11,184	\$ 9,383
Grants and scholarships payable (Note G)	<u>148,918</u>	<u>124,335</u>
Total liabilities	<u>160,102</u>	<u>133,718</u>
Net assets		
Unrestricted	881,576	820,078
Temporarily restricted (Note E)	120,762	121,365
Permanently restricted (Note F)	<u>75,040</u>	<u>71,640</u>
Total net assets	<u>1,077,378</u>	<u>1,013,083</u>
Total liabilities and net assets	<u>\$ 1,237,480</u>	<u>\$ 1,146,801</u>

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

Eanes Education Foundation
STATEMENTS OF ACTIVITIES

For the years ended June 30,

	2015	2014
Changes in unrestricted net assets		
Revenues and gains		
Special events		
Special events revenues	\$ 627,781	\$ 491,248
Less: Special events expenses	<u>(235,143)</u>	<u>(154,334)</u>
Net revenues from special events	392,638	336,914
Contributions	1,626,391	1,455,770
Return on investments (Note C)	<u>2,940</u>	<u>24,840</u>
Total unrestricted revenues and gains	2,021,969	1,817,524
Net assets released from restrictions	<u>15,591</u>	<u>21,796</u>
Total unrestricted revenues, gains, and other support	<u>2,037,560</u>	<u>1,839,320</u>
Expenses		
Program services	1,686,554	1,477,650
General and administrative	102,892	77,429
Fundraising	<u>186,616</u>	<u>139,937</u>
Total expenses	<u>1,976,062</u>	<u>1,695,016</u>
Increase in unrestricted net assets	<u>61,498</u>	<u>144,304</u>
Changes in temporarily restricted net assets		
Contributions	15,162	18
Return on investments (Note C)	(174)	27,105
Net assets released from restrictions	<u>(15,591)</u>	<u>(21,796)</u>
(Decrease) increase in temporarily restricted net assets	<u>(603)</u>	<u>5,327</u>
Changes in permanently restricted net assets		
Contributions	<u>3,400</u>	<u>6,150</u>
Increase in permanently restricted net assets	<u>3,400</u>	<u>6,150</u>
Change in net assets	64,295	155,781
Net assets at beginning of year	<u>1,013,083</u>	<u>857,302</u>
Net assets at end of year	<u><u>\$ 1,077,378</u></u>	<u><u>\$ 1,013,083</u></u>

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

Eanes Education Foundation
STATEMENTS OF CASH FLOWS

For the years ended June 30,

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 64,295	\$ 155,781
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Realized and unrealized (gains) losses, net	14,082	(39,708)
(Increase) decrease in contributions receivable	(76,374)	30,103
Decrease (increase) in prepaid expenses	3,557	(8,454)
Increase (decrease) in accounts payable and accrued expenses	1,801	(3,541)
Increase (decrease) in grants and scholarships payable	24,583	(22,890)
Contributions restricted for endowment	(3,400)	(6,150)
Net cash provided by operating activities	28,544	105,141
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	146,030	178,879
Purchases of investments	(414,572)	(167,899)
Net cash (used) provided by investing activities	(268,542)	10,980
Cash flows from financing activities:		
Investments in endowment	3,400	6,150
Net cash provided by financing activities	3,400	6,150
Net (decrease) increase in cash and cash equivalents	(236,598)	122,271
Cash and cash equivalents at beginning of year	637,445	515,174
Cash and cash equivalents at end of year	\$ 400,847	\$ 637,445
Amounts paid during the year for:		
Income taxes	\$ -	\$ -
Interest	\$ -	\$ -

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

NOTES TO FINANCIAL STATEMENTS

Eanes Education Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Nature of Activities

Eanes Education Foundation (Foundation) is a Texas non-profit corporation founded in 1991 to provide financial and in-kind support to the schools in the Eanes Independent School District (EISD). The Foundation's mission is to seek current and endowed financial support from the community and corporate donors to provide and sustain district-wide opportunities for educational excellence within EISD.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

3. Basis of Presentation

Financial statement presentation follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

4. Cash Equivalents

The Foundation considers checking accounts, savings accounts, money market funds, and certificates of deposit with initial maturities of three months or less to be cash equivalents.

5. Investments

The Foundation records investments using the guidance of FASB ASC 958-320, *Not-for-Profit Entities: Investments-Debt and Equity Securities*. Investments are stated at their readily determinable fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Eanes Education Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Contributions

The Foundation records contributions using the guidance of FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

7. Functional Expenses

Expenses are categorized by function in the statements of activities as either (1) program services, (2) general and administrative, or (3) fundraising expenses. Expenses that are specifically identifiable to a function are charged to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to the function. Expenses for program services include grants and contributions to EISD and its students.

8. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - TAX EXEMPT STATUS

The Foundation is exempt from federal income tax under Internal Revenue Code (Code) Section 501(a) as an organization described in Section 501(c)(3). Furthermore, the Internal Revenue Service determined the Foundation is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Sections 509(a)(1) and 170(b)(1)(A)(vi). Therefore, no provision for income taxes has been included in these financial statements. The tax years 2011 and 2014 remain open to examination by the major taxing jurisdictions in which returns are filed.

Eanes Education Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE C - INVESTMENTS

Investments comprised the following at June 30,

	<u>2015</u>	<u>2014</u>
Mutual funds:		
BBH Limited Duration (BBBIX)	\$ 471,264	\$ 162,541
DFA Global Allocation 60/40 (DGSIX)	111,255	153,870
Templeton Global Bond (TGBAX)	75,087	-
DFA Global Equity (DGEIX)	58,202	58,540
Loomis Sayles Strategic Income (NEZYX)	-	86,397
Total investments	<u>\$ 715,808</u>	<u>\$ 461,348</u>

Return on investments comprised the following for the years ended June 30,

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 16,848	\$ 12,237
Realized and unrealized gains (losses)	<u>(14,082)</u>	<u>39,708</u>
Return on investments	<u>\$ 2,766</u>	<u>\$ 51,945</u>

NOTE D - CONTRIBUTIONS RECEIVABLE

The contributions receivable balances at June 30, 2015 and 2014 were considered fully collectible. Therefore, no allowances for uncollectible balances are reflected in these financial statements. Due to the immaterial amounts of discounts calculated as of June 30, 2015 and 2014, no discounts to present value are reflected in these financial statements. Contributions receivable comprised the following at June 30,

	<u>2015</u>	<u>2014</u>
Collection expected in less than one year	\$ 87,382	\$ 38,008
Collection expected in one to five years	<u>27,000</u>	<u>-</u>
Contributions receivable, gross	114,382	38,008
Less discounts to present value	-	-
Less allowances for uncollectible balances	<u>-</u>	<u>-</u>
Contributions receivable, net	<u>\$ 114,382</u>	<u>\$ 38,008</u>

Eanes Education Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets comprised balances restricted for the following purposes and periods at June 30,

	<u>2015</u>	<u>2014</u>
Michael Frost, Jr. Memorial Scholarship Fund	\$ 44,491	\$ 55,179
Social and emotional learning	15,000	-
The Martha Shannen Reid Memorial Scholarship	12,355	15,478
Kelly Ann Campbell Memorial Scholarship Fund	9,049	9,748
Other purposes and/or future periods	<u>39,867</u>	<u>40,960</u>
Temporarily restricted net assets	<u>\$ 120,762</u>	<u>\$ 121,365</u>

NOTE F - ENDOWMENT FUNDS

Net assets permanently restricted for the general assistance endowment totaled \$75,040 and \$71,640 at June 30, 2015 and 2014, respectively. The Foundation 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 Foundation 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Eanes Education Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE F - ENDOWMENT FUNDS - CONTINUED

Investment Objectives and Strategies Employed for Achieving Objectives

The Foundation's endowment fund investment objectives are to preserve capital in real dollar terms, to control the cost of administering and managing investments, to limit risk exposure through prudent diversification and to maximize growth within prudent risk volatility parameters. The Foundation's donor restricted endowment fund is invested in a long-term portfolio. The following are target allocations and acceptable ranges currently approved by the Board to achieve its objectives.

	<u>Target allocation</u>	<u>Acceptable ranges</u>
Cash and cash equivalents & high quality fixed income < 1 year	5%	0%-50%
Equities	60%	40%-70%
Fixed income	35%	10%-50%

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has not yet made any distributions from its donor restricted endowment funds, except for investment related expenses. Any appropriations from the endowment funds will be in accordance with the Foundation's spending policy, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in the Foundation's endowment funds were as follows for the years ended June 30, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, June 30, 2013	\$ 88,574	\$ 26,452	\$ 65,490	\$ 180,516
Contributions	-	-	6,150	6,150
Return on investments	-	15,164	-	15,164
Appropriations	-	(1,041)	-	(1,041)
Removal of designation	(88,574)	-	-	(88,574)
Endowment funds, June 30, 2014	-	40,575	71,640	112,215
Contributions	-	-	3,400	3,400
Return on investments	-	(140)	-	(140)
Appropriations	-	(1,115)	-	(1,115)
Endowment funds, June 30, 2015	<u>\$ -</u>	<u>\$ 39,320</u>	<u>\$ 75,040</u>	<u>\$ 114,360</u>

Eanes Education Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE G - PAYMENTS TO EANES INDEPENDENT SCHOOL DISTRICT

During the year ended June 30, 2015, a total of \$1,621,000 was remitted to EISD. Of this amount, \$1,600,000 funded teacher and staff positions at all nine campuses for the 2015-2016 school year. The remainder, \$21,000, funded the Social and Emotional Learning Program.

During the year ended June 30, 2014, a total of \$1,471,391 was remitted to EISD. Of this amount, \$1,416,000 funded teacher and staff positions at all nine campuses for the 2014-2015 school year. The remainder, \$55,391, funded the Partnership for Teacher Excellence Program.

Included in grants and scholarships payable as of June 30, 2015 and 2014, were \$119,918 and \$89,835, respectively, of grants payable to EISD. The June 30, 2015 and 2014 balances were restricted for the Partnership for Teacher Excellence Program.

NOTE H - CONCENTRATION

During the year ended June 30, 2015, the Foundation's revenues included \$627,781, or 28% of gross revenues, related to special events, primarily the annual Gala. During the period ended June 30, 2014, the Foundation's revenues included \$491,248, or 24% of gross revenues, related to special events, primarily the annual Gala.

NOTE I - FAIR VALUE MEASUREMENTS

Certain assets and liabilities are carried at fair value in these financial statements. Fair value measurements were arrived at using the following inputs at June 30,

Description	2015	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 264,961	\$ 264,961	\$ -	\$ -
Mutual funds	715,808	715,808	-	-
	<u>\$ 980,769</u>	<u>\$ 980,769</u>	<u>\$ -</u>	<u>\$ -</u>
Description	2014	(Level 1)	(Level 2)	(Level 3)
Money market funds	\$ 315,822	\$ 315,822	\$ -	\$ -
Mutual funds	461,348	461,348	-	-
	<u>\$ 777,170</u>	<u>\$ 777,170</u>	<u>\$ -</u>	<u>\$ -</u>

Eanes Education Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE J - DONATED SERVICES

The Foundation is the recipient of a substantial number of donated service hours by unpaid volunteers who helped to make the annual gala and other fundraising events a success. However, the value of these donated services has not been reflected in the accompanying financial statements because they do not meet the criteria for recognition.

NOTE K - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 28, 2015, the date the financial statements were available to be issued.