

ANN RICHARDS SCHOOL FOUNDATION

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

AUGUST 31, 2013



Montemayor Hill & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Ann Richards School Foundation

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of The Ann Richards School Foundation (Foundation), which comprise the statement of financial position as of August 31, 2013 and the related statements of activities, functional expenses and cash flows for the year 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 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 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 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 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 the Foundation as of August 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

14 January 2014
Austin, Texas

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ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2013

ASSETS

Current assets

Cash	\$1,275,818
Beneficial interest in assets held by Austin Community Foundation	941,888
Pledges receivable	177,314
Other	<u>1,081</u>

2,396,101

Long-term pledges receivable

27,000

Restricted beneficial interest in assets held by Austin Community Foundation

184,697

\$2,607,798

LIABILITIES AND NET ASSETS

Current liabilities

\$2,887

Net assets

Unrestricted

Undesignated 1,381,401

Board-designated to supplement endowment funds 135,305

1,516,706

Temporarily restricted 669,932

Permanently restricted 418,273

2,604,911

\$2,607,798

The accompanying notes are an integral part of this financial statement presentation.

ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE				
Contributions	\$452,389	\$130,000	\$15,800	\$598,189
Other income	20,804	8,400	0	29,204
Net assets released from restrictions	<u>216,706</u>	<u>(216,706)</u>	<u>0</u>	<u>0</u>
	<u>689,899</u>	<u>(78,306)</u>	<u>15,800</u>	<u>627,393</u>
EXPENSES				
Program	612,600	0	0	612,600
Administrative	<u>83,178</u>	<u>0</u>	<u>0</u>	<u>83,178</u>
	<u>695,778</u>	<u>0</u>	<u>0</u>	<u>695,778</u>
CHANGE IN NET ASSETS	(5,879)	(78,306)	15,800	(68,385)
BEGINNING NET ASSETS	<u>1,522,585</u>	<u>748,238</u>	<u>402,473</u>	<u>2,673,296</u>
ENDING NET ASSETS	<u>\$1,516,706</u>	<u>\$669,932</u>	<u>\$418,273</u>	<u>\$2,604,911</u>

The accompanying notes are an integral part of this financial statement presentation.

ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2013

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Enhancement program	\$297,291	\$0	\$297,291
Salary and related	110,741	36,913	147,654
Professional fees	80,220	14,850	95,070
Fees	47,816	15,938	63,754
Food and beverage	22,817	4,026	26,843
Equipment	18,300	0	18,300
Printing	17,154	903	18,057
Supplies	9,097	4,481	13,578
Other	<u>9,164</u>	<u>6,067</u>	<u>15,231</u>
	<u>\$612,600</u>	<u>\$83,178</u>	<u>\$695,778</u>

The accompanying notes are an integral part of this financial statement presentation.

ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED AUGUST 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(68,385)
Change in beneficial interest in assets held by the Austin Community Foundation	(126,459)
Change in grants receivable	21,631
Change in pledges receivable	111,686
Change in accounts payable and accrued liabilities	<u>843</u>
NET CHANGE IN CASH	(60,684)
BEGINNING CASH	<u>1,336,502</u>
ENDING CASH	<u>\$1,275,818</u>

The accompanying notes are an integral part of this financial statement presentation.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Ann Richards School Foundation (the Foundation), is a nonprofit organization established in 2009, for the purpose of raising funds to enhance the programs of the Ann Richards School, a public school within the Austin Independent School District. The Foundation is supported mainly by contributions from individuals and other foundations and supplements programming provided by the school district. In addition to the fundraising program, enhancement programming provided by the Foundation includes: College Bound programming; Science, Technology, Engineering and Math programming; summer programs and other curriculum support.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Foundation uses the accrual basis of accounting. Revenues are recognized when earned regardless of when received. Expenses are recognized when incurred regardless of when paid.

FINANCIAL STATEMENT PRESENTATION

The Foundation reports 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, as applicable.

Unrestricted Net Assets

Unrestricted net assets result from operating revenues and unrestricted contributions; less expenses incurred in operations, to raise contributions and for administrative functions.

Temporarily Restricted Net Assets

Support restricted by the donor is recorded as an increase in temporarily restricted net assets. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted Net Assets

Net assets resulting from donor contributions which are permanently restricted, investment earnings from which may be used for unrestricted or restricted purposes as stipulated by the donor(s).

SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events as of January 14, 2014, the date the financial statements were available to be issued.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FEDERAL INCOME TAXES

The Foundation is exempt from Federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for Federal income taxes is included in the accompanying financial statements.

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 reported 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. Actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses that benefit several functional areas (program, administrative, and fundraising) have been allocated based on personnel time spent on each area as estimated by management.

REVENUE

Contributions are recorded as revenue when the pledge is received. There is no allowance for uncollectible pledges, based on management's evaluation of potential uncollectible pledges receivable. Pledges due within one year are recorded at their net realized value. Pledges that are expected to be collected in future years are recorded at the present value of the expected future cash flows.

Contributions and pledges are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

NOTE 3: FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of contributions and pledges receivable because they relate to agreements to receive cash at a later date. The amount of loss that the Foundation would incur if the parties to these financial instruments fail to perform according to the specified terms is equal to the recorded value of the receivables. The Foundation does not require collateral to support these receivables.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4: PLEDGES RECEIVABLE

Due within one year	\$177,314
Due within two to five years	<u>27,000</u>
	<u>\$204,314</u>

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

General Enhancements	\$518,729
College Bound program	87,149
Science, Technology, Engineering and Math	60,049
Equipment maintenance	<u>4,005</u>
	<u>\$669,932</u>

NOTE 6: BENEFICIAL INTEREST IN ASSETS HELD BY AUSTIN COMMUNITY FOUNDATION

The Foundation holds unrestricted and restricted funds in accounts established with and managed by the Austin Community Foundation for the Capital Area (ACF). Variance power has been granted to ACF. Funds held at ACF are not insured by either FDIC or SIPC insurance. Included in the Statement of Financial Position are the following funds:

General account	\$801,483
Board designated account (Note 7)	135,305
Forgione College Advisor account, included in the College Bound program temporarily restricted net assets (Note 5)	5,100
Restricted account, included in donor restricted (Note 7)	<u>184,697</u>
	<u>\$1,126,585</u>

NOTE 7: ENDOWMENT FUNDS

The Foundation established an endowment fund to provide a stable source of support for enhancement programming. The endowment funds are permanently restricted as per the donors' request and are held at the Austin Community Foundation (ACF) in a designated fund, the "Ann Richards School Foundation Endowment Fund". The Board of Directors of the Foundation have interpreted the Texas Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the date of the contribution, absent any explicit donor stipulation to the contrary.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7: ENDOWMENT FUNDS

Thus, donor contributions to the permanent endowment fund are permanently restricted and are reported as long-term assets of the Foundation. The undistributed earnings from the fund are designated by the Board as temporarily restricted net assets, to be used for enhancement programs and operations.

The Foundation also transferred unrestricted funds to ACF for the established of a Board-designated quasi-endowment fund. The funds are designed to generate income to support programs at the Ann Richards School and to support operations of the Foundation.

Endowment net assets of \$565,740 are included in the beneficial interest in assets held by others (Note 6).

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated	\$135,305	\$0	\$0	\$135,305
Donor-restricted	<u>0</u>	<u>12,162</u>	<u>418,273</u>	<u>430,435</u>
	<u>\$135,305</u>	<u>\$12,162</u>	<u>\$418,273</u>	<u>\$565,740</u>

Changes in endowment net assets for the year:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning endowment net assets	\$126,624	\$5,035	\$402,473	\$534,132
Change in beneficial interest	8,681	7,127	0	15,808
Cash contributions	0	0	15,800	15,800
Pledge contributions	0	0	0	0
Designated by Board	0	0	0	0
Appropriation of endowment assets for expenditure	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending endowment net assets	<u>\$135,305</u>	<u>\$12,162</u>	<u>\$418,273</u>	<u>\$565,740</u>

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7: ENDOWMENT FUNDS

Return Objective and Risk Parameters and Strategies Employed for Achieving Objectives

The Foundation has elected to have the permanent endowment funds and the board- designed endowment fund managed and held by Austin Community Foundation (ACF). Funds will be invested in accordance with ACF's investment policies and objectives. The endowment funds will also be invested in accordance with the Foundation's investment policy, which under authority of the Finance Committee of the Board of Directors.

Spending Policy and How the Investments Objective Relate to Spending Policy

Earnings on the endowment are available to be distributed upon request by the Foundation. To date, the Foundation has not requested any distributions from the endowment funds.

NOTE 8: CONCENTRATIONS AND RELATED PARTY TRANSACTIONS

During the year, the Foundation received contributions of approximately \$61,000, or 10% of total revenue, from Board members and foundations represented by Board members. \$202,500 of the outstanding pledges receivable balance is due from Board members and foundations represented by Board members.

The Foundation held deposits in financial institutions of \$540,629 in excess of FDIC coverage.

NOTE 9: FAIR VALUE DISCLOSURES

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by ACF	<u>\$1,126,585</u>	N/A	<u>\$1,126,585</u> N/A

The funds held by ACF are valued at the amount reported by ACF, or the amount the Foundation could withdraw upon request (Note 6).