



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

ANN RICHARDS SCHOOL FOUNDATION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

AUGUST 31, 2016



Montemayor Britton Bender PC
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, 2016 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, 2016, 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.

Montemayor Britton Bender PC

13 December 2016
Austin, Texas

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ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2016

ASSETS

Current assets

Cash	\$827,644
Investments	4,475,987
Grants and contributions receivable	40,000
Pledges receivable	17,761
Other	<u>3,025</u>

5,364,417

Restricted investments

1,253,299

\$6,617,716

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$20,675
Accrued payroll	<u>16,172</u>
	<u>36,847</u>

Net assets

Unrestricted

Undesignated	3,702,802
Board-designated to supplement endowment funds	<u>801,291</u>
	4,504,093
Temporarily restricted	589,520
Permanently restricted	<u>1,487,256</u>

6,580,869

\$6,617,716

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

ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE				
Contributions	\$3,308,670	\$452,600	\$13,442	\$3,774,712
Special events	315,116	0	0	315,116
Corporate and foundation grants	1,500	174,500	0	176,000
Investment income/(loss)	91,730	69,853	0	161,583
Other income	26,999	0	0	26,999
Net assets released from restrictions	<u>233,629</u>	<u>(233,629)</u>	<u>0</u>	<u>0</u>
	<u>3,977,644</u>	<u>463,324</u>	<u>13,442</u>	<u>4,454,410</u>
EXPENSES				
Program	503,649	0	0	503,649
Fundraising	192,029	0	0	192,029
Administrative	<u>109,565</u>	<u>0</u>	<u>0</u>	<u>109,565</u>
	<u>805,243</u>	<u>0</u>	<u>0</u>	<u>805,243</u>
CHANGE IN NET ASSETS	3,172,401	463,324	13,442	3,649,167
BEGINNING NET ASSETS	<u>1,331,692</u>	<u>126,196</u>	<u>1,473,814</u>	<u>2,931,702</u>
ENDING NET ASSETS	<u>\$4,504,093</u>	<u>\$589,520</u>	<u>\$1,487,256</u>	<u>\$6,580,869</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, 2016

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Enhancement program	\$374,222	\$0	\$0	\$374,222
Salary and related	102,502	98,572	44,378	245,452
Events	0	83,422	0	83,422
Fees	26,925	0	35,415	62,340
Professional fees	0	0	13,153	13,153
Food and beverage	0	0	6,252	6,252
Postage	0	2,524	1,076	3,600
Printing	0	2,389	1,078	3,467
Office supplies and equipment	0	1,543	1,867	3,410
Insurance	0	0	2,906	2,906
Training and travel	0	1,695	564	2,259
Other	<u>0</u>	<u>1,884</u>	<u>2,876</u>	<u>4,760</u>
	<u>\$503,649</u>	<u>\$192,029</u>	<u>\$109,565</u>	<u>\$805,243</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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$3,649,167
Unrealized gain	(93,278)
Change in grants and contributions receivable	(15,000)
Change in pledges receivable	3,815
Change in other assets	(477)
Change in accounts payable	(8,224)
Change in accrued payroll	<u>14,591</u>
	<u>3,550,594</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	<u>(3,172,788)</u>
NET CHANGE IN CASH	377,806
BEGINNING CASH	<u>449,838</u>
ENDING CASH	<u>\$827,644</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 through the date of the Independent Auditor's Report, 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

INVESTMENTS

Investments consist of mutual funds and money market funds carried at fair value.

FEDERAL INCOME TAXES

The Foundation is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. Therefore, no provision has been made for federal income taxes in the accompanying financial statements. The Foundation's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At August 31, 2016, no interest and penalties have been or are required to be accrued. The Foundation, generally, is no longer subject to income tax examinations by federal authorities for years prior to August 31, 2014.

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, fundraising, and administrative) 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.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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.

NOTE 4: INVESTMENTS

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash accounts	\$47,609	\$16,094	\$63,703
Mutual funds	<u>4,428,378</u>	<u>1,237,205</u>	<u>5,665,583</u>
	<u>\$4,475,987</u>	<u>\$1,253,299</u>	<u>\$5,729,286</u>

The total investment balance includes \$1,253,299 held in brokerage accounts designated as restricted for endowment endowment (see Note 8). The following summarizes the investment return and its classification in the statement of activities for the year ended August 31, 2016:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	<u>Total</u>
Interest, dividends and capital gain distributions, net of fees	\$45,115	\$23,190	\$68,305
Unrealized gain/(loss)	<u>46,615</u>	<u>46,663</u>	<u>93,278</u>
	<u>\$91,730</u>	<u>\$69,853</u>	<u>\$161,583</u>

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

General enhancements	\$9,695
Scholarships	450,000
College Bound program	63,876
Science, Technology, Engineering and Math	11,021
Equipment maintenance	4,005
Investment earnings on endowment funds	<u>50,923</u>
	<u>\$589,520</u>

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 6: RELATED PARTY TRANSACTIONS

During the year, the Foundation received contributions of approximately \$57,350 from Board members and foundations represented by Board members. Included in the outstanding pledges receivable balance is \$17,667 due from former Board members.

NOTE 7: CONCENTRATIONS

\$3,555,617, or 80%, of total revenue related to contributions from 2 donors. Grants receivable of \$35,000, or 88% of the total grants receivable balance at year end are due from one grantor. Additionally, the Foundation held deposits in financial institutions of \$602,546 in excess of FDIC coverage and investments of \$5,229,286 in excess of SIPC coverage.

NOTE 8: 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. Endowment net assets are held within brokerage accounts that are both designated as restricted and unrestricted (see Note 4). Restricted investment accounts of \$1,253,299 are designated for the endowment. The remaining endowment net assets are held in unrestricted investment accounts. 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. 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 donor as temporarily restricted net assets, to be used for general enhancement programs and operations (Note 5).

The Foundation also transferred unrestricted funds to a brokerage account for the establishment 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.

Return Objective and Risk Parameters and Strategies Employed for Achieving Objectives

The Foundation has elected to have a portion of the permanent endowment funds and the Board-designed endowment fund managed and held as investments in a Charles Schwab brokerage account. Return objectives include producing a rate of return that allows for maximum support for the Ann Richards School, along with prudent management of investments, preservation of principal and potential for long-term asset growth.

Spending Policy and How the Investments Objective Relate to Spending Policy

Earnings on the endowment are available to be distributed upon approval by the Foundation's Finance Committee. An amount no greater than 10% of the total market value of the funds may be distributed in any calendar year. To date, the Foundation has not requested any distributions from the endowment funds.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8: ENDOWMENT FUNDS

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Board-designated	\$801,291	\$0	\$0	\$801,291
Donor-restricted	<u>0</u>	<u>50,923</u>	<u>1,487,256</u>	<u>1,538,179</u>
	<u>\$801,291</u>	<u>\$50,923</u>	<u>\$1,487,256</u>	<u>\$2,339,470</u>

Changes in endowment net assets for the year:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Beginning endowment net assets	\$741,134	(\$18,930)	\$1,473,814	\$2,196,018
Investment income	25,247	36,565	0	61,812
Net appreciation (realized and unrealized)	40,107	41,570	0	81,677
Contributions	0	0	13,442	13,442
Appropriation of endowment assets for expenditure	<u>(5,197)</u>	<u>(8,282)</u>	<u>0</u>	<u>(13,479)</u>
Ending endowment net assets	<u>\$801,291</u>	<u>\$50,923</u>	<u>\$1,487,256</u>	<u>\$2,339,470</u>

NOTE 9: FAIR VALUE DISCLOSURES

	<u>Amount</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	<u>\$5,729,286</u>	<u>\$5,729,286</u>	N/A	N/A