

**MOUNTAIN BROOK CITY
SCHOOLS FOUNDATION**

Financial Statements

**For the Year Ended April 30, 2015
With Summarized Financial Information
For the Year Ended April 30, 2014**

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

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With Summarized Financial Information
For the Year Ended April 30, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mountain Brook City Schools Foundation

We have audited the accompanying financial statements of the Mountain Brook City Schools Foundation (the Foundation), which comprise the statement of financial position as of April 30, 2015, and the related statements of activities 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 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 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 from 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 Mountain Brook City Schools Foundation as of April 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Mountain Brook City School Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Borland Benefield, P.C.
Birmingham, Alabama
September 11, 2015

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Statement of Financial Position
As of April 30, 2015
With Summarized Financial Information
As of April 30, 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 161,613	\$ 62,472
Investments	7,786,968	7,844,682
Pledges receivable	116,629	85,620
Prepaid expenses	4,265	3,492
Total Current Assets	<u>8,069,475</u>	<u>7,996,266</u>
Property and equipment, net	2,348	5,345
Cash value of life insurance	<u>23,115</u>	<u>22,421</u>
Total Assets	<u>\$ 8,094,938</u>	<u>\$ 8,024,032</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	<u>\$ 382,776</u>	<u>\$ 366,810</u>
Net Assets		
Unrestricted	7,581,998	7,527,483
Temporarily restricted	65,899	65,474
Permanently restricted	64,265	64,265
Total Net Assets	<u>7,712,162</u>	<u>7,657,222</u>
Total Liabilities and Net Assets	<u>\$ 8,094,938</u>	<u>\$ 8,024,032</u>

See accompanying notes to financial statements.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Statement of Activities
For the Year Ended April 30, 2015
With Summarized Financial Information
For the Year Ended April 30, 2014**

	2015			<u>Total</u>	<u>2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
Support and Revenue					
Contributions	\$ 192,758	\$ -	\$ -	\$ 192,758	\$ 118,996
Interest	6,641	-	-	6,641	166
Dividends	177,913	-	-	177,913	161,062
Capital gain distributions	58,952	-	-	58,952	45,670
Realized gain on sale of securities	1,074,569	-	-	1,074,569	20,720
In kind contributions	8,593	-	-	8,593	16,108
Unrealized gain/(loss) on investments	(922,112)	425	-	(921,687)	376,720
Total Support and Revenue	<u>597,314</u>	<u>425</u>	<u>-</u>	<u>597,739</u>	<u>739,442</u>
Expenses					
Awards paid	383,976	-	-	383,976	368,010
Salaries and payroll taxes	71,286	-	-	71,286	67,677
Professional services	38,529	-	-	38,529	11,150
Development	18,228	-	-	18,228	652
Membership	10,253	-	-	10,253	9,981
Deductions related to portfolio income	4,557	-	-	4,557	3,585
Telephone	3,235	-	-	3,235	3,269
Rent	3,000	-	-	3,000	10,000
Depreciation	2,997	-	-	2,997	3,028
Public relations	2,451	-	-	2,451	4,092
Insurance	1,418	-	-	1,418	1,500
Postage	959	-	-	959	379
Training	668	-	-	668	-
Supplies	502	-	-	502	1,526
Repairs	367	-	-	367	-
Bank charges	225	-	-	225	71
Miscellaneous	148	-	-	148	53
Casual Labor	-	-	-	-	563
Total Expenses	<u>542,799</u>	<u>-</u>	<u>-</u>	<u>542,799</u>	<u>485,536</u>
Change in Net Assets	54,515	425	-	54,940	253,908
Net Assets, Beginning of Year	<u>7,527,483</u>	<u>65,474</u>	<u>64,265</u>	<u>7,657,222</u>	<u>7,403,314</u>
Net Assets, End of Year	<u>\$ 7,581,998</u>	<u>\$ 65,899</u>	<u>\$ 64,265</u>	<u>\$ 7,712,162</u>	<u>\$ 7,657,222</u>

See accompanying notes to financial statements.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Statement of Cash Flows
For the Year Ended April 30, 2015
With Summarized Financial Information
For the Year Ended April 30, 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 54,940	\$ 253,908
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	2,997	3,028
Unrealized loss/(gain) on investments	921,687	(376,720)
Realized (gain) on investment sales	(1,074,569)	(20,720)
Change in operating assets and liabilities:		
Pledges receivable	(31,009)	(23,332)
Prepaid expenses	(1,467)	(1,085)
Accounts payable	15,966	(309,182)
Net Cash (Used) by Operating Activities	<u>(111,455)</u>	<u>(474,103)</u>
Cash Flows From Investing Activities		
Purchase of investments	(7,220,056)	(164,555)
Proceeds from sale of investments	7,430,652	189,903
Net Cash Provided by Investing Activities	<u>210,596</u>	<u>25,348</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	99,141	(448,755)
Cash and Cash Equivalents, Beginning of Year	<u>62,472</u>	<u>511,227</u>
Cash and Cash Equivalents, End of Year	<u>\$ 161,613</u>	<u>\$ 62,472</u>

See accompanying notes to financial statements.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Notes to Financial Statements For the Year Ended April 30, 2015

Note 1 – Summary of Significant Accounting Policies

Nature of Operations – The Mountain Brook City Schools Foundation (the “Foundation”) was founded in 1992 and serves to mobilize community support for the school system and to secure resources from individuals, corporations and other foundations. The primary focus of the Foundation has been in the areas of technology, professional development and library enhancement.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended April 30, 2014, from which the summarized information was derived.

Cash and Cash Equivalents – The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation maintains deposits and investments with various financial institutions that may, at times, exceed federally insured limits. However, the Foundation has not experienced any losses on such amounts nor does management believe these amounts are exposed to any significant risks.

Contributions – The Foundation reports gifts of cash and other assets, including unconditional promises to give, as 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 released from restriction.

Pledges Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. It is reasonably possible that the estimated cash flows could change within near-term. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Pledges receivable are stated net of an allowance for doubtful accounts. The allowance is estimated based on an analysis of specific donors, taking into consideration the age of the past due amounts and an assessment of the donor’s ability to pay. Accounts are written off after all efforts of collection have been exhausted. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for doubtful accounts is considered necessary at April 30, 2015.

Investments – Under the Foundation’s investment policy, investments are valued at their fair values in the statement of financial position. Investment income or loss (interest and dividends), realized gains and losses, and unrealized gains and losses on investments are included in the change in net assets.

Property and Equipment – Furniture and equipment are recorded at cost or, if donated, at fair market value on the date of donation. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets.

See independent auditors’ report.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Notes to Financial Statements (continued)
For the Year Ended April 30, 2015**

Note 1 – Summary of Significant Accounting Policies (continued)

Estimated useful lives of property and equipment are as follows:

Computer equipment	3-5 years
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The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts and the gain and loss on such disposition is currently recognized.

Net Assets – The Foundation’s assets and its revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions using the following classifications:

- Unrestricted net assets represent revenues and expenses related to the operation and management of the Foundation’s primary programs and supporting services.
- Temporarily restricted net assets represent resources available for use, but expendable only for the purposes or during the time frame specifically stated by the donor.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Expense Allocation – Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Tax Status – The Foundation is a nonprofit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC).

As of April 30, 2015, the Foundation had no uncertain tax positions that qualify for disclosure in the financial statements. The Foundation files an annual Form 990 with the Internal Revenue Service and its tax returns for the year 2012 and subsequent years remain subject to examination by tax authorities.

Use of Estimates – Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Note 2 – Investments

Investments are stated at fair value and are summarized as follows as of April 30, 2015:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Investment in Partnerships	\$ 164,119	\$ 74,692	\$ 89,427
Investment Securities	<u>7,622,849</u>	<u>7,466,387</u>	<u>156,462</u>
Total	<u>\$ 7,786,968</u>	<u>\$ 7,541,079</u>	<u>\$ 245,889</u>

See independent auditors' report.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Notes to Financial Statements (continued)
For the Year Ended April 30, 2015**

Note 3 – Pledges Receivable

The amounts due from unconditional promises to give at April 30, 2015 consist of the following:

Receivable in less than one year	\$ 25,543
Receivable in one to five years	105,506
Receivable in greater than five years	<u>28,885</u>
Total unconditional promises to give	159,934
Less: discount to net present value	<u>(43,305)</u>
Net unconditional promises to give	<u>\$ 116,629</u>

Note 4 – Property and Equipment

As of April 30, 2015, property and equipment were as follows:

Computer Equipment	\$ 22,985
Less: accumulated depreciation	<u>(20,637)</u>
Total property and equipment, net	<u>\$ 2,348</u>

Depreciation expense recorded for the year ended April 30, 2015 was \$2,997.

Note 5 – Contributed Services, Goods, and Use of Facility

A substantial number of unpaid volunteers have made significant contributions of their time to operate the programs of the Foundation. In addition, the Foundation received the following in-kind contributions for the year ended April 30, 2015:

Use of facility	\$ 3,000
Professional services	<u>5,593</u>
Total	<u>\$ 8,593</u>

Note 6 – Functional Expenses

The following is a detail of expenses by functional classification for the year ended April 30, 2015:

Program services	\$ 383,976
Management and general	<u>158,823</u>
Total	<u>\$ 542,799</u>

See independent auditors' report.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Notes to Financial Statements (continued) For the Year Ended April 30, 2015

Note 7 – Restricted Net Assets

Restricted net assets are available for the following purposes:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Purpose restricted contribution used for instructional support	\$ 65,899	\$ 64,265	\$ 130,164

Note 8 – Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at April 30, 2015:

- Investment Securities: Valued based on quoted market prices.
- Venture Capital Partnership: As a practical expedient, the Foundation is permitted to estimate the fair value of an investment in a limited partnership at the measurement date using the reported net asset value (NAV). The limited partnership is a non-publicly traded venture capital partnership stated at an estimated fair value that represents the Foundation's ownership interest in the net asset value (NAV) of the partnership. Interests in the partnership are based on valuations per share provided by the general partners.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Notes to Financial Statements (continued)
For the Year Ended April 30, 2015**

Note 8 – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of April 30, 2015:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investment Securities	\$ 7,622,849	\$ 6,070,260	\$ 1,552,589	\$ -
Venture Capital Partnership	<u>164,119</u>	<u>-</u>	<u>-</u>	<u>164,119</u>
Total	<u>\$ 7,786,968</u>	<u>\$ 6,070,260</u>	<u>\$ 1,552,589</u>	<u>\$ 164,119</u>

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 investment assets for the year ended April 30, 2015:

	<u>Level 3 Assets</u>
Beginning balance	\$ 131,208
Total gains or (losses) (realized and unrealized)	36,220
Interest Income	1
Dividends	4,369
Distributions	(2,750)
Purchases, issuances and settlements	(3,681)
Prior period adjustment	<u>(1,248)</u>
Ending balance	<u>\$ 164,119</u>

The Foundation holds interests in alternative investments at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or equivalent).

At April 30, 2015, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, If Eligible</u>	<u>Redemption Notice Period</u>
Venture Capital Partnership	\$ <u>164,119</u>	\$ <u>-</u>	N/A	N/A

The venture capital partnership pursues multiple strategies to diversify and reduce volatility.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Notes to Financial Statements (continued)
For the Year Ended April 30, 2015**

Note 9 – Subsequent Events

On July 14, 2015, the Foundation agreed to a consent settlement, approving a \$1,000,000 gift from an estate. The gift is to be used for the benefit of the Math Departments of Mountain Brook High School and Mountain Brook Junior High School.

Subsequent events have been evaluated through September 11, 2015, the date the financial statements were available to be issued.