

SANGER EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

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**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977
TEL. (940) 387-8563
FAX (940) 383-4746

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sanger Education Foundation, Inc.
Sanger, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Sanger Education Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 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.

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 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 Sanger Education Foundation, Inc. as of August 31, 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.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants
Denton, Texas

July 11, 2016

SANGER EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2015 AND 2014

| | 2015 | 2014 |
|-----------------------------------|-------------|-------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 120,325 | \$ 138,305 |
| Investments | 548,814 | 568,175 |
| Contributions receivable | 59,176 | 64,767 |
| Total Assets | \$ 728,315 | \$ 771,247 |
| LIABILITIES AND NET ASSETS | | |
| Grants and scholarships payable | \$ 37,109 | \$ 44,806 |
| Total Liabilities | 37,109 | 44,806 |
| NET ASSETS | | |
| Unrestricted net assets: | | |
| Undesignated | 252,657 | 268,569 |
| Total unrestricted net assets | 252,657 | 268,569 |
| Temporarily restricted net assets | 36,712 | 92,806 |
| Permanently restricted net assets | 401,837 | 365,066 |
| Total Net Assets | 691,206 | 726,441 |
| Total Liabilities and Net Assets | \$ 728,315 | \$ 771,247 |

See accompanying notes to the financial statements

SANGER EDUCATION FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

| | 2015 | | | Total |
|---|-------------------|---------------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Support and Other Revenue: | | | | |
| Contributions | \$ 28,201 | \$ - | \$ 34,571 | \$ 62,772 |
| Event ticket sales | 2,684 | - | - | 2,684 |
| Event donation | 4,634 | - | 2,200 | 6,834 |
| Fundraising revenue | 72,209 | - | - | 72,209 |
| Interest and dividend income | 3,485 | 6,375 | - | 9,860 |
| Net realized and unrealized gains (losses) | (28,093) | (51,219) | - | (79,312) |
| Other income | - | - | - | - |
| Total Support and Other Revenue | <u>83,120</u> | <u>(44,844)</u> | <u>36,771</u> | <u>75,047</u> |
| Net Assets Released From Restrictions: | | | | |
| Satisfaction of program restrictions | <u>11,250</u> | <u>(11,250)</u> | <u>-</u> | <u>-</u> |
| Expenses: | | | | |
| Grant programs | 72,590 | - | - | 72,590 |
| Management and general | 13,182 | - | - | 13,182 |
| Fundraising | 24,510 | - | - | 24,510 |
| Total Expenses | <u>110,282</u> | <u>-</u> | <u>-</u> | <u>110,282</u> |
| Change in Net Assets | (15,912) | (56,094) | 36,771 | (35,235) |
| Net Assets, Beginning of Period | <u>268,569</u> | <u>92,806</u> | <u>365,066</u> | <u>726,441</u> |
| Net Assets, End of Period | <u>\$ 252,657</u> | <u>\$ 36,712</u> | <u>\$ 401,837</u> | <u>\$ 691,206</u> |

See accompanying notes to the financial statements

2014

| <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------|-----------------------------------|-----------------------------------|-------------------|
| \$ 34,720 | \$ 1,000 | \$ 38,540 | \$ 74,260 |
| 5,094 | - | - | 5,094 |
| 3,011 | - | 2,240 | 5,251 |
| 70,679 | - | - | 70,679 |
| 3,248 | 6,430 | - | 9,678 |
| 14,393 | 32,377 | - | 46,770 |
| - | - | - | - |
| <u>131,145</u> | <u>39,807</u> | <u>40,780</u> | <u>211,732</u> |
| | | | |
| <u>10,150</u> | <u>(10,150)</u> | <u>-</u> | <u>-</u> |
| | | | |
| 71,549 | - | - | 71,549 |
| 9,995 | - | - | 9,995 |
| 26,588 | - | - | 26,588 |
| <u>108,132</u> | <u>-</u> | <u>-</u> | <u>108,132</u> |
| | | | |
| 33,163 | 29,657 | 40,780 | 103,600 |
| <u>235,406</u> | <u>63,149</u> | <u>324,286</u> | <u>622,841</u> |
| | | | |
| <u>\$ 268,569</u> | <u>\$ 92,806</u> | <u>\$ 365,066</u> | <u>\$ 726,441</u> |

SANGER EDUCATION FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

| | 2015 | 2014 |
|---|-------------|-------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (35,235) | \$ 103,600 |
| Adjustments to reconcile change in net assets to cash from operating activities: | | |
| (Increase) decrease in contributions receivable | 5,591 | (11,022) |
| Unrealized (gains)/losses on investments | 102,848 | (27,844) |
| Increase (decrease) in grants and scholarships payable | (7,697) | (15,148) |
| Net adjustments | 100,742 | (54,014) |
| Net cash flows from operating activities | 65,507 | 49,586 |
| Cash flows from investing activities: | | |
| Purchases of investments | (83,487) | (91,914) |
| Proceeds from sale of investments | - | 35,963 |
| Net cash flows from investing activities | (83,487) | (55,951) |
| Net increase / (decrease) in cash and cash equivalents | (17,980) | (6,365) |
| Cash and cash equivalents, beginning of period | 138,305 | 144,670 |
| Cash and cash equivalents, end of period | \$ 120,325 | \$ 138,305 |
| Supplemental Information: | | |
| Interest paid | \$ - | \$ - |

See accompanying notes to the financial statements

SANGER EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Sanger Education Foundation, Inc. (the "Foundation") is a nonprofit organization with the purpose of providing financial support to Sanger Independent School District teachers and students. This purpose is accomplished by the Foundation receiving and managing cash donations from individuals and organizations, and awarding grants and scholarships. The Foundation was incorporated as a Texas nonprofit corporation in October 2005.

Public Support and Revenue

Certain contributions to the Foundation are temporarily or permanently restricted by the donor to support specific programs of the Foundation. Contributions with no such restrictions are recorded as unrestricted gifts. Unconditional promises to give are recorded as received. Contributions receivable due in the next year are recorded at their net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. Substantially all of the Foundation's contributions receivable as of August 31, 2015 and 2014 were due within one year.

Foundation management evaluates the collectability of contributions on an ongoing basis and writes off any contributions receivable considered uncollectible. There were no contributions as of August 31, 2015 and 2014 that were considered uncollectible based on management's review. Accordingly, no allowance for uncollectible contributions receivable has been recorded.

Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions are reported as permanently restricted support if the donor directs that the donation be held in perpetuity.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. Under this basis, revenues and related assets are recognized when earned and expenses are recognized when incurred.

SANGER EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments, primarily checking and money market accounts, to be cash equivalents.

Investments

Investments are presented in the financial statements at fair value. Investments consist solely of mutual funds, exchange-traded index funds, real estate investment trusts, and common stocks whose fair values are based on quoted prices in active markets (Level 1 measurements). Realized and unrealized gains and losses on investments are reflected in the statement of activities. Purchases and sales of investments are recorded on the trade date. Investment income is recorded in the period when earned.

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.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Grants and Scholarships

Grants and scholarships are recognized as an expense when the award is made. The Foundation records a liability at the time the award is approved and the liability is relieved when the Foundation funds the grant or scholarship. The Foundation distributes all grant funds to the Sanger Independent School District and the District distributes the funds in accordance with the terms of the grant.

SANGER EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Date and Management's Review

Subsequent events were evaluated through July 11, 2016, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are presented in the financial statements at fair value. Investments are held in an investment brokerage account in the name of the Foundation.

Investments as of August 31, 2015 and 2014 were composed of the following:

August 31, 2015:

| Description | Cost | Fair Value | Unrealized Gain (Loss) |
|--|-------------------|-------------------|------------------------|
| Common stock | \$ 19,347 | \$ 143 | \$ (19,204) |
| Mutual funds and exchange-traded index funds | \$ 573,146 | \$ 535,509 | \$ (37,637) |
| REIT | \$ 8,715 | \$ 13,162 | \$ 4,447 |
| Total | <u>\$ 601,208</u> | <u>\$ 548,814</u> | <u>\$ (52,394)</u> |

August 31, 2014:

| Description | Cost | Fair Value | Unrealized Gain (Loss) |
|--|-------------------|-------------------|------------------------|
| Common stock | \$ 28,062 | \$ 25,078 | \$ (2,984) |
| Mutual funds and exchange-traded index funds | \$ 489,658 | \$ 543,097 | \$ 53,439 |
| Total | <u>\$ 517,720</u> | <u>\$ 568,175</u> | <u>\$ 50,455</u> |

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended August 31, 2015 and 2014.

SANGER EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 2 – INVESTMENTS (Continued)

August 31, 2015:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Interest and dividends | \$ 3,485 | \$ 6,375 | \$ - | \$ 9,860 |
| Net realized and unrealized gains/(losses) | <u>(28,093)</u> | <u>(51,219)</u> | <u>-</u> | <u>(79,312)</u> |
| Total investment return | <u>\$ (24,608)</u> | <u>\$ (44,844)</u> | <u>\$ -</u> | <u>\$ (69,452)</u> |

August 31, 2014:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|------------------|
| Interest and dividends | \$ 3,248 | \$ 6,430 | \$ - | \$ 9,678 |
| Net realized and unrealized gains/(losses) | <u>14,393</u> | <u>32,377</u> | <u>-</u> | <u>46,770</u> |
| Total investment return | <u>\$ 17,641</u> | <u>\$ 38,807</u> | <u>\$ -</u> | <u>\$ 56,448</u> |

NOTE 3 – DONATED SERVICES

The Foundation receives donated services from employees of the Sanger Independent School District and from volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such services under SFAS No. 116 have not been satisfied.

NOTE 4 – INCOME TAX STATUS

The Foundation has received a letter of determination from the Internal Revenue Service advising that it qualifies as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. The Foundation is not a private foundation within the meaning of section 509(a) of the Internal Revenue Code. The Foundation had no unrelated business income during fiscal years 2014 or 2015.

NOTE 5 – CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at two banks in the North Texas area. Foundation deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. There were no balances in excess of the insured limit at either bank as of August 31, 2014 or 2015.