MOUNTAIN BROOK CITY
SCHOOLS FOUNDATION

Financial Statements

For the Year Ended April 30, 2018
With Summarized Financial Information
For the Year Ended April 30, 2017

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Table of Contents
For the Year Ended April 30, 2018
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INDEPENDENT AUDITOR'S 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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2017 , is consistent, in all material respects, with the audited financial statements from which it has been derived.

Borland Benefield, P.C.
Birmingham, Alabama
August 23, 2018

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Statement of Financial Position
As of April 30, 2018
With Summarized Financial Information
As of April 30, 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 283,782	$ 455,546
Investments	9,090,541	8,610,046
Pledges receivable	115,886	126,863
Prepaid expenses	4,778	2,751
Total Current Assets	9,494,987	9,195,206
Property and equipment, net	409	836
Cash value of life insurance	25,191	24,502
Total Assets	$ 9,520,587	$ 9,220,544
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	$ 431,621	$ 410,801
Net Assets		
Unrestricted	7,886,748	7,613,618
Temporarily restricted	1,137,953	1,131,860
Permanently restricted	64,265	64,265
Total Net Assets	9,088,966	8,809,743
Total Liabilities and Net Assets	$ 9,520,587	$ 9,220,544

See accompanying notes to financial statements.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Statement of Activities
For the Year Ended April 30, 2018
With Summarized Financial Information
For the Year Ended April 30, 2017

	2018				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2017
Support and Revenue					
Contributions	$ 316,071	$ -	$ -	$ 316,071	$ 342,549
In kind contributions	7,169	-	-	7,169	11,646
Interest	10,745	-	-	10,745	25,778
Dividends	196,212	-	-	196,212	138,811
Capital gain distributions	53,162	-	-	53,162	48,040
Realized gain/(loss) on sale of securities	174,465	-	-	174,465	23,812
Unrealized gain/(loss) on investments	144,440	6,093	-	150,533	572,909
Total Support and Revenue	902,264	6,093	-	908,357	1,163,545
Expenses					
Awards paid	434,010	-	-	434,010	412,001
Salaries and payroll taxes	89,710	-	-	89,710	89,683
Professional services	63,207	-	-	63,207	66,184
Development	8,832	-	-	8,832	2,382
Public relations	5,768	-	-	5,768	127
Membership	5,153	-	-	5,153	8,144
Supplies	5,087	-	-	5,087	3,644
Rent	3,000	-	-	3,000	3,000
Annual Event	2,986	-	-	2,986	72,472
Telephone	2,191	-	-	2,191	2,121
Bank charges	2,137	-	-	2,137	3,190
Website	1,783	-	-	1,783	2,084
Postage	1,269	-	-	1,269	1,397
Insurance	1,016	-	-	1,016	1,016
Repairs	903	-	-	903	447
Subscriptions	775	-	-	775	625
Miscellaneous	578	-	-	578	466
Depreciation	427	-	-	427	731
Travel	302	-	-	302	466
Deductions related to portfolio income	-	-	-	-	1,573
Total Expenses	629,134	-	-	629,134	671,753
Change in Net Assets	273,130	6,093	-	279,223	491,792
Net Assets, Beginning of Year	7,613,618	1,131,860	64,265	8,809,743	8,317,951
Net Assets, End of Year	$7,886,748	$ 1,137,953	$ 64,265	$ 9,088,966	$ 8,809,743

See accompanying notes to financial statements.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Statement of Cash Flows
For the Year Ended April 30, 2018
With Summarized Financial Information
For the Year Ended April 30, 2017

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	$ 279,223	$ 491,792
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	427	731
Unrealized (gain)/loss on investments	(150,533)	(572,909)
Realized (gain)/loss on investment sales	(174,465)	(23,812)
Change in operating assets and liabilities:		
Pledges receivable	10,976	(34,206)
Prepaid expenses	(2,026)	5,569
Cash value of life insurance	(689)	(606)
Accounts payable	20,820	20,928
Net Cash Provided/(Used) by Operating Activities	(16,267)	(112,513)
Cash Flows From Investing Activities		
Purchase of investments	(4,187,778)	(1,726,860)
Proceeds from sale of investments	4,032,281	1,925,813
Purchase of property and equipment	-	(218)
Net Cash Provided/(Used) by Investing Activities	(155,497)	198,735
Net Change in Cash and Cash Equivalents	(171,764)	86,222
Cash and Cash Equivalents, Beginning of Year	455,546	369,324
Cash and Cash Equivalents, End of Year	$ 283,782	$ 455,546

See accompanying notes to financial statements.

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 Foundation's financial statements for the year ended April 30, 2017, 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. There are no cash balances exceeding federally insured limits at April 30, 2018.

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, 2018.

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 – The Foundation capitalizes all expenditures for property and equipment in excess of $500. Property 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Estimated useful lives of property and equipment are as follows:

Computer equipment	3-5 years

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, 2018, 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 2015 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.

Recent Pronouncements - On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. The provisions of the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

In February 2016, the Financial Accounting Standards Board ("FASB" or "the Board") issued a new leasing standard in ASU 2016-02 ("Topic 842" or "the new standard") for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use ("ROU") assets and related lease liabilities on the balance sheet for all arrangements with terms longer than 12 months. The pattern of expense recognition in the income statement will depend on a lease's classification. This provisions of the this update are effective for fiscal years beginning after December 15, 2019. Management is evaluating the new accounting pronouncements and its applicability to the Organization.

Note 2 – Investments

Investments in debt and equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets or other observable inputs as of the reporting date. Investments in mutual funds are considered Level 1 measurements. Investments in corporate bonds, municipal bonds, and U.S. treasuries are considered Level 2 measurements. Other investment, consisting of limited partnership interest is carried at estimated fair value, as a practical expedient. Investments are stated at fair value and are summarized as follows as of April 30, 2018:

	Carrying Value	Cost
Mutual funds	$ 9,033,393	$ 8,445,057

Note 3 – Pledges Receivable

The amounts due from unconditional promises to give at April 30, 2018 consist of the following:

Receivable in less than on year	$ 24,548
Receivable in one to five years	98,190
Receivable in greater than five years	38,128
Total unconditional promises to give	160,866
Less: Discount to net present value	(44,980)
Net unconditional promises to give	$ 115,886

Note 4 – Property and Equipment

As of April 30, 2018, property and equipment were as follows:

Computer Equipment	$ 24,093
Less: Accumulated depreciation	(23,684)
Total property and equipment, net	$ 409

Depreciation expense recorded for the year ended April 30, 2018 was $427.

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, 2018:

Use of facility	$ 3,000
Professional services	4,169
Total	$ 7,169

Note 6 – Functional Expenses

The following is a detail of expenses by functional classification for the year ended April 30, 2018:

Program services	$ 434,010
Management and general	195,124
Total	$ 629,134

Note 7 – Restricted Net Assets

Restricted net assets are available for the following purposes:

	Temporarily Restricted	Permanently Restricted	Total
Purpose restricted contribution used for instructional support	$ 1,137,953	$ 64,265	$ 1,202,218

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.

Note 8 – Fair Value Measurements (continued)

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, 2018:

- Investment securities: Valued based on quoted market prices in an active market for identical assets or other observable inputs as of the reporting date.

- 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of April 30, 2018:

	Total	Quoted prices in active markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities				
Mutual funds	$ 9,033,393	$ 9,033,393	$ -	$ -
Investment measured at net asset value (1)				
Venture capital partnership	57,148			
Total investments at fair value	$ 9,090,541			

(1) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the investments line item presented in the statement of financial position.

Note 9 – Subsequent Events

Subsequent events have been evaluated through August 23, 2018, the date the financial statements were available to be issued.