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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grapevine Colleyville I.S.D. Education Foundation, Inc.:

We have audited the accompanying financial statements of Grapevine Colleyville I.S.D. Education Foundation, Inc. (a Texas non-profit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 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 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 Grapevine Colleyville I.S.D. Education Foundation, Inc. as of June 30, 2018 and 2017, 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.

Rhodes Osiek Patyk & Company

Arlington, Texas
November 19, 2018

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017 (NOTE 1)

	<u>ASSETS</u>	
	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	\$ 262,818	\$ 238,326
Investments (Note 2)	1,888,199	1,749,413
Accounts receivable	1,353	0
Contribution receivable	29,000	
Pledges receivable – current (Note 3)		
Permanently restricted	<u>475</u>	<u>475</u>
Total Current Assets	2,181,845	1,988,214
OTHER ASSETS: (Note 3)		
Pledges receivable – long term	<u>1,500</u>	<u>14,500</u>
Total Assets	\$ <u>2,183,345</u>	\$ <u>2,002,714</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ <u>94,447</u>	\$ <u>55,305</u>
Total Current Liabilities	94,447	55,305
NET ASSETS:		
Unrestricted Operating Net Assets	528,767	475,758
Temporarily Restricted Net Assets (Note 8)	127,161	69,015
Permanently Restricted Net Assets (Note 9)	<u>1,432,970</u>	<u>1,402,636</u>
Total Net Assets	<u>2,088,898</u>	<u>1,947,409</u>
Total Liabilities and Net Assets	\$ <u>2,183,345</u>	\$ <u>2,002,714</u>

The accompanying notes are an integral part of these financial statements.

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018 (NOTE 1)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u> (Note 8)	Permanently <u>Restricted</u> (Note 9)	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions	\$ 73,388	\$ 72,002	\$ 36,424	\$ 181,814
Sports Marketing	78,000	0	0	78,000
Special Events				
Revenue, net (Note 4)	117,648	0	0	117,648
Grants	0	47,500	0	47,500
Other income	24,769	12,000	0	36,769
Investment income, net	53,149	13,122	3,910	70,181
Unrealized gain (loss)	60,428	0	0	60,428
Net assets released				
from restriction (Note 7)	<u>96,478</u>	<u>(86,478)</u>	<u>(10,000)</u>	<u>0</u>
Total revenue	503,860	58,146	30,334	592,340
PROGRAM SERVICES (Note 6):				
Educational grants	103,840	0	0	103,840
Districtwide initiatives	54,991	0	0	54,991
Donor directed grants	34,308	0	0	34,308
Campus support	24,245	0	0	24,245
Scholarships	46,935	0	0	46,935
Special Events (Note 4)	12,317	0	0	12,317
Awards and honors	5,500	0	0	5,500
Other programs cost	<u>39,951</u>	<u>0</u>	<u>0</u>	<u>39,951</u>
Total Program Expenses	322,087	0	0	322,087
SUPPORT SERVICES:				
Management	69,374	0	0	69,374
Fundraising	<u>59,390</u>	<u>0</u>	<u>0</u>	<u>59,390</u>
Total Support Services	<u>128,764</u>	<u>0</u>	<u>0</u>	<u>128,764</u>
Total Expenses	<u>450,851</u>	<u>0</u>	<u>0</u>	<u>450,851</u>
Change in Net Assets	53,009	58,146	30,334	141,489
Net Assets, Beginning of Year	<u>475,758</u>	<u>69,015</u>	<u>1,402,636</u>	<u>1,947,409</u>
Net Assets, End of Year	\$ <u>528,767</u>	\$ <u>127,161</u>	\$ <u>1,432,970</u>	\$ <u>2,088,898</u>

The accompanying notes are an integral part of these financial statements.

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u> (Note 8)	Permanently <u>Restricted</u> (Note 9)	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions	\$ 88,188	\$ 0	\$ 63,112	\$ 151,300
Sports Marketing	71,250	0	0	71,250
Special Events Revenue	141,506	0	0	141,506
Grants and sponsorships	0	75,822	0	75,822
Other income	9,281	0	0	9,281
Investment income, net	26,631	5,312	1,663	33,606
Unrealized gain (loss)	139,127	0	0	139,127
Net assets released from restriction (Note 7)	<u>62,058</u>	<u>(51,933)</u>	<u>(10,125)</u>	<u>0</u>
Total revenue	538,041	29,201	54,650	621,892
PROGRAM SERVICES (Note 6):				
Educational grants	153,515	0	0	153,515
Awards and honors	5,500	0	0	5,500
Scholarships	10,000	0	0	10,000
Donor directed grants	39,022	0	0	39,022
Other programs cost	65,041	0	0	65,041
Special Events (Note 4)	<u>35,845</u>	<u>0</u>	<u>0</u>	<u>35,845</u>
Total Program Expenses	308,923	0	0	308,923
SUPPORT SERVICES:				
Management	<u>158,160</u>	<u>0</u>	<u>0</u>	<u>158,160</u>
Total Support Services	<u>158,160</u>	<u>0</u>	<u>0</u>	<u>158,160</u>
Total Expenses	<u>467,083</u>	<u>0</u>	<u>0</u>	<u>467,083</u>
Change in Net Assets	70,958	29,201	54,650	154,809
Net Assets, Beginning of Year	<u>404,800</u>	<u>39,814</u>	<u>1,347,986</u>	<u>1,792,600</u>
Net Assets, End of Year	\$ <u>475,758</u>	\$ <u>69,015</u>	\$ <u>1,402,636</u>	\$ <u>1,947,409</u>

The accompanying notes are an integral part of these financial statements.

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017 (NOTE 1)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 141,489	\$ 154,809
Adjustments to reconcile to net cash provided by operating activities:		
Bad debt expense	0	5,000
Contributed stock	(9,545)	0
Realized gain on sale of investments	(40,835)	0
Unrealized (gain) loss in market value	(60,428)	(139,127)
(Increase) decrease in receivables	(17,353)	4,150
Increase (decrease) in liabilities	<u>39,142</u>	<u>(16,621)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	52,470	8,211
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	13,671	12,539
Purchases of investments	<u>(37,739)</u>	<u>(44,903)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(24,068)</u>	<u>(32,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment Income restricted for endowment	<u>(3,910)</u>	<u>0</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(3,910)</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH	24,492	(24,153)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>238,326</u>	<u>262,479</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ <u>262,818</u>	\$ <u>238,326</u>
Supplemental Data:		
Interest Expense	\$ 0	\$ 0

The accompanying notes are an integral part of these financial statements.

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Grapevine-Colleyville I.S.D. Education Foundation, Inc. (the "Foundation"), a Texas non-profit corporation, was organized March 9, 1998 and is operated exclusively for educational purposes. The Foundation is a fundraising entity that restricts the use of its funds for functions benefiting the students, faculty, administrative staff and graduates of the Grapevine-Colleyville Independent School District, Texas (GCISD).

Although GCISD is the exclusive beneficiary of the Foundation, the Foundation is independent of GCISD in all respects. The Foundation is not a subsidiary or affiliate of GCISD and is not directly or indirectly controlled by GCISD. GCISD is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. GCISD does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to GCISD.

Basis of Presentation -

The Foundation's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Operating Net Assets

The general activities of the Foundation are recorded in unrestricted net assets. Revenues are derived principally from outside contributions and donations to promote Board designated activities and administration of the Foundation. All income from unrestricted net assets is used at the discretion of the Board of Directors.

Temporarily Restricted Net Assets

Temporarily restricted net assets include funds limited by donor-imposed stipulations that expire with the passage of time or that can be satisfied by the action of the Foundation. Temporarily restricted funds include amounts held for a specific purpose or grant. The interest earned on permanent endowments is recorded as temporarily restricted and is used at the discretion of the Board of Directors for the donors' intended purpose.

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation –(Continued)

Permanently Restricted Net Assets

Permanently restricted net assets represent assets that serve as permanent endowments from individual contributors or designated to specific funds, such as campus endowments. In addition, the Foundation may choose to reclassify unrestricted funds to the restricted funds. The Board of Directors has the authority to award activity fund grants directly to endowed campuses from interest earned on such funds once a campus endowment balance equals or exceeds \$10,000. The income generated from scholarship endowments and other donor-designated endowments is used exclusively for the purposes intended by the donor. All other income from permanently restricted net assets is used at the discretion of the Board of Directors.

Cash and Cash Equivalents -

For the purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Estimates -

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

Federal Income Taxes -

The Foundation is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes is included in the financial statements.

Concentration of credit risk -

The Organization maintains bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash in the bank account at the bank exceeded federally insured limits but is further secured by securities pledged by the bank.

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences -

Compensated absences have not been accrued because the amount cannot be reasonably estimated.

Financial Statement Presentation -

The Grapevine-Colleyville I.S.D. Education Foundation, Inc. is required to report 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. In addition, the Foundation is required to present a statement of cash flows. Contributions received are recorded to the three classes of net assets depending on the existence and nature of any donor restrictions. Contributions with donor restrictions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time or specific purpose restriction.

Donated Goods and Services -

The Foundation records the estimated fair market value of donated goods at the time of receipt when there is an objective basis available to measure their value. Donated services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Foundation's program and support services.

Pledges receivable-

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

The Foundation uses the direct write-off method to determine uncollectible unconditional promises receivable. The write-off is based on management's analysis of specific promises made.

Advertising costs-

Advertising costs are expensed as incurred.

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 – INVESTMENTS

Generally accepted accounting principles clarify the definition of fair value and establish a framework for measuring fair value. The framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Three levels of the fair value hierarchy under generally accepted accounting principles are described below.

- Level 1- Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2- Inputs (other than quoted market prices included with in level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and fair value is determined through the use of models or other valuation techniques.
- Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and time deposits: Valued at the balance in investment at year end.

Equity securities: Valued at the net asset value of shares held by the organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018 and 2017.

	Assets at Fair Value as of June 30, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money fund	\$ 12,334	\$ 0	\$ 0	\$ 12,334
Exchange traded funds	856,125	0	0	856,125
Mutual funds	<u>1,019,740</u>	<u>0</u>	<u>0</u>	<u>1,019,740</u>
Assets at fair value	\$ <u>1,888,199</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1,888,199</u>

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 – INVESTMENTS (Continued):

	Assets at Fair Value as of June 30, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money fund	\$ 16,763	\$ 0	\$ 0	\$ 16,763
Exchange traded funds	804,176	0	0	804,176
Mutual funds	<u>928,474</u>	<u>0</u>	<u>0</u>	<u>928,474</u>
Assets at fair value	\$ <u>1,749,413</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1,749,413</u>

The following represents the Organization's investments as of June 30, 2018 and 2017:

	2018		2017	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and money fund	\$ 12,334	\$ 12,334	\$ 16,763	\$ 16,763
Exchange traded funds	394,728	856,125	407,665	804,176
Mutual funds	<u>970,078</u>	<u>1,019,740</u>	<u>874,749</u>	<u>928,474</u>
	\$ <u>1,377,140</u>	\$ <u>1,888,199</u>	\$ <u>1,299,177</u>	\$ <u>1,749,413</u>

For the year ended June 30, 2018 the Foundation utilized one investment manager with \$1,888,199 under management. At June 30, 2017 the Foundation utilized one investment manager with \$1,749,413 under management. The Foundation paid approximately \$13,671 and \$12,539 in investment fees for the year ended June 30, 2018 and 2017, respectively, which are netted against investment income in the accompanying financial statements.

NOTE 3 - PLEDGES RECEIVABLE

Pledges are recorded as revenue at the total amount pledged, which is not materially different from the net present value of future anticipated collections of those pledges. Management has estimated that all pledges receivable will be collected. The following is a schedule of pledges receivable as of June 30, 2018 and 2017:

Receivable in Fiscal Year Ended June 30:	<u>June 30, 2018</u>	<u>June 30, 2017</u>
2018	\$ 475	\$ 475
2019	0	0
2020	0	5,500
2021	<u>1,500</u>	<u>9,000</u>
Total	\$ <u>1,975</u>	\$ <u>14,975</u>

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 4 – SPECIAL EVENTS

The Foundation sponsors several events to supplement income from contributions. Revenues from such events are generally ticket sales, sponsorship contributions and silent auction sales. Revenue from events is recorded net of the cost of direct benefits to donors. At June 30, 2018, direct benefit to donors of \$22,964 was netted against special event revenue.

Students and staff of GCISD also benefit from some Foundation events, such as the Academic Recognition Banquet and the New Educator Luncheon. Expenses for these events are recorded as program services. At June 30, 2018, these expenses totaled \$12,317.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Foundation uses office space, furniture, equipment and utilities provided at no cost by GCISD in return for its support of GCISD functions. The Foundation has not recorded occupancy expense pertaining to this arrangement.

NOTE 6 – PROGRAM EXPENSES

The Foundation awards grants to support educational and scholarship programs which are selected and approved by the Board of Directors. In addition to educational program grants and scholarships, the Foundation supports GCISD with other projects.

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year.

	<u>2018</u>	<u>2017</u>
Teachers of the Year	\$ 5,500	\$ 5,500
Donor directed grants	34,543	39,022
Scholarships	46,435	10,000
Other program costs	<u>0</u>	<u>(2,589)</u>
Net assets released from restrictions	\$ <u>86,478</u>	\$ <u>51,933</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSET

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Student scholarships	\$ 22,290	\$ 47,872
Teachers of the Year	1,948	0
Donor designated education programs	<u>102,923</u>	<u>21,143</u>
Total temporarily restricted net assets	\$ <u>127,161</u>	\$ <u>69,015</u>

GRAPEVINE-COLLEYVILLE I.S.D. EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Campus Endowments	\$ 486,310	\$ 483,512
General Endowments	479,294	468,868
Scholarship Endowments	155,916	149,506
Other Designated Endowments	205,230	194,530
Board of Director transfers	<u>106,220</u>	<u>106,220</u>
Total Permanently Restricted Net Assets	\$ <u>1,432,970</u>	\$ <u>1,402,636</u>

NOTE 10 – SUBSEQUENT EVENTS

The Foundation evaluated subsequent events after the statement of financial position date of June 30, 2018 through November 19, 2018, which was the date the financial statements were issued, and concluded that no additional disclosures are required.