

***SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.***  
***(A NONPROFIT ORGANIZATION)***

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED***

***DECEMBER 31, 2018***

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## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES .....	4
STATEMENT OF FUNCTIONAL EXPENSES .....	5
STATEMENT OF CASH FLOWS .....	7
NOTES TO FINANCIAL STATEMENTS.....	8

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
San Antonio Foundation for Excellence in Education, Inc.  
San Antonio, Texas

We have audited the accompanying financial statements of San Antonio Foundation for Excellence in Education, Inc., which comprise the statement of financial position as of December 31, 2018, 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 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.

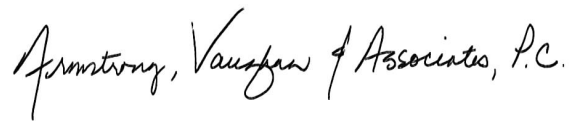
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Antonio Foundation for Excellence in Education, Inc. as of December 31, 2018, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note A14 of the financial statements, in January 2018, the San Antonio Foundation for Excellence in Education, Inc. adopted new accounting guidance from the Financial Accounting Standards Board Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

May 30, 2019

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SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$	3,077,464
Investments		2,440,751
Accounts Receivable		14,270
Promises to Give Receivable, Net		2,243,000
<i>Total Current Assets</i>		7,775,485

*Assets of Donor Restricted Endowment Funds:*

Cash and Cash Equivalents		216,023
<i>Total Assets of Donor Restricted Endowment Funds</i>		216,023

*Noncurrent Assets:*

Promises to Give Receivable, Net		3,059,714
<i>Total Noncurrent Assets</i>		3,059,714

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>11,051,222</b>
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**LIABILITIES AND NET ASSETS**

*Current Liabilities:*

Accounts Payable	\$	2,679,910
<i>Total Current Liabilities</i>		2,679,910

*Net Assets:*

Without Donor Restrictions		
Board Designated		260,000
Undesignated		460,522
With Donor Restrictions		7,650,790
<i>Total Net Assets</i>		8,371,312

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>11,051,222</b>
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The accompanying notes are an integral part of these financial statements.



SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
<i>Support:</i>			
Foundation Grants & Contributions	\$ 71,437	\$ 2,064,741	<b>\$ 2,136,178</b>
Corporate Grants & Contributions	163,135	533,459	<b>696,594</b>
CAST Grants & Contributions	-	350,798	<b>350,798</b>
Individual Grants & Contributions	55,388	199,134	<b>254,522</b>
Other Contributions	63,387	-	<b>63,387</b>
Fundraising Events, Net	284,202	13,651	<b>297,853</b>
In-Kind Donation	24,000	-	<b>24,000</b>
Other Income	7,813	8,286	<b>16,099</b>
Net Assets Released from Restriction	3,808,663	(3,808,663)	<b>-</b>
<i>Total Support</i>	4,478,025	(638,594)	<b>3,839,431</b>
<i>Revenue:</i>			
Interest & Dividends, Net	50,131	8,000	<b>58,131</b>
Realized Gain (Loss) on Investments	(7,361)	-	<b>(7,361)</b>
Unrealized Gain (Loss) on Investments	(54,693)	-	<b>(54,693)</b>
<i>Total Revenue</i>	(11,923)	8,000	<b>(3,923)</b>
<b>TOTAL SUPPORT AND REVENUE</b>	4,466,102	(630,594)	<b>3,835,508</b>
<b>EXPENSES</b>			
<i>Program Services:</i>			
Innovative Grants	172,006	-	<b>172,006</b>
New Teacher Supply Grants	7,336	-	<b>7,336</b>
Other Teacher Grants	1,326	-	<b>1,326</b>
Mini-Grants	87,129	-	<b>87,129</b>
Grants & Gifts to Schools	777,388	-	<b>777,388</b>
Foundation Initiatives	1,381,192	-	<b>1,381,192</b>
Pipeline for College Success	1,278,315	-	<b>1,278,315</b>
Student Scholarships	172,741	-	<b>172,741</b>
Other Programs	190,175	-	<b>190,175</b>
<i>Supporting Services:</i>			
General & Administrative	107,790	-	<b>107,790</b>
Fundraising	79,933	-	<b>79,933</b>
<b>TOTAL EXPENSES</b>	4,255,331	-	<b>4,255,331</b>
<b>CHANGE IN NET ASSETS</b>	210,771	(630,594)	<b>(419,823)</b>
<b>BEGINNING NET ASSETS</b>	366,886	9,288,143	<b>9,655,029</b>
Prior Period Adjustment	142,865	(1,006,759)	<b>(863,894)</b>
<b>ENDING NET ASSETS</b>	\$ 720,522	\$ 7,650,790	<b>\$ 8,371,312</b>

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

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Innovative Grants	New Teacher Supply Grants	Other Teacher Grants	Mini Grants	Grants & Gifts to Schools
<b>FUNCTIONAL EXPENSES</b>					
<i>Personnel Costs</i>					
Salaries & Wages	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Payroll Benefits	-	-	-	-	-
<i>Total Personnel Costs</i>	-	-	-	-	-
Accounting & Audit	-	-	-	-	-
Business Meetings & Training	-	-	-	-	-
Contract Staffing & Stipends	-	-	-	-	-
Emergency Gap Funding	-	-	-	-	-
Gifts	-	-	-	-	30,064
Grants	172,006	7,336	1,326	87,129	723,361
Insurance	-	-	-	-	-
Legal Fees	-	-	-	-	-
Marketing & Promotional	-	-	-	-	-
Office Expenses	-	-	-	-	-
Rent (In-Kind)	-	-	-	-	-
Restricted Gifts	-	-	-	-	23,963
Scholarships	-	-	-	-	-
Strategic Initiatives	-	-	-	-	-
Postage & Shipping	-	-	-	-	-
Printing & Publications	-	-	-	-	-
Professional Development & Memberships	-	-	-	-	-
Professional Fees	-	-	-	-	-
Project Expenses	-	-	-	-	-
Supplies and Other Fees	-	-	-	-	-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 172,006</u>	<u>\$ 7,336</u>	<u>\$ 1,326</u>	<u>\$ 87,129</u>	<u>\$ 777,388</u>

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

<u>Foundation Initiatives</u>	<u>Pipeline for College Success</u>	<u>Student Scholarships</u>	<u>Other Programs</u>	<u>Total Programs</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 131,827	\$ 131,827	\$ 43,923	\$ 66,248	\$ 241,998
-	-	-	11,379	11,379	3,792	5,718	20,889
-	-	-	7,634	7,634	2,544	3,836	14,014
-	-	-	150,840	150,840	50,259	75,802	276,901
-	-	-	-	-	6,150	-	6,150
-	-	-	6,840	6,840	3,575	-	10,415
-	-	-	-	-	5,800	-	5,800
8,509	-	-	-	8,509	-	-	8,509
-	-	-	-	30,064	-	-	30,064
-	-	-	-	991,158	-	-	991,158
-	-	-	-	-	5,544	-	5,544
-	-	-	-	-	990	-	990
-	-	-	-	-	9,704	3,931	13,635
-	-	-	-	-	3,090	-	3,090
-	-	-	19,200	19,200	4,800	-	24,000
-	-	-	-	23,963	-	-	23,963
-	-	172,741	-	172,741	-	-	172,741
1,372,683	1,278,315	-	-	2,650,998	-	-	2,650,998
-	-	-	-	-	1,162	-	1,162
-	-	-	-	-	3,203	-	3,203
-	-	-	-	-	1,319	200	1,519
-	-	-	5,156	5,156	12,194	-	17,350
-	-	-	1,144	1,144	-	-	1,144
-	-	-	6,995	6,995	-	-	6,995
<u>\$ 1,381,192</u>	<u>\$ 1,278,315</u>	<u>\$ 172,741</u>	<u>\$ 190,175</u>	<u>\$ 4,067,608</u>	<u>\$ 107,790</u>	<u>\$ 79,933</u>	<u>\$ 4,255,331</u>

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ (419,823)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:	
Realized (Gain) Loss on Investments	7,361
Unrealized (Gain) Loss on Investments	54,693
(Increase) Decrease in Accounts Receivable	42,422
(Increase) Decrease in Promises to Give Receivable, Net	3,639,187
Increase (Decrease) in Accounts Payable	(1,556,449)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,767,391</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Maturity of Certificates of Deposit	751,458
Purchase and Reinvestment in Certificates of Deposit	(805,380)
Purchase and Reinvestment of Securities	(172,540)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(226,462)</b>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 1,540,929
 <b>BEGINNING CASH AND CASH EQUIVALENTS:</b>	
Cash and Cash Equivalents	891,937
Restricted Cash and Cash Equivalents	860,621
	1,752,558
 <b>ENDING CASH AND CASH EQUIVALENTS:</b>	
Cash and Cash Equivalents	3,077,464
Restricted Cash and Cash Equivalents	216,023
	\$ 3,293,487
 <b>SUPPLEMENTAL DISCLOSURE:</b>	
Interest Expense Paid	\$ -

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

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. NATURE OF ACTIVITIES

The San Antonio Foundation for Excellence in Education, Inc. (the Foundation), incorporated on December 5, 1997, is a private non-profit corporation and is tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation was organized exclusively for charitable and educational purposes, including the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the IRC. Its main purpose is to facilitate student achievement, develop and recognize staff and teacher excellence, and strengthen partnerships in the San Antonio Independent School District (the District) community.

The Foundation is governed by an independent Board of Directors that has authority to make decisions and significantly influence operations.

2. BASIS OF PRESENTATION

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as net assets without donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

3. USE OF ESTIMATES

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all monies in checking, savings and money market accounts. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor-specified period. This implies growing the corpus in real terms while at the same time protecting the assets from market volatility.

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2018

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

5. FAIR VALUE MEASUREMENT

The Foundation's investments include certificates of deposit, equities and taxable bonds. Investments are reported at their fair values on the statement of financial position based on the hierarchy established by generally accepted accounting principles. The Foundation uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Measurement based on assumptions about hypothetical marketplace inputs because observable market inputs are not available as of the reporting date.

The Foundation uses appropriate valuation techniques based on available inputs to measure the fair value of its assets and liabilities. When available, the Foundation measures fair market value using Level 1 inputs because they generally provided the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

6. ACCOUNTS RECEIVABLE

Accounts receivable balances are reported as outstanding principal, net of an allowance for doubtful accounts if deemed necessary. An allowance for uncollectible accounts has not been established as of December 31, 2018 as management considers all accounts to be collectible.

7. PROMISES TO GIVE RECEIVABLE

Promises to give receivable are unconditional promises to give that have not yet been received. Promises to give due in the next year are recorded at their net realizable value. Contributions and promises to give 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 contributions are to be received to discount those amounts. The interest rate is based on the rate at which the Foundation can borrow the funding from a reputable bank or credit union. An estimate for uncollectible amounts has not been established by management as of December 31, 2018 based on their review of individual accounts which were determined be fully collectible.

8. PROPERTY AND EQUIPMENT

Property and equipment is stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Depreciation on the property and equipment is calculated using the straight-line method. At December 31, 2018, the Foundation had no property and equipment that meets the criteria for capitalization.

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2018

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

9. REVENUE RECOGNITION

Grants and contributions received are recorded as net assets with restriction or net assets without restriction depending on the existence and/or nature of any donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restriction are reclassified to net assets without restriction and reported in the statement of activities as net assets released from restrictions.

10. IN-KIND SUPPORT

The Foundation may receive services, or support without payment or compensation. When the value of such services meets recognition criteria, it is reflected in the accompanying financial statements as revenues and expenses in a like amount. In-kind contributions are measured and recorded at fair value on the date of donation. The Foundation receives and records in-kind contributions in the form of office space provided and paid by the San Antonio Independent School District in the amount of \$24,000.

11. INCOME TAXES

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) of the Internal Revenue Code. The Foundation is required to file Internal Revenue Service form 990, Return of Organization Exempt from Income Tax annually.

The most significant tax position of the Foundation is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examinations by taxing authorities. Tax years 2015 - 2017 remain open to examination by the taxing jurisdiction to which the Foundation is subject, and these periods have not been extended beyond the applicable statute of limitation.

12. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Foundation's programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through May 30, 2019, which is the date the financial statements were available to be issued.

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2018

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

14. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board issued Accounting Standard Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017 with early adoption encouraged. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The Foundation has adopted this new pronouncement effective January 1, 2018.

NOTE B -- UNINSURED DEPOSITS

As of December 31, 2018, the Foundation had \$226,493 in excess of federal deposit insurance coverage at a banking institution.

NOTE C -- INVESTMENTS

The Foundation's financial instruments consist primarily of a checking account, savings account, money market accounts, and certificates of deposit, taxable bonds and equities. The carrying amount of the cash and cash equivalents and taxable bond investments approximate their fair market value due to the short-term nature of such instruments (Level 1). All of the Foundation's equity investments are according to the fair value hierarchy at Level 2. The certificates of deposits are valued at amortized cost.

The table below summarizes the investments held by the Foundation at December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gains (Losses)</u>
Certificates of Deposit	\$ 1,005,281	\$ 1,005,281	\$ -
Taxable Bonds	641,700	638,637	(3,063)
Equities	772,226	796,833	24,607
Total	<u>\$ 2,419,207</u>	<u>\$ 2,440,751</u>	<u>\$ 21,544</u>

Investment income is reported net of investment fees totaling \$9,831 for the year ended December 31, 2018.

NOTE D -- ENDOWMENT FUNDS

As of December 31, 2018, the Foundation's donor advised endowments consist of two individual funds established for the benefit of the SAISD Foundation and the students and schools it supports. The donors requested the monies be held as perpetually restricted funds. The net assets associated with this fund are classified and reported based on the existence or absence of donor-imposed restrictions.



SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2018

NOTE D -- ENDOWMENT FUNDS (CONT.)

*Adoption of the Uniform Prudent Management of Institutional Funds Act*

The Board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPIFMA) as requiring the preservation of the fair value of the original gift of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. The State of Texas and the Foundation have both adopted UPMIFA. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPIFMA.

The Foundation in accordance with UPMIFA has considered the following factors in making decisions to appropriate or accumulate donor restricted endowment funds.

1. Duration and Preservation of the funds.
2. Purpose of the Foundation and the Endowment funds.
3. Economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation or market downturns.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

A reconciliation of the endowment funds beginning and ending balances for the year ended December 31, 2018 is as follows:

	With Donor Restrictions
Beginning Balance	\$ 113,584
Contributions	100,000
Interest Income	8,000
Draws	(5,561)
Ending Balance	\$ 216,023

*Return Objectives and Risk Parameters*

The Foundation holds all endowment investments in long-term taxable bond and equity investments. The Board of Directors of the Foundation has adopted investment policies for the endowment fund that attempt to fill the purpose of the fund and also protect the principal of the fund. The intent of the Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. This implies growing the corpus in real terms while at the same time protecting the assets from serious volatility.

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2018

NOTE D -- ENDOWMENT FUNDS (CONT.)

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return strategy in which investment returns are achieved through current yield (interest and dividends). The fund is designed to offer a portfolio balanced through a diversified group of quality securities to achieve its long-term return objective within the guidelines of the Foundation's investment policy.

NOTE E -- BOARD DESIGNATED NET ASSETS

As of December 31, 2018, the Board of Directors designated \$260,000 of the net assets without restriction for new teacher grants.

NOTE F -- PROMISES TO GIVE RECEIVABLE

Promises to give receivable, less the discount for present value at December 31, 2018 and expected date of receipt are listed below:

	One Year	Within Five Years	Total
Total Promises to Give Receivable	\$ 2,243,000	\$ 3,431,000	\$ 5,674,000
Less: Present Value Discount of 8%	-	(371,286)	(371,286)
Promises to Give Receivable , Net	\$ 2,243,000	\$ 3,059,714	\$ 5,302,714

An allowance for uncollectible promises to give receivable has not been established as of December 31, 2018 as management estimates all promises to give to be collectible.

NOTE G -- ACCOUNT PAYABLE

During fiscal year 2016, the Foundation entered into a certain CAST Grant Agreement that names Charles Butt & HEB as Grantors; SAISD as Grantee & In-District Charter Authorizer; and, the Foundation as the Grant Funds Administrator. The Foundation's role is to administer the funds (grants, contributions, etc.) received from donors for the construction of the CAST High School, which is to be owned by SAISD and operated as an SAISD in-district charter high school; and, all construction costs are approved by a grantor representative prior to payment by the Foundation.

Although all unpaid incurred expenses in the amount of \$2,364,594 have been recorded in accounts payable, the Foundation is not responsible for the payment of construction costs incurred in excess of the funds received from donors for the construction of the CAST High School.

Additionally, since the District is the beneficiary of the CAST capital assets, the amount of the construction costs paid by the Foundation are recorded by the District as contributed assets, and are thus not capitalized as fixed assets by the Foundation.

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2018

NOTE G -- ACCOUNT PAYABLE (CONT.)

Subsequent to year-end, an organization paid one million dollars to Joeris (the contractor) on behalf of the Foundation for the CAST Project. Moreover, the Foundation paid an additional \$850,000 for the CAST construction project. Joeris, then donated as in-kind the remaining balance of the construction costs payable.

NOTE H -- SPECIAL EVENTS

Special event fundraisers are reported net of direct costs. The following is a summary of special events hosted during the year ended December 31, 2018:

	Inspire Awards	Run Education	Golf For Excellence	Other	Total
Revenues	\$ 245,259	\$ 49,132	\$ 86,231	\$ 16,118	\$ 396,740
Expenses	(52,093)	(29,988)	(14,464)	(2,342)	(98,887)
Special Events, Net	<u>\$ 193,166</u>	<u>\$ 19,144</u>	<u>\$ 71,767</u>	<u>\$ 13,776</u>	<u>\$ 297,853</u>

NOTE I -- PRIOR PERIOD ADJUSTMENT

The financial statements for the year ended December 31, 2017 have been restated to reflect the results of a prior period adjustment. The following table summarizes these adjustments to beginning net assets:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Net Assets, as Previously Reported	\$ 366,886	\$ 9,288,143	\$ 9,655,029
Understated Accounts Payable	-	(863,894)	(863,894)
Reclass Overstated Net Assets with Donor Restrictions	142,865	(142,865)	-
Beginning Net Assets, Restated	<u>\$ 509,751</u>	<u>\$ 8,281,384</u>	<u>\$ 8,791,135</u>

NOTE J -- RESTRICTED NET ASSETS

Net assets with donor restrictions at December 31, 2018 are available for the following purposes:

Alumni Support	\$ 15,052
Campus Education Funds	169,027
CAST	(1,726,846)
College Tours	1,028,082
Endowment Funds	200,030
Grants to Schools	593,037
Scholarships	219,388
Valero Pipeline for College Success	5,062,671
Strategic Initiatives	2,090,349
	<u>\$ 7,650,790</u>

See Note G regarding deficit CAST net assets with donor restrictions as of December 31, 2018.

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2018

NOTE K -- NET ASSETS RELEASED FROM RESTRICTION

The release of net assets released from restriction for the year ended December 31, 2018 are as follows:

Alumni Support	\$ 14,819
Campus Education Funds	114,498
CAST	245,029
College Tours	343,368
Grants to Schools	1,171,965
Scholarships	170,434
Strategic Initiatives	429,267
Valero Pipeline for College Success	1,278,314
Other	40,969
	<u>\$ 3,808,663</u>

NOTE L -- REVENUE AND EXPENSE CONCENTRATION

The organization relies upon grants, contributions and other assistance to supplement a majority of its program fees. The reliance upon several large contributors created the following revenue concentrations as of December 31, 2018:

	% of <u>Total Revenue</u>
Charles Butt Foundation	10.4%
City Education Partners	15.0%
Greehey Family Foundation	13.0%

Additionally, 54.7% of the Foundation's expenses were paid directly to the District.

NOTE M -- RELATED PARTY

An individual who serves on Board of Directors also works for Key Ideas, who performed marketing services for the Foundation. Total payments to Key Ideas for the year ended December 31, 2018 were \$7,500.

NOTE N -- LITIGATION

Management is not aware of any pending or threatened litigation against the Foundation.

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2018

NOTE O -- LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Foundation has a goal to maintain financial assets on hand to meet at least 3 months of normal operating expenses which are projected to be approximately \$73,541 per month in 2019 based on the 2019 budget. The organization has approximately \$374,928 of financial assets available to meet cash needs in the next year for general expenditures as of December 31, 2018 as shown in the table below.

Cash and Cash Equivalents	\$ 3,077,464
Cash and Cash Equivalents - Restricted	216,023
Investments	2,440,751
Accounts Receivable	14,270
Pledges Receivable - Current Portion, Net	2,243,000
Accounts Payable	<u>(2,679,910)</u>
Total Financial Assets	5,311,598
Less: Restricted Cash and Investments	(4,676,670)
Less: Board Designated Net Assets	<u>(260,000)</u>
Total Financial Assets Available to Meet	
Cash for General Expenditure Needs	<u><u>\$ 374,928</u></u>

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