

*EVSC FOUNDATION, INC.*

*FINANCIAL STATEMENTS*

*For the Year Ended December 31, 2014*

*(With Independent Auditor's Report Thereon)*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
EVSC Foundation, Inc.

We have audited the accompanying financial statements of EVSC Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 EVSC Foundation, Inc. as of December 31, 2014, 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.

Evansville, Indiana  
November 13, 2015

*Dwight Hancock CPA, PSC*



**EVSC FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2014

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**ASSETS**

Current assets:

Cash and equivalents	\$ 1,436,043
Contributions receivable	80,727
Investments	186,682
Note receivable	1,705,590
Other current assets	<u>106,583</u>
Total current assets	<u>3,515,625</u>

Other assets:

Contributions receivable	195,534
Investments restricted for endowment	<u>172,600</u>
Total other assets	<u>368,134</u>

**Total assets** **\$ 3,883,759**

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 12,809
Interest payable	87,261
Note payable, current	<u>1,705,590</u>
Total current liabilities	<u>1,805,660</u>

Net assets:

Unrestricted	630,944
Temporarily restricted	1,274,555
Permanently restricted	<u>172,600</u>
Total net assets	<u>2,078,099</u>

**Total liabilities and net assets** **\$ 3,883,759**

See Notes to Financial Statements.

**EVSC FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2014

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**Unrestricted net assets:**

Support and Revenues:	
Contributions	\$ 335,318
Management fees	19,272
Rental income	11,644
Investment income	92,692
Gain on sale of asset	<u>251,778</u>
Total support and revenues	710,704
Net assets released from restrictions	<u>765,198</u>
Total revenues and support	<u>1,475,902</u>
Expenses:	
Program service	978,534
General and administrative	107,531
Fundraising	<u>27,941</u>
Total expenses	<u>1,114,006</u>
Increase in unrestricted net assets	<u>361,896</u>
<b>Temporarily restricted net assets:</b>	
Contributions	135,612
Investment income	16,586
Net assets released from restrictions	<u>(765,198)</u>
Decrease in temporarily restricted net assets	<u>(613,000)</u>
Decrease in net assets	(251,104)
Net assets, beginning of year	<u>2,329,203</u>
Net assets, end of year	<u><u>\$ 2,078,099</u></u>

See Notes to Financial Statements.



# EVSC FOUNDATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014

	Program	General & Admin.	Fund- raising	Total
Advertising	\$ -	\$ -	\$ 158	\$ 158
Depreciation	-	8,547	-	8,547
Interest	87,261	-	-	87,261
Miscellaneous	-	3,280	1,666	4,946
Office	-	5,728	5,000	10,728
Printing	-	-	10,374	10,374
Professional fees	-	52,009	1,330	53,339
Repairs and maintenance	2,104	10,629	-	12,733
Rent	-	5,400	-	5,400
Scholarships	16,500	-	-	16,500
Sponsorships	20,427	-	-	20,427
Supplies	-	-	9,413	9,413
Support - EVSC Administration	114,498	-	-	114,498
Support - EVSC Schools	737,744	-	-	737,744
Utilities	-	21,938	-	21,938
	<u>\$ 978,534</u>	<u>\$ 107,531</u>	<u>\$ 27,941</u>	<u>\$ 1,114,006</u>

See Notes to Financial Statements.

**EVSC FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2014

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<b>Cash flows from operating activities:</b>	
Decrease in net assets	\$ (251,104)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation and amortization	8,547
Gain on sale of asset	(251,778)
Gain on sale of investments	(28,133)
Unrealized loss on investments	7,041
Decrease in assets:	
Contributions receivable	279,036
Other current assets	78,729
Decrease in liabilities:	
Accounts payable	(91,591)
Interest payable	(73,400)
	<u>(322,653)</u>
Net cash used by operating activities	
<b>Cash flows from investing activities:</b>	
Purchase of investments	(76,974)
Proceeds from sale of investments	76,172
Proceeds from note receivable	1,434,652
Proceeds from sale of property and equipment	624,000
	<u>2,057,850</u>
Net cash provided by investing activities	
<b>Cash flows from financing activities:</b>	
Repayments on long-term debt	(1,434,652)
	<u>(1,434,652)</u>
Net cash used in financing activities	
Net increase in cash	300,545
Cash, beginning of year	<u>1,135,498</u>
Cash, end of year	<u><u>\$ 1,436,043</u></u>
<b>Supplemental disclosure of cash flow information:</b>	
Interest paid	<u><u>\$ 160,661</u></u>

See Notes to Financial Statements.



# EVSC FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

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### 1. **Organization and Summary of Significant Accounting Policies**

#### Nature of Organization

EVSC Foundation, Inc. (Foundation) is a not-for-profit organization incorporated in Evansville, Indiana in 2008. The Foundation's purpose is to provide educational resources to the Evansville Vanderburgh School Corporation (EVSC) and to ensure students in the Evansville-Vanderburgh County area achieve success, as well as build endowments to provide long-term funding. The Foundation is supported primarily through contributions from corporate and individual donors.

#### Basis of Presentation

The Foundation reports 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.

#### Cash and Cash Equivalents

The Foundation considers all cash on hand and in banks with original maturity of 90 days or less and not held in trust to be cash and cash equivalents.

#### Contributions Receivable

Contributions Receivable are recognized as revenues in the period received, net of an allowance for uncollectible amounts. Management utilizes the allowance method of accounting for uncollectible promises to give, based on historical collection experience and current economic conditions. Management believes all contributions receivable will be collected in full, therefore no allowance has been recorded. Promises to give are recorded at net realizable value if expected to be collected within one year. Promises to give expected to be collected in more than one year are discounted to the present value of future cash flows using a 2.55% discount rate.

#### Investments

Investments are stated at fair value. Investment return is reflected in the statement of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor stipulation or legally imposed restrictions. Investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Unrealized gains and losses are included in the statement of activities, and investment income is recorded net of investment expense.



# EVSC FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

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### 1. **Foundation and Summary of Significant Accounting Policies, Continued**

#### Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Acquisitions of property and equipment in excess of \$500 and with estimated useful lives in excess of one year are capitalized.

Donated property and equipment are recorded as contributions at their estimated values at the date of receipt. If donors stipulate a time period during which the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

#### Endowment Funds

The Foundation's endowment consists of funds established for various purposes. The Foundation's endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets the original value of contributions to the permanent endowment and the original value of any such subsequent contributions. 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.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Foundation targets a diversified asset allocation that places an emphasis on fixed-income investments to achieve its return objective within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowment funds to fund Foundation operations and programs. The current spending policy is to distribute endowment earnings annually according to donor provisions and the Foundation's daily cash flow needs.



# EVSC FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

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### 1. **Foundation and Summary of Significant Accounting Policies, Continued**

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the same reporting period. All other restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or a 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.

#### Donated Services

A substantial number of volunteers donate significant amounts of their time to benefit the Foundation's programs. However, the value of these services is not reflected in the financial statements, as it does not meet the criteria for recognition.

#### Functional Allocation of Expenses

The costs of providing various services 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.

#### Advertising

Advertising costs are expensed as incurred.

#### Use of Estimates

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



# EVSC FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

### 2. Contributions Receivable

Contributions receivable consisted of the following at December 31, 2014:

Receivable in less than one year	\$ 80,727
Receivable in one to five years	<u>216,183</u>
Total contributions receivable	296,910
Less discount to net present value	<u>(20,649)</u>
Contributions receivable, net	<u>\$ 276,261</u>

### 3. Investments

Investments were as follows at December 31, 2014:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 23,372	\$ 23,372
Mutual funds	<u>273,426</u>	<u>335,910</u>
	<u>\$ 296,798</u>	<u>\$ 359,282</u>

Investment return consisted of the following for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 88,426	\$ 3,383	\$ 91,809
Net realized and unrealized gains	5,185	15,907	21,092
Investment fees	<u>(919)</u>	<u>(2,704)</u>	<u>(3,623)</u>
	<u>\$ 92,692</u>	<u>\$ 16,586</u>	<u>\$ 109,278</u>

### 4. Note Receivable and Note Payable

In January 2011, the Foundation entered into an installment purchase agreement with EVSC for the purchase and renovation of real estate. Under this agreement, EVSC must make payments to the Foundation in terms identical to the installment note payable the Foundation entered into with a local contractor (see below). This note receivable matured in January 2015, had an interest rate of 5%.



# EVSC FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

### 4. Note Receivable and Note Payable, Continued

In January 2011, the Foundation entered into a promissory note agreement with a local contractor for the renovation of real estate on behalf of EVSC. This note payable matured in January 2015, had an interest rate of 5%, and was secured by the real estate.

The balance of the note receivable and note payable was \$1,705,590 at December 31, 2014. Both the note receivable and note payable were paid in full in January 2015.

### 5. Fair Value Measurements

The fair value of assets measured on a recurring basis were as follows at December 31, 2014:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value
Money market funds	\$ 23,372	\$ 23,372
Mutual funds:		
Value	125,259	125,259
Blended	8,563	8,563
Growth	103,528	103,528
Bond funds	98,560	98,560
	<u>\$ 359,282</u>	<u>\$ 359,282</u>

The fair values for mutual funds are determined by quoted market prices in an exchange and active market. Money market funds are valued at cost since cost approximates market value.

Transfers between fair value hierarchy are recognized at the end of the reporting period. There were no transfers between levels for the year ended December 31, 2014.

At least annually, management and the Board of Directors review and approve the Foundation's fair value measurement policies and procedures and determine if the valuation techniques used in fair value measurements are still appropriate.

# EVSC FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

### 6. Restricted Net Assets

The Foundation's Board of Directors has chosen to place the following limitations on unrestricted net assets at December 31, 2014:

Endowment	\$ 87,652
Real estate	742,364
Other	<u>52,542</u>
	<u>\$ 882,558</u>

Temporarily restricted net assets are available for the following purposes at December 31, 2014:

Time-restricted contributions	\$ 276,261
Endowment income	99,030
Specific program use	<u>899,264</u>
	<u>\$ 1,274,555</u>

Net assets released from restrictions were as follows for the year ended December 31, 2014:

Passage of time	\$ 320,001
Program use	<u>445,197</u>
	<u>\$ 765,198</u>

Permanently restricted net assets consisted of an endowment fund in the amount of \$172,600 at December 31, 2014.

Changes in endowment net assets were as follows for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 82,344	\$ 82,444	\$ 172,600	\$ 337,388
Investment income, net	173	679	-	852
Net appreciation	5,135	15,907	-	21,042
Amounts appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 87,652</u>	<u>\$ 99,030</u>	<u>\$ 172,600</u>	<u>\$ 359,282</u>



# **EVSC FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended December 31, 2014

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### **7. Income Taxes**

The Foundation is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

### **8. Concentrations of Credit Risk**

Financial instruments that potentially subject the Foundation to credit risk consist principally of cash on deposit at financial institutions, contributions receivable, and investments. Cash in banks may, at times, exceed federal deposit insurance limits. The Foundation attempts to minimize this risk by using high-credit quality financial institutions. Contributions receivable are periodically reviewed by management for their collectability and an allowance for doubtful accounts is established, as deemed necessary. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

### **9. Subsequent Events**

The Foundation has evaluated subsequent events through November 13, 2015, the date the financial statements were available to be issued.