

**Grand Prairie Independent School District  
Education Foundation**  
Grand Prairie, Texas

Financial Statements Together With  
Independent Auditor's Report

December 31, 2018 and 2017

**Grand Prairie Independent School District**  
**Education Foundation**  
Financial Statements  
December 31, 2018 and 2017

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## **Independent Auditor's Report**

To the Board of Directors of  
Grand Prairie Independent School District Educational Foundation

We have audited the accompanying financial statements of Grand Prairie Independent School District Educational Foundation (a Texas nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses 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 audits 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 Grand Prairie Independent School District Educational Foundation as of December 31, 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.

*Ratloff & Associates, P.C.*

October 10, 2019

**Grand Prairie Independent School District**  
**Educational Foundation**  
 Statements of Financial Position  
 December 31, 2018 and 2017

|                                   | <u>2018</u>       | <u>2017</u>       |
|-----------------------------------|-------------------|-------------------|
| <b>Assets</b>                     |                   |                   |
| Cash and cash equivalents         | \$ 101,854        | \$ 65,368         |
| Prepaid expense                   | 324               | 2,008             |
| Investments                       | 519,528           | 570,391           |
| Endowment investments             | <u>59,025</u>     | <u>65,180</u>     |
| Total Assets                      | <u>\$ 680,731</u> | <u>\$ 702,947</u> |
| <b>Liabilities and net assets</b> |                   |                   |
| Liabilities                       |                   |                   |
| Accounts payable                  | <u>\$ 41,153</u>  | <u>\$ -</u>       |
| Total liabilities                 | <u>41,153</u>     | <u>-</u>          |
| Net assets                        |                   |                   |
| Without donor restrictions        | 570,328           | 622,815           |
| With donor restrictions           | <u>69,250</u>     | <u>80,132</u>     |
| Total net assets                  | <u>639,578</u>    | <u>702,947</u>    |
| Total Liabilities & Net Assets    | <u>\$ 680,731</u> | <u>\$ 702,947</u> |

*The accompanying note disclosures are an integral part of these financial statements.*

**Grand Prairie Independent School District**  
**Educational Foundation**  
 Statements of Activities  
 For the Years Ended December 31, 2018 and 2017

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| <b>Changes in net assets without donor restrictions</b> |                   |                   |
| Revenues  |                   |                   |
| Revenues without donor restrictions                     |                   |                   |
| Cash contributions                                      | \$ 80,454         | \$ 120,185        |
| Fundraising activities                                  | 108,218           | 74,242            |
| Investment income (loss), net                           | <u>(33,480)</u>   | <u>42,978</u>     |
| Total revenues without donor restrictions               | <u>155,192</u>    | <u>237,405</u>    |
| Net assets released from restrictions                   |                   |                   |
| Satisfaction of program restrictions                    | <u>9,035</u>      | <u>7,984</u>      |
| Total revenues  | 164,227           | 245,389           |
| Expenses  |                   |                   |
| Program activities                                      | 160,433           | 209,343           |
| Support services  |                   |                   |
| Fundraising   | 36,597            | 28,488            |
| General and administrative                              | <u>19,684</u>     | <u>19,252</u>     |
| Total expenses  | <u>216,714</u>    | <u>257,083</u>    |
| Change in net assets without donor restrictions         | <u>(52,487)</u>   | <u>(11,694)</u>   |
| <b>Changes in net assets with donor restrictions</b>    |                   |                   |
| Donor restricted contributions                          | 2,975             | 2,580             |
| Investment income (loss), net                           | (4,822)           | 5,089             |
| Net assets released from restriction                    | <u>(9,035)</u>    | <u>(7,984)</u>    |
| Change in net assets with donor restrictions            | <u>(10,882)</u>   | <u>(315)</u>      |
| <b>Change in total net assets</b>                       | (63,369)          | (12,009)          |
| <b>Net assets at beginning of year</b>                  | <u>702,947</u>    | <u>714,956</u>    |
| <b>Net assets at end of year</b>                        | <u>\$ 639,578</u> | <u>\$ 702,947</u> |

*The accompanying note disclosures are an integral part of these financial statements.*

**Grand Prairie Independent School District  
Educational Foundation**

Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2017

|   | <u>2018</u>        | <u>2017</u>        |
|---|--------------------|--------------------|
| <b>Cash flows from operating activities</b>   |                    |                    |
| Contributions received  | \$ 83,429          | \$ 122,619         |
| Fundraising and other revenues  | 108,218            | 74,387             |
| Cash paid for grants  | (50,339)           | (105,525)          |
| Cash paid for scholarships  | (20,026)           | (13,920)           |
| Cash paid for other program expenses  | (47,232)           | (89,898)           |
| Cash paid for administrative and other expenses   | <u>(56,280)</u>    | <u>(49,473)</u>    |
| Net cash provided (used) by operating activities  | <u>17,770</u>      | <u>(61,810)</u>    |
| <b>Cash flows from investing activities</b>   |                    |                    |
| Proceeds from sale of investments   | <u>18,716</u>      | <u>12,420</u>      |
| Net cash provided (used) by investing activities  | <u>18,716</u>      | <u>12,420</u>      |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | 36,486             | (49,390)           |
| <b>Cash and cash equivalents at beginning of year</b>   | <u>65,368</u>      | <u>114,758</u>     |
| <b>Cash and cash equivalents at end of year</b>   | <u>\$ 101,854</u>  | <u>\$ 65,368</u>   |
| <br>  |                    |                    |
| <b>Reconciliation of change in total net assets to net cash provided (used) by operating activities</b> |                    |                    |
| Change in total net assets  | <u>\$ (63,369)</u> | <u>\$ (12,009)</u> |
| Adjustments   |                    |                    |
| Investment income (loss), net   | 38,302             | (30,537)           |
| Change in prepaid expense   | 1,684              | -                  |
| Change in grant receivable  | -                  | (17,531)           |
| Change in accounts payable  | <u>41,153</u>      | <u>(1,733)</u>     |
| Total adjustments   | <u>81,139</u>      | <u>(49,801)</u>    |
| Net cash provided (used) by operating activities  | <u>\$ 17,770</u>   | <u>\$ (61,810)</u> |

*The accompanying note disclosures are an integral part of these financial statements.*

**Grand Prairie Independent School District  
Educational Foundation**

For the Year Ended December 31, 2018

|                         | Programs          |                  | Support services           |                   | Total expenses    |
|-------------------------|-------------------|------------------|----------------------------|-------------------|-------------------|
|                         | Program           | Fundraising      | General and administrative | services subtotal |                   |
| Grants                  | \$ 50,339         | \$ -             | \$ -                       | \$ -              | \$ 50,339         |
| Scholarships            | 20,026            | -                | -                          | -                 | 20,026            |
| Awards                  | 32,357            | -                | -                          | -                 | 32,357            |
| Field Trips             | 39,711            | -                | -                          | -                 | 39,711            |
| Information technology  | -                 | -                | 1,541                      | 1,541             | 1,541             |
| Insurance               | -                 | -                | 1,910                      | 1,910             | 1,910             |
| Professional fees       | -                 | -                | 12,750                     | 12,750            | 12,750            |
| Supplies                | -                 | 14,759           | 1,808                      | 16,567            | 16,567            |
| Conference and meetings | -                 | -                | 1,675                      | 1,675             | 1,675             |
| Technology tools        | 18,000            | -                | -                          | -                 | 18,000            |
| Special events          | -                 | 21,838           | -                          | -                 | 21,838            |
| <b>Total expenses</b>   | <b>\$ 160,433</b> | <b>\$ 36,597</b> | <b>\$ 19,684</b>           | <b>\$ 34,443</b>  | <b>\$ 216,714</b> |

For the Year Ended December 31, 2017

|                         | Programs          |                  | Support services           |                  | Total expenses    |
|-------------------------|-------------------|------------------|----------------------------|------------------|-------------------|
|                         | Program           | Fundraising      | General and administrative | Support services |                   |
| Grants                  | \$ 105,525        | \$ -             | \$ -                       | \$ -             | \$ 105,525        |
| Scholarships            | 13,920            | -                | -                          | -                | 13,920            |
| Awards                  | 28,926            | -                | -                          | -                | 28,926            |
| Field Trips             | 60,972            | -                | -                          | -                | 60,972            |
| Information technology  | -                 | -                | 1,541                      | 1,541            | 1,541             |
| Insurance               | -                 | -                | 1,734                      | 1,734            | 1,734             |
| Professional fees       | -                 | -                | 12,615                     | 12,615           | 12,615            |
| Supplies                | -                 | 6,473            | 1,273                      | 7,746            | 7,746             |
| Conference and meetings | -                 | -                | 1,064                      | 1,064            | 1,064             |
| Special events          | -                 | 22,015           | -                          | -                | 22,015            |
| Bank service charges    | -                 | -                | 1,025                      | 1,025            | 1,025             |
| <b>Total expenses</b>   | <b>\$ 209,343</b> | <b>\$ 28,488</b> | <b>\$ 19,252</b>           | <b>\$ 25,725</b> | <b>\$ 257,083</b> |

*The accompanying note disclosures are an integral part of these financial statements.*

**Grand Prairie Independent School District**  
**Education Foundation**

Note Disclosures to the Financial Statements  
December 31, 2018 and 2017

**Note 1, Nature of the Organization**

Grand Prairie Independent School District Education Foundation, (the “Foundation”) located in Grand Prairie, Texas, is organized exclusively for charitable, religious or educational purposes as defined in Section 501(c)(3) of the Internal Revenue Code, and in Section 11.18(f) of the Texas Tax Code, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Code.

The Foundation’s primary function is to conduct and fund educational programs and projects that are aligned with the educational philosophy of the Grand Prairie Independent School District, a Texas non-profit organization (the “School”). The Foundation’s purpose is to make distributions for and limited to educational purposes for students, faculty, administrative staff and graduates of the Grand Prairie Independent School District.

The Foundation’s primary source of revenue is free-will donations from teachers and supporters of the School and Foundation, fundraising activities and income from investments. A significant portion of its revenues is tied to the general economy and publicly traded stock market fluctuations.

**Note 2, Summary of Significant Accounting Policies**

The following is a summary of the Foundation’s significant accounting policies consistently applied in the preparation of the accompanying financial statements:

New accounting pronouncement: For the year ended December 31, 2018, the Foundation has adopted the new reporting standards issued by the FASB in ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The new standards require the following significant changes or clarifications to the Foundation’s financial statements and disclosures:

- The statement of financial position is classified to show subtotals for current assets and current liabilities as part of the Foundation’s enhanced disclosure of liquidity. The Foundation anticipates using current assets and satisfying current liabilities within one year of the statement date. Current assets, excluding prepaids (as applicable), represent financial assets available for general expenditure within one year of the statement date. Disclosures are presented for both the quantitative and qualitative aspects of liquidity and the availability of financial assets.
- The statement of cash flows uses the direct method, which we believe to be a more understandable and preferred presentation for users of our financial statements.
- The statement of functional expenses has been added as a fourth statement to the financial statements reporting package in order to show a combined presentation of the functional and natural classifications of expenses.



**Grand Prairie Independent School District**  
**Education Foundation**  
 Note Disclosures to the Financial Statements  
 December 31, 2018 and 2017

**Note 2, Summary of Significant Accounting Policies (continued)**

New accounting pronouncement: (continued)

- Investment expenses are reported net of investment returns and are not included on the statement of functional expenses.
- Management activities, except for direct conduct or supervision of programs, are allocated to support services on the statement of activities.

The Foundation has adjusted the presentation of its financial statements and disclosures accordingly and has applied, when required, these changes retrospectively to the comparative financial statements and disclosures for year 2017. Certain amounts in the 2017 financial statements have been reclassified to conform with the current year presentation and have no effect on net assets or the changes in net assets. Certain other changes have the following effects on net assets at December 31, 2017:

| <u>Net Asset Class</u>               | <u>As originally<br/>presented</u> | <u>After adoption<br/>of ASU 2016-14</u> |
|--------------------------------------|------------------------------------|--|
| Unrestricted net assets              | \$ 622,815                         |  |
| Temporarily restricted net assets    | 17,136                             |  |
| Permanently restricted net assets    | 62,996                             |  |
| Net assets without donor restriction |                                    | \$ 622,815                               |
| Net assets with donor restriction    |                                    | 80,132                                   |
| Total                                | <u>\$ 702,947</u>                  | <u>\$ 702,947</u>                        |

The Foundation has adjusted the presentation of its financial statements and disclosures accordingly.

Basis of accounting: The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) of the United States of America. Revenues are recognized when earned, and expenses are recorded when incurred.

Revenue recognition: Revenues of the Foundation are primarily derived from donor contributions and grants from supporters. A portion of the Foundation revenues is tied to the local economy. All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor.

Amounts received that are donor restricted by time or purpose are reported as increases in net asset with donor restrictions. 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 restriction. However, contributions received with restrictions that are met in the same reporting period are reported as increases in net assets without restrictions.

**Grand Prairie Independent School District**  
**Education Foundation**

Note Disclosures to the Financial Statements  
December 31, 2018 and 2017

**Note 2, Summary of Significant Accounting Policies (continued)**

Investment income that is limited to specific uses by donor restrictions is also reported as increases in net assets without restrictions if the restrictions are met in the same reporting period as the income is recognized.

Net assets without donor restrictions: The Foundation further disaggregates net assets without donor restriction into two subcategories:

- General unrestricted: Net assets that are neither subject to donor-imposed restrictions or self-imposed limits are general unrestricted.
- Internally designated: Net assets that are subject to the Foundation's self-imposed limits by action of the governing board or its delegates are internally designated. These voluntary limitations allow the Foundation to earmark net assets for a variety of needs that may arise. Such limits may also be lifted at any time in the future by resolution of the board or its delegates. There are no internally designated net assets at December 31, 2018 or 2017.

Net assets with donor restriction: The Foundation further disaggregates net assets with donor restriction into two subcategories:

- Temporarily restricted: The Foundation reports gifts of cash and other assets as with temporary donor restriction if they are received with donor stipulations temporarily limiting the use of the contributions and if the restrictions are not met in the period of receipt.
- Permanently restricted: The Foundation reports gifts of cash and other assets as with permanent donor restriction if they are received with donor stipulations permanently restricting the contribution to investment but permitting the Foundation to use part or all of the income derived from the investment for general or restricted purposes.

Programs: Program activities of the Foundation include grants to the Grand Prairie ISD, scholarships to deserving students of the Grand Prairie ISD, grants for field trips and camps to enrich the learning experience of students.

Supporting activities: Fundraising activities provide avenues for contribution to the Foundation's cause, and general and administrative activities support the general activities of the Foundation.

Estimates: The preparation of financial statements in conformity 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. Significant estimates included in the financial statements are the allocation of certain expenses. The allocation of certain expenses is based on management's estimate of staff activities.

Cash and cash equivalents: For purposes of the statement of cash flows, the Foundation considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and short-term investments held in a bank money market account are reported as investments instead of cash because the Foundation maintains and invests those funds separately.

**Grand Prairie Independent School District**  
**Education Foundation**

Note Disclosures to the Financial Statements  
December 31, 2018 and 2017

**Note 2, Summary of Significant Accounting Policies (continued)**

Financial instruments that potentially subject the Foundation to credit risk include cash on deposit with a financial institution exceeding \$250,000 at various times during the year. The U.S. Federal Deposit Insurance Corporation insures amounts for up to \$250,000.

Allocation of expenses by function and nature: The costs of providing the various programs and other activities have been allocated and summarized on a functional basis in the statement of activities and on both a functional and a natural bases in the Statement of Functional Expenses. Accordingly, certain costs may be allocated among the program and supporting services, as well as the natural categories, benefited.

Noncash contributions: Contributed services are recognized as unrestricted revenues if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. Contributed services that do not meet these criteria are not recognized as revenue.

A substantial number of volunteers have also donated significant amounts of their time to the Foundation's programs. However, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition.

Investments: All investments are measured at fair value based upon the exit price model, which is the price that would be received to sell the investment. Investment fees are netted within the investment income. These expenses are not material to these financial statements.

Allocation of earnings and losses on investments: The Foundation allocates investment income (or loss) less management expenses at the end of the year between unrestricted, and donor restricted net assets. Net investment income (or loss) is allocated to individual donor restricted accounts in compliance with gift instruments.

Realized and unrealized gains and losses - Realized gains and losses on investment securities are recorded as the difference between the selling price and the original cost. Unrealized gains and losses are recorded as the changes in the fair values of investments excluding any amounts that have been previously recognized in the Statement of Activities. For investments sold or otherwise disposed of during the year, unrealized gains or losses previously recognized in the Statements of Activities adjust the unrealized gains or losses recognized on investments.

Fair value measurement: Fair value hierarchy is used to disclose the inputs to fair value measurement. This hierarchy prioritizes the inputs into three broad levels. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

For the years ended December 31, 2018 and 2017, investments are all based upon level 1 inputs which are quoted prices in active markets for identical assets. See the Investments disclosure below.

Income tax status: The Foundation is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private Foundation, except on net income derived from unrelated business activities. For the years ended December 31, 2018 and 2017, the Foundation has not conducted unrelated business activities that are material to the financial statements taken as a whole.

**Grand Prairie Independent School District  
Education Foundation**

Note Disclosures to the Financial Statements  
December 31, 2018 and 2017

**Note 2, Summary of Significant Accounting Policies (continued)**

Accordingly, no provision for income taxes is included in the financial statements. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Tax returns of the Foundation are open to examination by the relevant taxing authorities for a period of three year from the date the returns are filed.

**Note 3, Related Party Transactions**

During the years ended December 31, 2018 and 2017, the Foundation contributed \$50,339 and \$105,525, respectively, of grants to the School.

**Note 4, Fair Value Measurement**

Fair value hierarchy is used to disclose the inputs to fair value measurement. This hierarchy prioritizes the inputs into three broad levels. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The detail of investments are in note 5. Investments are classified as Level 1 inputs which are based upon quoted prices in active markets for identical assets.

**Note 5, Investments**

Investments at December 31, 2018 are composed of the following:

|                       | <u>Input Level</u> | <u>Dickey<br/>Trust</u> | <u>Education<br/>Fund</u> | <u>Total</u>      |
|-----------------------|--------------------|-------------------------|---------------------------|-------------------|
| Cash                  |                    | \$ 5,665                | \$ 9,867                  | \$ 15,532         |
| Equities              | 1                  | 32,722                  | 289,191                   | 321,913           |
| Open end mutual funds | 1                  | <u>20,638</u>           | <u>220,470</u>            | <u>241,108</u>    |
|                       |                    | <u>\$ 59,025</u>        | <u>\$ 519,528</u>         | <u>\$ 578,553</u> |

Investments at December 31, 2017 are composed of the following:

|                       | <u>Input Level</u> | <u>Dickey<br/>Trust</u> | <u>Education<br/>Fund</u> | <u>Total</u>      |
|-----------------------|--------------------|-------------------------|---------------------------|-------------------|
| Cash                  |                    | \$ 6,370                | \$ 12,476                 | \$ 18,846         |
| Equities              | 1                  | 35,905                  | 218,927                   | 254,832           |
| Open end mutual funds | 1                  | <u>22,905</u>           | <u>338,988</u>            | <u>361,893</u>    |
|                       |                    | <u>\$ 65,180</u>        | <u>\$ 570,391</u>         | <u>\$ 635,571</u> |

**Grand Prairie Independent School District  
Education Foundation**

Note Disclosures to the Financial Statements  
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**Note 6, Net Assets**

|   | <u>2018</u>      | <u>2017</u>      |
|---|------------------|------------------|
| Net assets temporarily restricted by donors are as follows: |                  |                  |
| Firefighters fund   | \$ 9             | \$ 3,131         |
| Horton fund   | 4,193            | 4,462            |
| Retired coaches fund  | 3,271            | 3,519            |
| Endowment earnings  | <u>(1,219)</u>   | <u>6,024</u>     |
| Total net assets with donor restriction                     | 6,254            | 17,136           |
| Net assets permanently restricted by donors are as follows: |                  |                  |
| Dickey fund   | <u>62,996</u>    | <u>62,996</u>    |
| Total net assets with donor restrictions                    | <u>\$ 69,250</u> | <u>\$ 80,132</u> |

**Note 7, Endowment Investments**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment investments are summarized as follows: |                     |                                   |                                   |                   |
| Endowment assets December 31, 2016               | \$ 519,476          | \$ 17,451                         | \$ 62,996                         | \$ 599,923        |
| Total investment return                          | -                   | 5,089                             | -                                 | 5,089             |
| Contributions                                    | 35,963              | 2,580                             | -                                 | 38,543            |
| Disbursements                                    | <u>-</u>            | <u>(7,984)</u>                    | <u>-</u>                          | <u>(7,984)</u>    |
| Endowment assets December 31, 2017               | 555,439             | 17,136                            | 62,996                            | 635,571           |
| Total investment return                          | -                   | (4,822)                           | -                                 | (4,822)           |
| Contributions                                    | -                   | 2,975                             | -                                 | 2,975             |
| Disbursements                                    | <u>(46,136)</u>     | <u>(9,035)</u>                    | <u>-</u>                          | <u>(55,171)</u>   |
| Endowment assets December 31, 2018               | <u>\$ 509,303</u>   | <u>\$ 6,254</u>                   | <u>\$ 62,996</u>                  | <u>\$ 578,553</u> |

**Grand Prairie Independent School District**  
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Note Disclosures to the Financial Statements  
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**Note 7, Endowment Investments (continued)**

The Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds: the duration and preservation of the fund, the purposes of the Foundation and the endowment fund, general economic conditions, other resources of the Foundation, and the investment policies of the Foundation.

Interpretation of relevant law: The Foundation operates under the Texas Uniform Prudent Management of Institution Funds Act (TUPMIFA). This Act eliminates the historic dollar value limitation imposed by the previous law, thereby increasing the Foundation's ability to apply a total-return investment strategy and spending rate to its funds. The historic dollar value limitation is replaced with a new standard of prudence. The Foundation may apply its spending rate if it is determined to be the prudent course of action, even though application of the spending rate will cause the value of the fund to fall below the value of the original gift. Because TUPMIFA allows an organization to spend from an endowment fund without distinctions between permanent and expendable resources, the Financial Accounting Standards Board issued ASC 958-205 to clarify the accounting and disclosure requirements of endowment funds.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, a deficiency existed at December 31, 2018 in the Dickey Fund amounting to \$3,971.

Return objectives and risk parameters: The Board of Directors of the Foundation acknowledges that its conduct is governed by Chapter 163 of the Texas Property Code, the "Texas Uniform Management of Institutional Funds Act." In the administration of the powers to appropriate appreciation, to make and retain investments, to develop and apply investment and spending policies and to delegate investment management of institutional funds. The Board of Directors and those to whom it delegates authority shall exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision. They shall consider both the long-term and short-term needs of the Foundation in carrying out its educational or charitable purposes, its present and anticipated financial requirements, the expected return on its investments, price level trends, and general economic conditions.

Spending policy and how the investment objectives relate to the spending policy: The Foundation is expected to exist in perpetuity, making distributions and expenditures on an annual or more frequent basis to carry out its educational or charitable purposes. The primary investment objective of the Foundation is to increase the real value of the Foundation's assets in perpetuity, while allowing for expenses and appropriate distributions and expenditures. Accordingly, the Foundation's investments should be directed toward (i) generating income to provide for current needs; (ii) providing principal growth to allow needs to be met in perpetuity; (iii) providing for possible special needs; and (iv) protecting principal. The Board believes that over the long term the risks associated with equity investments should be rewarded with a somewhat greater return than that available from fixed income investments. Nevertheless, the Foundation's investments should avoid large risks and volatility that might result in large downward fluctuations in account balances. Risk should also be reduced by diversification within each asset class and category. The overall risk posture should be moderate, with the goal of providing a more stable positive return.

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**Education Foundation**  
 Note Disclosures to the Financial Statements  
 December 31, 2018 and 2017

**Note 8, Liquidity and Availability of Financial Assets**

The Foundation's financial assets are current assets available for general expenditure within one year of the statement date.

As part of the Foundation's liquidity management, it has a strategy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The significant qualities of this strategy are as follows:

- The Foundation maintains general reserves in its unrestricted net assets.
- The Foundation invests cash in excess of daily requirements in investments to be used as needed.
- If liquidity becomes an ongoing concern, the Foundation may elect to decrease its program budget in order to eliminate excess spending.

The Foundation's financial assets are quantified as follows:

|  |            |
|--|------------|
| Current assets   | \$ 680,731 |
| Less: non-liquid assets [inventory, prepaid expenses, other]                           | (324)      |
| Less: those unavailable for general expenditures within one year, due to               |            |
| Designated net assets - quasi endowment  | (509,303)  |
| Donor-imposed restrictions or contractual requirements:                                |            |
| Donor restrictions   | (69,250)   |
|  | _____      |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 101,854 |

**Note 9, Subsequent Events**

The Foundation has evaluated subsequent events through the date of the Independent Auditor's Report on page one, which is the date the financial statements were available to be issued.