

**CARROLLTON - FARMERS BRANCH I.S.D. EDUCATIONAL FOUNDATION**

**FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITORS' REPORT**

**AUGUST 31, 2008 AND 2007**

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**Carrollton - Farmers Branch I.S.D. Educational Foundation**  
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**August 31, 2008 and 2007**

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**SALMON SIMS THOMAS**

*Accountants and Consultants*


## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Carrollton - Farmers Branch I.S.D. Educational Foundation

We have audited the accompanying statements of financial position of Carrollton - Farmers Branch I.S.D. Educational Foundation (a nonprofit corporation) as of August 31, 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Carrollton - Farmers Branch I.S.D. Educational Foundation's 2007 financial statements. The financial statements of Carrollton - Farmers Branch I.S.D. Educational Foundation as of and for the year ended August 31, 2007 were audited by other auditors whose report dated June 5, 2008 expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carrollton - Farmers Branch I.S.D. Educational Foundation as of August 31, 2008, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
Salmon Sims Thomas & Associates  
A Professional Limited Liability Company

Dallas, Texas  
November 24, 2008

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**Carrollton - Farmers Branch I.S.D. Educational Foundation**  
**Statements of Financial Position**  
**August 31, 2008 and 2007**

<b>ASSETS</b>		
	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 85,318	\$ 72,895
Pledges receivable	500	-
Prepaid expenses	6,927	10,560
Total Current Assets	<u>92,745</u>	<u>83,455</u>
<b>Temporarily Restricted Cash and Investments</b>	101,064	80,280
<b>Beneficial Interest in Assets Held by Others</b>	<u>805,833</u>	<u>830,201</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 999,642</u></u>	<u><u>\$ 993,936</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 2,415
Scholarships payable	48,656	40,746
Refundable advance	1,200	21,200
Accrued expenses	5,681	9,580
Total Current Liabilities	<u>55,537</u>	<u>73,941</u>
<b>Net Assets</b>		
<i>Unrestricted:</i>		
Undesignated	25,279	9,513
Board designated	314,369	346,263
	<u>339,648</u>	<u>355,776</u>
<i>Temporarily restricted</i>	184,625	217,804
<i>Permanently restricted</i>	419,832	346,415
Total Net Assets	<u>944,105</u>	<u>919,995</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 999,642</u></u>	<u><u>\$ 993,936</u></u>

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

**Carrollton - Farmers Branch I.S.D. Educational Foundation**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended August 31, 2008 and 2007**

	2008			2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenues and Support</b>					
Contributions and grants	\$ 154,310	\$ 367,414	\$ 54,862	\$ 576,586	\$ 242,386
Special events, net of direct donor cost of \$20,325 and \$122,575, for 2008 and 2007, respectively	118,454	19,408	-	137,862	113,481
Change in beneficial interest in assets held by others	(29,378)	(54,496)	-	(83,874)	94,943
Net assets released from restriction					
Transfer to permanently restricted	-	(18,555)	18,555	-	-
Satisfaction of purpose restriction	346,950	(346,950)	-	-	-
Total Revenues and Support	590,336	(33,179)	73,417	630,574	450,810
<b>Expenses</b>					
Program services	310,417	-	-	310,417	246,332
Supporting services	134,453	-	-	134,453	77,648
Fundraising	161,594	-	-	161,594	39,816
Total Expenses	606,464	-	-	606,464	363,796
Increase (Decrease) in Net Assets	(16,128)	(33,179)	73,417	24,110	87,014
<b>Net Assets, beginning of year</b>	355,776	217,804	346,415	919,995	832,981
<b>Net Assets, end of year</b>	\$ 339,648	\$ 184,625	\$ 419,832	\$ 944,105	\$ 919,995

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

**Carrollton - Farmers Branch I.S.D. Educational Foundation**  
**Statements of Functional Expenses**  
**For the Years Ended August 31, 2008 and 2007**

	<u>2008</u>			<u>2007</u>	
	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>	
Advertising	\$ -	\$ 4,674	\$ 2,254	\$ 6,928	\$ 2,002
Bank charges	-	356	608	964	79
Capital campaign consulting	2,539	10,500	-	13,039	30,000
Community relations	-	5,995	-	5,995	3,592
Contract labor	6,506	42,498	3,631	52,635	-
Donated:					
Advertising	-	-	68,969	68,969	-
Items	3,400	858	2,888	7,146	-
Printing	-	-	25,725	25,725	-
Rent	-	5,670	31,800	37,470	5,670
Salary	-	-	15,000	15,000	-
Dues and subscriptions	-	1,391	-	1,391	1,111
Equipment rental & maintenance	-	2,074	3,044	5,118	-
Grants:					
Campus	25,027	-	-	25,027	13,589
Math and science	-	-	-	-	7,500
Special district request	14,678	-	-	14,678	6,775
Student enrichment	11,360	-	-	11,360	15,000
Teacher	65,951	-	-	65,951	35,460
Insurance	-	1,680	-	1,680	1,120
Meals	-	267	367	634	-
Miscellaneous	12,462	-	(2,940)	9,522	62
Payroll deduction	-	-	-	-	8,107
Postage and delivery	-	150	856	1,006	177
Printing and reproduction	846	2,369	1,084	4,299	-
Professional fees	-	6,954	-	6,954	9,037
Salaries and benefits	8,386	43,888	4,201	56,475	58,360
Seminars and conferences	2,625	-	-	2,625	3,910
Scholarships:					
Educational foundation	9,800	-	-	9,800	6,100
Student	128,627	-	-	128,627	150,781
Staff development	-	260	-	260	-
Star recipient expense	-	-	-	-	1,491
Supplies	18,210	4,278	4,107	26,595	2,210
Telephone	-	133	-	133	-
Travel	-	458	-	458	1,663
	<u>\$ 310,417</u>	<u>\$ 134,453</u>	<u>\$ 161,594</u>	<u>\$ 606,464</u>	<u>\$ 363,796</u>

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

**Carrollton - Farmers Branch I.S.D. Educational Foundation**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash Flows From Operating Activities</b>		
Increase in Net Assets	\$ 24,110	\$ 87,014
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net (increase) decrease in beneficial interest in assets held by others	83,874	(94,943)
(Increase) decrease in assets:		
Pledges receivable	(500)	-
Prepaid expenses	3,633	(10,560)
Increase (decrease) in liabilities:		
Accounts payable	(2,415)	1,415
Scholarships payable	7,910	37,746
Refundable advance	(20,000)	21,200
Accrued liabilities	(3,899)	9,580
Net Cash Provided by Operating Activities	92,713	51,452
 <b>Cash Flows From Investing Activities</b>		
Increase in funds maintained by community foundation	(59,506)	(30,352)
Net (increase) decrease in restricted cash	(20,784)	10,961
Net Cash Used by Investing Activities	(80,290)	(19,391)
 Net Increase in Cash	12,423	32,061
 <b>Cash and Cash Equivalents, beginning of year</b>	72,895	40,834
 <b>Cash and Cash Equivalents , end of year</b>	\$ 85,318	\$ 72,895

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

**Carrollton - Farmers Branch I.S.D. Educational Foundation**  
**Notes to Financial Statements**  
**August 31, 2008 and 2007**

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**NOTE 1: NATURE OF FOUNDATION**

Carrollton - Farmers Branch I.S.D. Educational Foundation (Foundation) is a nonprofit Foundation which was incorporated in 1997 under the laws of the State of Texas. The Foundation is classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). The purpose of the Foundation is to support the Carrollton - Farmers Branch Independent School District campuses, teachers and students with funds for grants and scholarships. The Foundation's mission is to enrich the education opportunities in the schools of the Carrollton - Farmers Branch Independent School District.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of the Foundation is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for the fairness and objectivity embodied in the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Financial Statement Presentation** - Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

**Cash and Cash Equivalents** – Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. As of August 31, 2008 and 2007, there were no cash equivalents. The Foundation maintains cash balances, which at times may exceed federally insured limits, at financial institutions in Dallas, Texas. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Carrollton - Farmers Branch I.S.D. Educational Foundation**  
**Notes to Financial Statements**  
**August 31, 2008 and 2007**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions** - Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using risk-free interest rates applicable to the years in which the promises are to be received.

**Beneficial Interest in Assets Held by Others** – In accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, the Foundation transferred assets, in a prior year, to The Dallas Foundation to establish an endowment (Fund) for the benefit of the Foundation. The Foundation records the beneficial interest in the assets held by The Dallas Foundation at fair value. The beneficial interest in assets held by others is re-measured at the fair value annually with the change in valuation reflected in the statement of activities. The Dallas Foundation reflects the endowment as agency funds and reports a liability to the Foundation for the fair value of the net assets held for benefit of the Foundation. See Note 3.

The Fund shall be used for support of the charitable or education purposes of the Foundation. In accordance with the agreements, the assets of the Fund are invested pursuant to The Dallas Foundation's governing instrument and investment policies. The Dallas Foundation has the power to carry out the purposes of the Fund. The Foundation shall notify The Dallas Foundation in writing by March 31 of each year the portion of the amount available for distribution (estimated distribution) that it wishes to receive for that year. The Foundation may also, based on circumstances, needs or opportunities deemed sufficient to it, may recommend and request distribution of all or part of the initial contribution and additional amounts of principal it subsequently contributes to the Fund.

**Scholarships** – All scholarships are recognized as an expense in the year when the promise is made.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Refundable Advances** – Refundable advances include amounts received prior to year-end in connection with the special event that is held the following November. At the time of the special event (November), these advances are recognized as revenues.

**Carrollton - Farmers Branch I.S.D. Educational Foundation**  
**Notes to Financial Statements**  
**August 31, 2008 and 2007**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Federal Income Taxes** – The Foundation is exempt from federal income taxes under Section 501 (a) of the Internal Revenue Code as a section 501 (c)(3) organization. For the year ended August 31, 2008, the Foundation had no material net unrelated business income. Accordingly, no provision for income taxes has been provided in the accompanying financial statements. The Foundation is not recognized as a private foundation.

**Statements of Cash Flows** – The Foundation uses the indirect method of reporting cash flows. There were no payments made for interest expense or federal income taxes during 2008 or 2007.

**NOTE 3: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:**

Fair values of the beneficial interest in assets held by The Dallas Foundation are summarized as follows at August 31, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Pool 1 Money Market	\$ 61,937	\$ 32,122
Bond Fund of America	78,315	-
Capital Income Builder	188,580	-
Capital World Bond Fund	41,163	162,094
Europacific Growth Fund	36,488	79,300
Growth Fund America	77,029	-
American Mutual	160,398	-
Income Fund of America	161,923	157,064
Investment Company of America	-	160,717
Washington Mutual Investors Fund	-	238,904
	<u>\$ 805,833</u>	<u>\$ 830,201</u>

**NOTE 4: SCHOLARSHIPS PAYABLE**

Scholarships authorized but unpaid at year-end are reported as liabilities in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

Future annual payments of scholarships payable as of August 31, are:

	<b>2008</b>	<b>2007</b>
2008	\$ -	\$ 34,005
2009	40,606	3,601
2010	4,300	2,094
2011	2,500	1,046
2012	1,250	-
	<u>\$ 48,656</u>	<u>\$ 40,746</u>

**Carrollton - Farmers Branch I.S.D. Educational Foundation**  
**Notes to Financial Statements**  
**August 31, 2008 and 2007**

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**NOTE 5: CONTRIBUTED GOODS AND SERVICES**

For the years ended August 31, 2008 and 2007, the Organization received and recognized contributed goods and services as follows:

	<b>2008</b>	<b>2007</b>
Donated items	\$ 7,146	\$ -
Donated rent	37,470	40,470
Donated printing	25,725	25,725
Donated advertising	68,969	23,325
Donated salary	<u>15,000</u>	<u>15,000</u>
	<u>\$ 154,310</u>	<u>\$ 104,520</u>

These amounts are included as unrestricted contributions and applicable expenses in the accompanying statement of activities.

**NOTE 6: UNRESTRICTED NET ASSETS**

Unrestricted net assets includes amounts that are Board designated, which require Board approval for use, are as follows at August 31, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Undesignated	\$ 25,279	\$ 9,513
Board designated	<u>314,369</u>	<u>346,263</u>
	<u>\$ 339,648</u>	<u>\$ 355,776</u>

**NOTE 7: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are donor restricted for the following purpose at August 31, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Scholarships and grants	\$ <u>184,625</u>	\$ <u>217,804</u>

**NOTE 8: PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are endowments for which the corpus remains in perpetuity and investment earnings are temporarily restricted for the following purpose at August 31, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Endowments	\$ <u>419,832</u>	\$ <u>346,415</u>

**Carrollton - Farmers Branch I.S.D. Educational Foundation**  
**Notes to Financial Statements**  
**August 31, 2008 and 2007**

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**NOTE 9: RELATED PARTY TRANSACTIONS**

In May 2007, the Foundation entered into a promotion and development agreement with the Carrollton - Farmers Branch Independent School District (District) for the purposes of promoting and supporting the educational activities of the District, its teachers and students. The Foundation received \$90,000 in 2008 for these services. Subject to any right of termination and adequate appropriation from available funds, the Foundation shall receive \$80,000 in 2009, \$70,000 in 2010, \$50,000 in 2011 and \$30,000 in 2012 for services. The receipts of the aforementioned payments are contingent upon satisfactory performance of services provided to the District.

**NOTE 10: RECLASSIFICATIONS**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**NOTE 11: EFFECT OF CURRENT ECONOMIC CONDITIONS ON DONATIONS**

The Foundation depends heavily on donations and grants for its revenue. The ability of the Foundation's donors and grantors to continue giving amounts comparable with prior years may be dependent, among other things, upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations of the Foundation. While the Foundation's Board of Directors believes the Foundation has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.