

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

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

AUGUST 31, 2009 AND 2008

Carrollton - Farmers Branch I.S.D. Educational Foundation
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August 31, 2009 and 2008

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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, 2009, 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's summarized comparative information has been derived from the Foundation's 2008 financial statements. In our report dated November 24, 2008, we expressed an unqualified opinion on these financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audits provide 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, 2009 and 2008, and the results of its operations and cash flows for the years 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
December 11, 2009

Carrollton - Farmers Branch I.S.D. Educational Foundation
Statements of Financial Position
August 31, 2009 and 2008

ASSETS		
	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 85,345	\$ 85,318
Pledges receivable	-	500
Prepaid expenses	800	6,927
Total Current Assets	<u>86,145</u>	<u>92,745</u>
Temporarily Restricted Cash and Investments	75,535	101,064
Beneficial Interest in Assets Held by Others	<u>774,736</u>	<u>805,833</u>
TOTAL ASSETS	<u>\$ 936,416</u>	<u>\$ 999,642</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 224	\$ -
Scholarships payable	52,175	48,656
Refundable advance	-	1,200
Accrued expenses	1,686	5,681
Total Current Liabilities	<u>54,085</u>	<u>55,537</u>
Net Assets		
<i>Unrestricted:</i>		
Undesignated	35,055	25,279
Board designated	294,161	314,369
	<u>329,216</u>	<u>339,648</u>
<i>Temporarily restricted</i>	89,042	184,625
<i>Permanently restricted</i>	464,073	419,832
Total Net Assets	<u>882,331</u>	<u>944,105</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 936,416</u>	<u>\$ 999,642</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, 2009 and 2008

	<u>2009</u>			<u>2008</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Totals Only</u>
Revenues and Support					
Contributions and grants	\$ 268,322	\$ 74,362	\$ 17,357	\$ 360,041	\$ 576,586
Special events, net of direct donor costs of \$19,673 and \$20,325, for 2009 and 2008, respectively	81,328	25,871	-	107,199	137,862
Change in beneficial interest in assets held by others	(21,721)	(55,439)	17,643	(59,517)	(83,874)
Net assets released from restriction					
Transfer to permanently restricted	-	(20,195)	20,195	-	-
Satisfaction of purpose restriction	131,136	(120,182)	(10,954)	-	-
Total Revenues and Support	<u>459,065</u>	<u>(95,583)</u>	<u>44,241</u>	<u>407,723</u>	<u>630,574</u>
Expenses					
Program services	196,842	-	-	196,842	310,417
Supporting services	109,436	-	-	109,436	134,453
Fundraising	163,219	-	-	163,219	161,594
Total Expenses	<u>469,497</u>	<u>-</u>	<u>-</u>	<u>469,497</u>	<u>606,464</u>
 Increase (Decrease) in Net Assets	 (10,432)	 (95,583)	 44,241	 (61,774)	 24,110
 Net Assets, beginning of year	 <u>339,648</u>	 <u>184,625</u>	 <u>419,832</u>	 <u>944,105</u>	 <u>919,995</u>
 Net Assets, end of year	 <u>\$ 329,216</u>	 <u>\$ 89,042</u>	 <u>\$ 464,073</u>	 <u>\$ 882,331</u>	 <u>\$ 944,105</u>

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, 2009 and 2008

	2009			2008	
	Program	Supporting	Fundraising	Total	Total
Advertising	\$ -	\$ 879	\$ 335	\$ 1,214	\$ 6,928
Bank charges	13	195	629	837	964
Capital campaign consulting	-	-	-	-	13,039
Community relations	-	2,500	-	2,500	5,995
Contract labor	320	553	460	1,333	52,635
Donated:					
Advertising	-	-	50,000	50,000	68,969
Items	-	-	1,792	1,792	7,146
Printing	-	-	15,038	15,038	25,725
Rent	-	8,505	48,600	57,105	37,470
Salary	-	-	-	-	15,000
Dues and subscriptions	285	2,143	-	2,428	1,391
Equipment rental and maintenance	-	2,040	2,535	4,575	5,118
Grants:					
Campus	19,752	-	2,000	21,752	25,027
Special district request	5,484	-	500	5,984	14,678
Student enrichment	9,350	-	-	9,350	11,360
Teacher	45,660	-	-	45,660	65,951
Insurance	-	1,680	-	1,680	1,680
Licenses and permits	230	-	-	230	-
Meals	-	51	257	308	634
Miscellaneous	3,269	26	-	3,295	9,522
Postage and delivery	-	667	713	1,380	1,006
Printing and reproduction	524	1,770	675	2,969	4,299
Professional fees	-	8,880	-	8,880	6,954
Salaries and benefits	17,210	75,983	36,693	129,886	56,475
Seminars and conferences	-	90	-	90	2,625
Scholarships:					
Educational foundation	13,500	-	-	13,500	9,800
Student	71,190	-	-	71,190	128,627
Staff development	-	-	-	-	260
Supplies	10,055	1,421	2,992	14,468	26,595
Telephone	-	707	-	707	133
Travel	-	1,346	-	1,346	458
	<u>\$ 196,842</u>	<u>\$ 109,436</u>	<u>\$ 163,219</u>	<u>\$ 469,497</u>	<u>\$ 606,464</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, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ (61,774)	\$ 24,110
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net decrease in beneficial interest in assets held by others	86,458	83,874
(Increase) decrease in assets:		
Pledges receivable	500	(500)
Prepaid expenses	6,127	3,633
Increase (decrease) in liabilities:		
Accounts payable	224	(2,415)
Scholarships payable	3,519	7,910
Refundable advance	(1,200)	(20,000)
Accrued liabilities	(3,995)	(3,899)
Net Cash Provided by Operating Activities	29,859	92,713
 Cash Flows From Investing Activities		
Increase in funds maintained by community foundation	(55,361)	(59,506)
Net (increase) decrease in restricted cash	25,529	(20,784)
Net Cash Used by Investing Activities	(29,832)	(80,290)
 Net Increase in Cash	27	12,423
 Cash and Cash Equivalents, beginning of year	85,318	72,895
 Cash and Cash Equivalents, end of year	\$ 85,345	\$ 85,318

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, 2009 and 2008

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, 2009 and 2008, 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, 2009 and 2008

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 GAAP, 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. Refundable advances were \$-0- and \$1,200 as of August 31, 2009 and 2008, respectively.

Carrollton - Farmers Branch I.S.D. Educational Foundation
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Expenses – Advertising costs, except for costs associated with direct-response advertising, are charged when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. At August 31, 2009 and 2008, the Company had no costs associated with direct-response advertising. Advertising expense was \$1,214 and \$6,929 for 2009 and 2008, respectively.

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 years ended August 31, 2009 and 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 2009 or 2008.

NOTE 3: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

Fair values of the beneficial interest in assets held by The Dallas Foundation are as follows at August 31, 2009 and 2008:

	2009	2008
Pool 1 Money Market	\$ 40,127	\$ 61,937
Bond Fund of America	71,311	78,315
Capital Income Builder	192,359	188,580
Capital World Bond Fund	35,829	41,163
Europacific Growth Fund	42,710	36,488
Growth Fund America	79,593	77,029
American Mutual	156,633	160,398
Income Fund of America	156,174	161,923
	<u>\$ 774,736</u>	<u>\$ 805,833</u>

NOTE 4: TEMPORARILY RESTRICTED CASH AND INVESTMENTS

Temporarily restricted cash and investments is comprise of a CD and a money market account. The balance of temporarily restricted cash and investments was \$75,535 and \$101,064 at August 31, 2009 and 2008, respectively.

Carrollton - Farmers Branch I.S.D. Educational Foundation
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 5: SCHOLARSHIPS PAYABLE

Scholarships authorized but unpaid at year-end are reported as liabilities in accordance with U.S. GAAP.

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

	2009	2008
2009	\$ -	\$ 40,606
2010	40,425	4,300
2011	6,500	2,500
2012	3,750	1,250
2013	<u>1,500</u>	<u>-</u>
	<u>\$ 52,175</u>	<u>\$ 48,656</u>

NOTE 6: CONTRIBUTED GOODS AND SERVICES

For the years ended August 31, 2009 and 2008, the Foundation received and recognized contributed goods and services as follows:

	2009	2008
Donated items	\$ 1,792	\$ 7,146
Donated rent	57,105	37,470
Donated printing	15,038	25,725
Donated advertising	50,000	68,969
Donated salary	<u>-</u>	<u>15,000</u>
	<u>\$ 123,935</u>	<u>\$ 154,310</u>

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

NOTE 7: UNRESTRICTED NET ASSETS

Unrestricted net assets includes amounts that are Board designated, which require Board approval for use, are as follows at August 31, 2009 and 2008:

	2009	2008
Undesignated	\$ 35,055	\$ 25,279
Board designated	<u>294,161</u>	<u>314,369</u>
	<u>\$ 329,216</u>	<u>\$ 339,648</u>

Carrollton - Farmers Branch I.S.D. Educational Foundation
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are donor restricted for the following purpose at August 31, 2009 and 2008:

	2009	2008
Scholarships and grants	\$ <u>89,042</u>	\$ <u>184,625</u>

Release from restrictions consisted of the following in 2009 and 2008:

	2009	2008
Scholarships and grants	\$ <u>120,182</u>	\$ <u>346,950</u>

NOTE 9: 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, 2009 and 2008:

	2009	2008
Endowments	\$ <u>464,073</u>	\$ <u>419,832</u>

Release from restrictions consisted of the following in 2009 and 2008:

	2009	2008
Endowments	\$ <u>10,954</u>	\$ <u>-</u>

NOTE 10: 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 \$80,000 and \$90,000 in 2009 and 2008, respectively, for these services. Subject to any right of termination and adequate appropriation from available funds, the Foundation shall receive \$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.

The District also provides the office space to the Foundation, at no charge, which is recorded on the statement of activities as contributions and related expense.

Carrollton - Farmers Branch I.S.D. Educational Foundation
Notes to Financial Statements
August 31, 2009 and 2008

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.

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

In September 2006, the FASB issued a statement on fair value measurements. This statement provides a new definition for fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Foundation adopted the provisions of this statement as of September 1, 2008. The financial assets recorded at fair value on a recurring basis primarily relate to cash and cash equivalents. The statement establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

In accordance with the provisions of the statement the Foundation has elected to defer implementation until September 1, 2009 as it relates to nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis. Management is evaluating the impact, if any; this statement will have on those nonfinancial assets and liabilities.

Fair values of assets and liabilities measured on a recurring basis at August 31, 2009 are as follows:

	<u>Fair Value Measurements at Reporting Date Using:</u>			
<u>Fair Value</u>	<u>Quoted Prices in Active markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Cash	\$ 160,880	\$ 160,880	\$ -	\$ -
Investments	<u>774,736</u>	<u>774,736</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 935,616</u>	<u>\$ 935,616</u>	<u>\$ -</u>	<u>\$ -</u>
 Total Liabilities	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

For other assets and liabilities not otherwise carried at fair value, fair value approximates carrying value due to the current nature of such assets and liabilities.

Carrollton - Farmers Branch I.S.D. Educational Foundation
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 13: ENDOWMENTS

The Foundation's endowments consist of approximately 41 individual funds established to provide scholarships and grants to the teachers, students and campuses of the Carrollton-Farmers Branch Independent School District. The endowments include both donor-restricted endowment funds and funds designated by the Foundation Board of Directors to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Foundation Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 restrictions to the contrary. 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 314,369	\$ 71,752	\$ 419,712	\$ 805,833
Contributions	-	3,546	37,672	41,218
Investment income	11,543	1,244	17,643	30,430
Unrealized gain (loss)	(29,658)	(56,800)	-	(86,458)
Investment fees	(2,093)	(3,240)	-	(5,333)
Released from restrictions	<u>-</u>	<u>-</u>	<u>(10,954)</u>	<u>(10,954)</u>
 Endowment net assets, end of year	 <u>\$ 294,161</u>	 <u>\$ 16,502</u>	 <u>\$ 464,073</u>	 <u>\$ 774,736</u>

Carrollton - Farmers Branch I.S.D. Educational Foundation
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 13: ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to protect the related assets and provide a reasonable return for authorized use. The Foundation’s investment philosophy is to invest in vehicles to obtain adequate return on investments and to invest in vehicles which are compatible with the purposes of the Foundation.

Strategies Employed for Achieving Objectives – To satisfy its long-term objectives, the Foundation relies on a strategy of asset diversification through professional investment managers.