



LOUDOUN EDUCATION FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

LOUDOUN EDUCATION FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
 FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
 SUPPLEMENTARY INFORMATION:	
Schedule of Functional Expenses	12

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF TRUSTEES OF
LOUDOUN EDUCATION FOUNDATION, INC.
ASHBURN, VIRGINIA**

We have audited the accompanying financial statements of Loudoun Education Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities 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.

Auditors' 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 auditors' 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 Loudoun Education Foundation, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 14, 2015

FINANCIAL STATEMENTS

Loudoun Education Foundation, Inc.
Statement of Financial Position
At June 30, 2015

ASSETS

Current assets:	
Cash and cash equivalents	\$ 351,116
Receivable	2,068
Prepaid expenses	<u>3,500</u>
Total current assets	\$ <u>356,684</u>
Investments	\$ <u>396,410</u>
Total assets	\$ <u><u>753,094</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 58
Deferred revenue	<u>12,600</u>
Total liabilities	\$ <u>12,658</u>
Net assets:	
Unrestricted:	
Undesignated	\$ 144,497
Designated	<u>377,399</u>
Total unrestricted	\$ <u>521,896</u>
Temporarily restricted	\$ <u>218,540</u>
Total net assets	\$ <u>740,436</u>
Total liabilities and net assets	\$ <u><u>753,094</u></u>

The accompanying notes are an integral part of this statement.

Loudoun Education Foundation, Inc.
Statement of Activities
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Donations and contributions	\$ 16,373	\$ 22,150	\$ 38,523
United Way campaign	8,533	-	8,533
Backpack program	-	161,002	161,002
Golf tournament	70,910	-	70,910
Excellence in education banquet	40,155	-	40,155
School business partnership breakfast	27,396	-	27,396
Teacher recognition	10,000	-	10,000
Special events	200	-	200
Grants	161,809	76,188	237,997
Interest income	1,683	-	1,683
Investment income, net	348	-	348
Net assets released from restrictions	<u>168,934</u>	<u>(168,934)</u>	<u>-</u>
Total revenue and support	\$ <u>506,341</u>	\$ <u>90,406</u>	\$ <u>596,747</u>
Expenses:			
Program expenses:			
Recognition functions	\$ 73,687	\$ -	\$ 73,687
Grants	210,083	-	210,083
Scholarships	82,173	-	82,173
Backpack program	75,779	-	75,779
School business partnership breakfast	<u>28,844</u>	<u>-</u>	<u>28,844</u>
Total program expenses	\$ <u>470,566</u>	\$ <u>-</u>	\$ <u>470,566</u>
Supporting services:			
Management and general	\$ 20,458	\$ -	\$ 20,458
Fundraising	<u>16,703</u>	<u>-</u>	<u>16,703</u>
Total supporting services	\$ <u>37,161</u>	\$ <u>-</u>	\$ <u>37,161</u>
Total expenses	\$ <u>507,727</u>	\$ <u>-</u>	\$ <u>507,727</u>
Change in net assets	\$ (1,386)	\$ 90,406	\$ 89,020
Net assets, beginning of year	<u>523,282</u>	<u>128,134</u>	<u>651,416</u>
Net assets, end of year	\$ <u><u>521,896</u></u>	\$ <u><u>218,540</u></u>	\$ <u><u>740,436</u></u>

The accompanying notes are an intergral part of this statement.

Loudoun Education Foundation, Inc.
Statement of Cash Flows
Year Ended June 30, 2015

Cash flows from operating activities:

Change in net assets	\$ 89,020
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Realized and unrealized (gain)/loss on investments, net	9,631
Change in receivables	(568)
Change in accounts payable	(28,617)
Change in accrued expenses	(5,383)
Change in deferred revenue	<u>2,600</u>
Net cash provided by (used in) operating activities	\$ <u>66,683</u>

Cash flows from investing activities:

Purchase of investments	\$ (73,445)
Proceeds from sale of investments	<u>14,203</u>
Net cash provided by (used in) investing activities	\$ <u>(59,242)</u>

Net increase (decrease) in cash and cash equivalents	\$ 7,441
Cash and cash equivalents, beginning of year	<u>343,675</u>
Cash and cash equivalents, end of year	\$ <u><u>351,116</u></u>

The accompanying notes are an intergral part of this statement.

LOUDOUN EDUCATION FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. Organization

Loudoun Education Foundation, Inc. (the Foundation) is a not-for-profit corporation organized in May 1991 in the Commonwealth of Virginia. The Foundation was formed to support the citizens of Loudoun County by providing scholarships, grants, and educational recognition funding to deserving students within Loudoun County. The Foundation's support comes primarily from individual donors' contributions, fundraising events, and various grants.

2. Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Financial Statement Presentation – The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under FASB 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets 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.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

The Foundation records contributions in accordance with FASB ASC 958. Under FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Foundation reports gifts of cash and other assets as temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or 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. If a donor restriction expires in the year the contribution was made, the contribution is reported as unrestricted.

LOUDOUN EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

2. Summary of Significant Accounting Policies (continued)

Donated Services, Materials, and Facilities – Donated services are recognized as contributions in accordance with FASB ASC 958, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. For the year ended June 30, 2015, there were no donated services.

Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Functional Expenses – The costs of providing various program and supporting services have been summarized on a functional basis on the schedule of functional expenses. Certain costs have been allocated among program and supporting services as follows:

Recognition functions – All expenses incurred to recognize excellence in education and outstanding teachers in Loudoun County. Recognition functions primarily include (1) the annual Excellence In Education Banquet honoring Loudoun County's top academic high school performers and (2) the Outstanding Teachers Banquet honoring Loudoun County teachers nominated for The Washington Post's Agnes Meyer Outstanding Teacher Award.

Grant Programs – All expenses incurred to provide grants to teachers administrators and parent support organizations for innovative academic projects. Grants awarded include (1) classroom grant awards to teachers to supplement and/or enhance the standard curriculum and ordinary teaching methods; (2) multi-cultural grants to assist schools implement programs on multicultural education, targeted primarily towards students, to help them better understand and embrace diversity; (3) parent support group grants available to PTO, PTA and other parent support groups to reward or promote academic achievement; and (4) special program grants outside of the normal grant application cycle for specialized programs such as art purchase awards, social science fair awards, and summer school grants.

Scholarships – All expenses incurred to provide scholarships to students, teachers, and classified employees in Loudoun County. Scholarship programs include (1) Future Educator Scholarships for Loudoun County Public High School seniors, (2) teacher scholarships for current Loudoun County Public School teachers seeking endorsements in critical teaching shortage areas, and (3) classified scholarships for Loudoun County Public School classified personnel to further their education.

LOUDOUN EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

2. Summary of Significant Accounting Policies (continued)

Backpack program – All expenses to develop and implement the program to feed Loudoun County Public School students in need over weekends and school breaks.

School business partnership breakfast – All expenses in hosting the school business partnership breakfast, the purpose of which is to provide leadership to promote and develop successful partnerships between the Loudoun County Public Schools and businesses in Loudoun County.

Management and General – All other operating expenses incurred by the Foundation in the accomplishment of its tax exempt purpose.

Fundraising – All expenses incurred with the purpose of raising funds.

Income taxes – The Foundation has received a tax determination letter from the Internal Revenue Service and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not classified as a private foundation by the Internal Revenue Service.

Accounting For Uncertain Tax Positions - The Foundation accounts for uncertain tax positions in accordance with FASB ASC 740. FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FASB ASC 740 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing in financial statements tax positions taken or expected to be taken on a tax return, including the position that the Foundation is exempt from income taxes. The Foundation's federal Return of Organization Exempt from Income Tax (Form 990) is open to examination by the IRS generally for three years after they were filed.

Cash And Cash Equivalents - For purposes of the statement of cash flows, cash consists of demand deposits and money market funds.

Investments - The Foundation reports investment income and gains and losses on investments as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restrict their use.

3. Investments

Investments are stated at fair value based on quoted market prices. Investments are comprised of the following at June 30, 2015:

Common stock	\$	287,402
Mutual funds		80,863
Publicly traded partnerships		<u>28,145</u>
Total	\$	<u><u>396,410</u></u>

LOUDOUN EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

3. Investments (continued)

Investment income for the year ended June 30, 2015, is comprised of the following in the accompanying statement of activities:

Dividends	\$	14,617
Unrealized gain (loss)		(8,834)
Realized gain (loss)		(797)
Investment fees		<u>(4,638)</u>
Total	\$	<u>348</u>

4. Temporarily Restricted Net Assets

Net assets restricted by donors with purpose or time restrictions were as follows as of June 30, 2015.

Teacher scholarships	\$	35,252
Student scholarships		13,400
Backpack program		127,277
Classroom grants		20,755
STEM projects		17,725
Other		<u>4,131</u>
Total	\$	<u>218,540</u>

5. Functional Allocation of Expenses

The costs of providing the various programs and supporting 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.

6. Fair Value Measurements

The Foundation follows FASB ASC 820 to disclose fair value measurements of assets and liabilities that are being reported on a fair value basis. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

LOUDOUN EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

6. Fair Value Measurements (continued)

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Foundation performs a detail analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There was no Level 2 or 3 inputs for any assets held by the Foundation at June 30, 2015.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There are no liabilities that are being measured and reported on a fair value basis.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 287,402	\$ 287,402	\$ -	\$ -
Mutual funds	80,863	80,863	-	-
Publicly traded partnerships	<u>28,145</u>	<u>28,145</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 396,410</u>	<u>\$ 396,410</u>	<u>\$ -</u>	<u>\$ -</u>

7. Board Designated Endowment Funds

During the year ended June 30, 2015, the Board of Directors established the Loudoun Education Foundation Endowment Fund (the Fund). The Board of Directors designated the fund for the general support of the Foundation. The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The Fund is invested in a well-diversified portfolio that currently places a greater emphasis in equity investments. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to ensure that the Fund is not exposed to unacceptable levels of risk.

The following table summarizes the changes in the Board Designated endowment:

Endowment net assets, beginning of year	\$ 360,592
Investment return:	
Investment income, net of fees	9,135
Net realized and unrealized gains	<u>(7,834)</u>
Total investment return	\$ <u>1,301</u>
Transfers from undesignated funds	\$ 15,506
Appropriate of endowment for expenditure	<u>-</u>
Endowment net assets, end of year	\$ <u>377,399</u>

7. Board Designated Endowment Funds (continued)

Interpretation of Relevant Law – UPMIFA is a model act approved by the Uniform Law Commission (ULC, formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. The accounting standard issued in response to the act improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds), whether or not the organization is subject to UPMIFA.

Return objective and risk parameters - The Foundation's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. We recognize and accept that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The Foundation targets a diversified asset allocation that places a greater emphasis on equity securities investments to achieve its long-term return objectives within prudent risk constraints. The Foundation has established a policy portfolio or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-term horizons based upon long-term expected returns. The Foundation has a preference for simple investment structures which will have lower cost, easier oversight, and less complexity for internal financial management and auditing.

Spending policy – Once the fund has a balance exceeding \$2.5 million, the Foundation may appropriate for expenditure in its annual budget a maximum of 100% of the annual earnings, net of fees and expenses associated with the maintenance of the fund. There may be times when the Foundation may opt not to take the maximum spending rate, but to rather reinvest some or all of the annual return.

At June 30, 2015, the Fund has no permanently restricted endowment funds.

8. Financial Risks and Concentrations

The Foundation maintains its cash balance in one financial institution located in Leesburg, Virginia. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2015, the Foundation had no uninsured balances.

The Foundation invests in professionally managed portfolios that contain corporate stock, mutual funds, and other securities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statement.

9. Subsequent Events

Management has evaluated subsequent events through December 14, 2015, when the financial statements were available to be issued.

Loudoun Education Foundation, Inc.
Schedule of Functional Expenses
Year Ended June 30, 2015

	Program expenses					Supporting services		Total
	Recognition Functions	Grants	Scholarships	Backpack Program	School Business Partnership Breakfast	Management and General	Fundraising	
Salaries and payroll taxes	\$ 19,117	\$ -	\$ -	\$ 21,530	\$ -	\$ 7,939	\$ 4,342	\$ 52,928
Classroom grants	-	41,205	-	-	-	-	-	41,205
Corporate volunteer grants	-	500	-	-	-	-	-	500
Custodian banquet	240	-	-	-	-	-	-	240
Food purchases	-	-	-	54,156	-	-	-	54,156
Mentor program grants	-	72,000	-	-	-	-	-	72,000
Project graduation grants	-	40,309	-	-	-	-	-	40,309
STEM grants	-	7,000	-	-	-	-	-	7,000
Reality store	-	8,000	-	-	-	-	-	8,000
Other grants	-	39,069	-	-	-	-	-	39,069
Summer school grants	-	2,000	-	-	-	-	-	2,000
Student scholarships	-	-	50,379	-	-	-	-	50,379
Teacher scholarships	-	-	29,294	-	-	-	-	29,294
Classified scholarships	-	-	2,500	-	-	-	-	2,500
Excellence in education expenses	47,107	-	-	-	-	-	-	47,107
Dr. Hatrick retirement dinner	12	-	-	-	-	-	-	12
Outstanding teacher banquet	7,211	-	-	-	-	-	-	7,211
School Business partnership	-	-	-	-	28,844	-	-	28,844
Golf tournament	-	-	-	-	-	-	12,361	12,361
Bank fees	-	-	-	-	-	133	-	133
Miscellaneous expenses	-	-	-	93	-	12,386	-	12,479
	<u>\$ 73,687</u>	<u>\$ 210,083</u>	<u>\$ 82,173</u>	<u>\$ 75,779</u>	<u>\$ 28,844</u>	<u>\$ 20,458</u>	<u>\$ 16,703</u>	<u>\$ 507,727</u>

The accompanying notes are an intergral part of this statement.