

**ALLEGANY COUNTY PUBLIC SCHOOLS FOUNDATION, INC.**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2014**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Allegany County Public Schools Foundation, Inc.  
Cumberland, MD 21502

We have audited the accompanying financial statements of Allegany County Public Schools Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 the Allegany County Public Schools Foundation, Inc. as of June 30, 2014, 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.

*Huber, Michaels & Company*

Cumberland, Maryland  
September 30, 2014

**ALLEGANY COUNTY PUBLIC SCHOOLS FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2014**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 44,155
Investments - C.D.'s	14,000
Pledges Receivable - Mountain Ridge Stadium	2,000
Pledges Receivable - Greenway Avenue Stadium	<u>300</u>

Total Current Assets	<u>60,455</u>
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**OTHER ASSETS**

Investments, at market	<u>180,981</u>
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Total Other Assets	<u>180,981</u>
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TOTAL ASSETS	<u><u>\$ 241,436</u></u>
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**NET ASSETS**

**NET ASSETS**

Temporarily Restricted - Fort Hill Scholarship	74,213
Temporarily Restricted - Abe Scholarship	34,639
Temporarily Restricted - Maszkiewicz Scholarship	25,318
Temporarily Restricted - Jack Cheney Scholarship	20,107
Temporarily Restricted - Mountain Ridge Scholarship	13,111
Temporarily Restricted - Stafford Scholarship	11,472
Temporarily Restricted - J.G. Brown Scholarship	8,738
Temporarily Restricted - W.S. Hidey Scholarship	6,898
Temporarily Restricted - Fred Sloan Scholarship	4,476
Temporarily Restricted - Mountain Ridge Stadium	2,000
Temporarily Restricted - Greenway Avenue Stadium	300
Temporarily Restricted - Fort Hill Scholarship- Administration	189
Unrestricted - Board Designated - Poling Scholarship	10,401
Unrestricted - Board Designated- McMillan Scholarship	4,555
Unrestricted - Board Designated - Rice Scholarship	4,111
Unrestricted - Board Designated - Class of 1956 Scholarship	3,565
Unrestricted - Board Designated - S. Trimble Scholarship	3,198
Unrestricted - Board Designated - Beckward Scholarship	2,177
Unrestricted - Board Designated - Class of 1960 Scholarship	1,230
Unrestricted - Board Designated - Class of 1963 Scholarship	779
Unrestricted - Board Designated - Student Assistance	433
Unrestricted - Board Designated - Class of 1958 Scholarship	333
Unrestricted	<u>9,193</u>

Total Net Assets	<u>241,436</u>
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TOTAL NET ASSETS AND LIABILITIES	<u><u>\$ 241,436</u></u>
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The accompanying notes are an integral part of the financial statements.

**ALLEGANY COUNTY PUBLIC SCHOOLS FOUNDATION, INC.**  
**STATEMENT OF ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT</b>			
Donations	\$ 14,424	94,209	\$ 108,633
Fundraising Revenue	-	79,645	79,645
Other Income	2,150	-	2,150
Total Support from Operations	<u>16,574</u>	<u>173,854</u>	<u>190,428</u>
<b>REVENUE</b>			
Investment Income			
Interest Income	974	7,369	8,343
Unrealized Gain/Loss on Marketable Securities	141	791	932
Realized Gain/Loss on Marketable Securities	227	(4,702)	(4,475)
<b>TOTAL SUPPORT AND REVENUE FROM OPERATIONS</b>	<u>17,916</u>	<u>177,312</u>	<u>195,228</u>
<b>EXPENSES</b>			
Fundraising			
Contractual Services	567	66,822	67,389
Supplies	-	58	58
Fundraising Selling Exp.	-	438	438
Advertising	-	125	125
Printing	-	1,978	1,978
Postage	-	600	600
Donations	-	11,166	11,166
Scholarships	4,000	12,067	16,067
Administration			
Accounting Fees	2,105	-	2,105
Advertising	-	103	103
Insurance	846	-	846
Bank Charges	40	-	40
Supplies	-	152	152
<b>TOTAL EXPENSES</b>	<u>7,558</u>	<u>93,509</u>	<u>101,067</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	<u>10,358</u>	<u>83,803</u>	<u>94,161</u>
<b>BEGINNING NET ASSETS</b>	28,571	118,704	147,275
<b>INTERFUND TRANSFERS</b>	<u>1,046</u>	<u>(1,046)</u>	<u>-</u>
<b>ENDING NET ASSETS</b>	<u><u>\$ 39,975</u></u>	<u><u>\$ 201,461</u></u>	<u><u>\$ 241,436</u></u>

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

**ALLEGANY COUNTY PUBLIC SCHOOLS FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Total increase (decrease) in net assets	\$ 94,161
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in pledge receivables	5,300
Change in accounts payable	(4,550)
Change in sales tax payable	<u>(41)</u>
Net Cash Provided By Operating Activities	<u>94,870</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of long-term investments	(201,229)
Sale of long-term investments	<u>117,624</u>
Net Cash Used In Investing Activities	<u>(83,605)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-
Net Increase in Cash	<u>11,265</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>32,890</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 44,155</u></u>

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

# ALLEGANY COUNTY PUBLIC SCHOOLS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Allegany County Public Schools Foundation, Inc. (the Foundation) is a not-for-profit Foundation organized and incorporated under Maryland law. Its offices are located in the central office in the Board of Education of Allegany County. The purpose of the Foundation is to ensure the educational experience and enhance the educational opportunities for all public school students by providing resources to support a creative teaching atmosphere within the public school system. The Foundation also can apply for grants which will fund educational programs, fund employee training, purchase school buildings and equipment, provide sub-grant funding to gifted teachers to develop unique teaching methods and programs, and create avenues for alumni to become involved in, and support, the foundation goals. The source of funding for the foundation comes from grants and contributions from the public.

Although the Foundation is not a Board of Education agency, as a result of the Foundation's relationship with the Board of Education, the Foundation's financial statements are considered component unit statements and are properly included in the financial statements of the Board of Education in accordance with generally accepted accounting principles.

The financial statements of the Foundation have been prepared on an accrual basis of accounting. This is a comprehensive basis of accounting recognizing revenues when earned and expenses when incurred.

#### **A. Basis of Presentation**

Under FASB Accounting Standards Codification, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**Permanently restricted** – Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

**Temporarily restricted** - 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.

**Unrestricted** - Net assets that are not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless they are limited by donor-imposed restrictions.

(See Independent Auditors' Report)

**ALLEGANY COUNTY PUBLIC SCHOOLS FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued**

**B. Marketable Securities**

The Foundation reports its investments in accordance with FASB Accounting Standards Codification. Under this standard, the Foundation is required to report investments at market value and investment income and realized and unrealized gains and losses as increases or decreases in unrestricted net assets absent any donor restrictions.

**C. Estimates**

Preparation of financial statements in accordance with U.S. generally accepted accounting principles necessitates the use of estimates of certain amounts. Management made estimates that all of the pledge receivables will be received and that an allowance for doubtful accounts is not necessary.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents are invested in interest bearing accounts at financial institutions. The carrying amount of the Foundation's cash balance as of June 30, 2014 was \$44,155 and the balance per bank was \$45,001. The bank balance is covered by FDIC insurance.

**NOTE 3 - INVESTMENTS**

The Foundation adopted FASB Accounting Standards Codification, for financial instruments measured at fair value on a recurring basis. This standard defines the fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

(See Independent Auditors' Report)

# ALLEGANY COUNTY PUBLIC SCHOOLS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - INVESTMENTS – continued

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant value drivers are observable.

We measured certain financial instruments at fair value on a recurring basis. Financial assets measured at fair value on a recurring basis are as follows as of June 30, 2014.

Investments – Level 1	
Value at 6/30/13	\$ 111,376
Purchase of long-term investments	<u>83,605</u>
Value at 6/30/14	\$ 194,981
Investments – Level 2	-
Investments – Level 3	-
Total	<u>\$ 194,981</u>

Wells Fargo and First Peoples are the custodians of the Foundation's investment portfolios. The total investment portfolio of \$194,981 is comprised of the following: \$29,290 of bonds, \$150,888 of equity investments, \$14,000 of C.D.'s and \$803 of cash.

(See Independent Auditors' Report)

# **ALLEGANY COUNTY PUBLIC SCHOOLS FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 4 - PLEDGES RECEIVABLE**

The Foundation recognizes pledges receivable from donors based upon written instructions from the donors indicating their intention to make a multi-year contribution to the Foundation. Those Pledges expected within the next twelve months are classified as current. The Foundation has no allowance for doubtful pledges. The Foundation sends a reminder notice to donors approximately one month before payment is expected based upon written instructions from the donors. Most pledges are for naming rights at the Allegany County Board of Education's facilities. One pledge was in arrears as of June 30, 2014.

### **NOTE 5 - RELATED PARTY**

The Foundation is closely related to the Allegany County Board of Education in that the Board provides labor and certain administrative costs for the Foundation in exchange for the funds the Foundation provides to the Board's students. The Foundation provided \$9,455 in programs and projects to the Board's Greenway Avenue and Mountain Ridge stadium projects. An additional \$425 was provided to the Board to supplement educational programs. The Foundation received \$2,000 from the Board and it is included in other income.

Cash in the amount of \$35,216 from an estate was transferred from the Allegany County Board of Education to the Foundation as the will indicated the funds should be used for awards or scholarships. The amount is included in the Statement of Activity as Temporarily Restricted support from donations.

### **NOTE 6 - TAX EXEMPT STATUS**

By letter dated January 6, 2004 the Internal Revenue Service has determined the Foundation is exempt from federal income tax under the Internal Revenue Code 501(c) (3). Accordingly, a provision for income taxes is not included in the financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Internal Revenue Code Section 170 (b) 1(A) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

### **NOTE 7 - CLASSIFICATION OF REVENUES**

Contributions and the related investment income and realized gain earned on these contributions are reported as increases in unrestricted or temporarily restricted net assets.

(See Independent Auditors' Report)

**ALLEGANY COUNTY PUBLIC SCHOOLS FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – CONCENTRATION OF CREDIT RISK**

Receivables

Receivables consist of the following:

Due from contributors participating in pledges	<u>\$ 2,300</u>
	<u>\$ 2,300</u>

\$2,300 is expected to be collected within one year. Management believes all amounts to be collectible and an allowance for doubtful accounts to be unnecessary. One pledge makes up 100% of the Mountain Ridge pledge receivable and one pledge makes up 100% of the Greenway Avenue pledge receivable.

**NOTE 9 – SUBSEQUENT EVENTS**

There were no subsequent events as of September 30, 2014, which is the date the financial statements were available to be issued.

**NOTE 10 - UNCERTAIN TAX PROVISIONS**

The Organization follows FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest, and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2014, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's policy is to recognize interest and penalties on unrecognized tax liabilities in income tax expense in the financial statements. No interest and penalties were recorded during the year ended June 30, 2014. Generally the tax years before 2010 are no longer subject to examination by federal, state or local taxing authorities.

(See Independent Auditors' Report)