



**Highland Park ISD Education Foundation
(A Nonprofit Organization)**

**Financial Statements
August 31, 2018 and 2017**

Highland Park ISD Education Foundation

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Independent Auditors' Report

The Board of Directors
Highland Park ISD Education Foundation

We have audited the accompanying financial statements of the Highland Park ISD Education Foundation (Foundation) (a nonprofit organization), which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities and cash flows 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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 Highland Park ISD Education Foundation as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
December 5, 2018

Highland Park ISD Education Foundation
Statements of Financial Position
August 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,774,638	\$ 2,622,192
Investments	18,802,165	7,703,157
Pledges receivable	148,458	295,674
Other current assets	5,796	33,443
Total current assets	23,731,057	10,654,466
Assets restricted for endowment:		
Pledges receivable	61,150	62,650
Investments	10,539,419	10,110,232
Total assets restricted for endowment	10,600,569	10,172,882
Total assets	\$ 34,331,626	\$ 20,827,348
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 875,191	\$ 70,457
Scholarships payable	54,250	71,452
Class funds	391,175	347,288
Deferred revenue	55,780	46,125
Total current liabilities	1,376,396	535,322
Net assets:		
Unrestricted		
Undesignated	1,186,938	1,165,404
Board designated	211,160	211,160
Total unrestricted net assets	1,398,098	1,376,564
Temporarily restricted	20,956,563	8,742,580
Permanently restricted	10,600,569	10,172,882
Total net assets	32,955,230	20,292,026
Total liabilities and net assets	\$ 34,331,626	\$ 20,827,348

See notes to financial statements.

Highland Park ISD Education Foundation
Statement of Activities
Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 52,201	\$ 12,321,432	\$ 427,687	\$ 12,801,320
Fundraising - annual appeal	1,499,106	-	-	1,499,106
Net investment income	45,270	2,716,547	-	2,761,817
Alumni association	113,485	-	-	113,485
Net assets released from restrictions	2,823,996	(2,823,996)	-	-
Total support, revenue and reclassifications	4,534,058	12,213,983	427,687	17,175,728
Expenses:				
Program:				
Alumni association	87,203	-	-	87,203
Student scholarships	167,410	-	-	167,410
Awards	7,000	-	-	7,000
Student programs	1,289,043	-	-	1,289,043
Mad for Plaid - grants to HPISD	1,468,420	-	-	1,468,420
Salaries, benefits and taxes	272,950	-	-	272,950
Moody Innovative Institute	640,047	-	-	640,047
Other costs	47,105	-	-	47,105
Public relations	45,108	-	-	45,108
Total program	4,024,286	-	-	4,024,286
Management:				
Salaries, benefits and taxes	104,920	-	-	104,920
Other costs	21,974	-	-	21,974
Professional fees	25,132	-	-	25,132
Total management	152,026	-	-	152,026
Fundraising:				
Salaries, benefits and taxes	278,164	-	-	278,164
Other costs	23,803	-	-	23,803
Public relations	34,245	-	-	34,245
Total fundraising	336,212	-	-	336,212
Total expenses	4,512,524	-	-	4,512,524
Increase in net assets	21,534	12,213,983	427,687	12,663,204
Net assets at beginning of year	1,376,564	8,742,580	10,172,882	20,292,026
Net assets at end of year	\$ 1,398,098	\$ 20,956,563	\$ 10,600,569	\$ 32,955,230

See notes to financial statements.

Highland Park ISD Education Foundation
Statement of Activities
Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 201,544	\$ 1,609,705	\$ 223,324	\$ 2,034,573
Fundraising - annual appeal	1,610,857	-	-	1,610,857
Net investment income	217,512	1,080,074	-	1,297,586
Alumni association	97,068	-	-	97,068
Net assets released from restrictions	958,815	(958,815)	-	-
Total support, revenue and reclassifications	3,085,796	1,730,964	223,324	5,040,084
Expenses:				
Program:				
Alumni association	83,718	-	-	83,718
Student scholarships	193,350	-	-	193,350
Awards	7,000	-	-	7,000
Student programs	285,459	-	-	285,459
Mad for Plaid - grants to HPISD	1,343,211	-	-	1,343,211
Salaries, benefits and taxes	242,344	-	-	242,344
Moody Innovative Institute	305,876	-	-	305,876
Other costs	44,872	-	-	44,872
Public relations	38,115	-	-	38,115
Total program	2,543,945	-	-	2,543,945
Management:				
Salaries, benefits and taxes	117,749	-	-	117,749
Other costs	19,210	-	-	19,210
Professional fees	25,661	-	-	25,661
Total management	162,620	-	-	162,620
Fundraising:				
Salaries, benefits and taxes	196,613	-	-	196,613
Other costs	32,012	-	-	32,012
Public relations	33,725	-	-	33,725
Total fundraising	262,350	-	-	262,350
Total expenses	2,968,915	-	-	2,968,915
Increase in net assets	116,881	1,730,964	223,324	2,071,169
Net assets at beginning of year	1,259,683	7,011,616	9,949,558	18,220,857
Net assets at end of year	\$ 1,376,564	\$ 8,742,580	\$ 10,172,882	\$ 20,292,026

See notes to financial statements.

Highland Park ISD Education Foundation
Statements of Cash Flows
Years Ended August 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 12,663,204	\$ 2,071,169
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized gains on investments	(470,957)	(280,882)
Net unrealized gains on investments	(2,021,747)	(831,200)
Contributions restricted for endowment	(427,687)	(223,324)
Changes in assets and liabilities:		
Pledges receivable	148,716	2,190
Other current assets	27,647	(24,254)
Accounts payable and other liabilities	841,074	98,008
Net cash provided by operating activities	10,760,250	811,707
Cash flows from investing activities:		
Sales of investments	4,427,294	3,304,009
Purchases of investments	(13,462,785)	(3,656,844)
Net cash used by investing activities	(9,035,491)	(352,835)
Cash flows from financing activities:		
Proceeds from endowment contributions	427,687	223,324
Net cash provided by financing activities	427,687	223,324
Net increase in cash and cash equivalents	2,152,446	682,196
Cash and cash equivalents at beginning of year	2,622,192	1,939,996
Cash and cash equivalents at end of year	\$ 4,774,638	\$ 2,622,192

See notes to financial statements.

Highland Park ISD Education Foundation

Notes to Financial Statements

1. Foundation

Highland Park ISD Education Foundation (Foundation) is a nonprofit organization incorporated in 1984. The Foundation exists to support quality education in the Highland Park Independent School District (HPISD), a public school district serving over 7,000 students. The Foundation is a fundraising entity which fulfills its mission by raising funds for educational functions of the students, faculty, administrative staff and graduates of HPISD. The Foundation's primary support comes from individual contributions and foundation grants. The Foundation is considered a blended component unit of HPISD because of the significance of its operational and financial relationship with the school district.

The Highland Park High School Alumni Association (Alumni Association) is an unincorporated auxiliary organization of the Foundation. The Alumni Association operates under the umbrella of the Foundation and is, therefore, included on a gross basis in the accompanying financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

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. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

Temporarily restricted net assets - Net assets subject to donor or grantor stipulations that will be met by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purpose.

Highland Park ISD Education Foundation

Notes to Financial Statements

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, investments and pledges receivable. The Foundation places cash and cash equivalents, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. The Foundation has not experienced losses on such assets. At August 31, 2018 the Foundation had uninsured bank balances totaling \$1,674,610.

The Foundation's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Foundation's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of the investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

Pledges receivable are unsecured and due from various donors. The Foundation evaluates the collectability of pledges receivable and maintains allowances for potential losses, if considered necessary.

Cash and Cash Equivalents

The Foundation considers highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Investments

The Foundation's investments consist of common stock and corporate bonds and are carried at fair value. Investment transactions are recorded on the trade date, which results in receivables and payables on trades that have not yet settled as of the financial statement date, and dividend income is recorded when earned.

Highland Park ISD Education Foundation

Notes to Financial Statements

Realized gains and losses are recorded as the difference between historical cost and fair value, and are shown on a net basis. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods.

Revenue Recognition

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give (pledges receivable) that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met. If funds are received related to the conditional promise, the amounts received are accounted for as a refundable advance.

Donated materials are reflected as contributions at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation.

Grants

The Foundation provides scholarships to students and grants to educators and programs that support academic enrichment to HPISD students. The Foundation records a liability for scholarships and grants when they have been approved by the board of directors.

Functional Allocation of Expenses

The costs of providing the programs and supporting activities have been summarized on a functional basis in the statements of activities. Costs are allocated between program services, support services and fundraising based on management's judgment considering space used, time spent or direct relation to the program or support service benefited.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP 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 estimated.

Highland Park ISD Education Foundation

Notes to Financial Statements

Income Taxes

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC.

Income generated from activities unrelated to the Foundation's exempt purposes is subject to tax under IRC Section 511.

The Foundation had no unrelated business income for the years ended August 31, 2018 and 2017. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Foundation's tax returns and recognition of a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service.

Management has analyzed the tax positions taken by the Foundation, and has concluded that as of August 31, 2018 and 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Foundation considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Foundation's financial position and changes in net assets.

In 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-For-Profit Entities* to improve the presentation of financial statements of not-for-profit entities. The key qualitative and quantitative changes in the ASU address the following: net asset classification, information presented about a not-for-profit entity's liquidity and availability of resources, investment return presentation, expense allocation methodology, disclosure and presentation in the financial statements, and the presentation of the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

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Notes to Financial Statements

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of nonprofit organizations.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) Subject to Topic 958, Not-for-Profit Entities or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is *not a factor* for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

The Foundation is currently assessing the impact that adopting this new guidance will have on the financial statements.

3. Fair Value Measurements

The Foundation records financial instruments at estimated fair value. Fair value accounting defines fair value 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 fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities as of the reporting date;
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Notes to Financial Statements

- Level 2 Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets;
- Level 3 Unobservable inputs that are supported by little or no market activity and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: The investment grade bonds held by the Foundation generally do not trade in active markets on the measurement date. Therefore, bonds are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market quotations (where observable), bond spreads, and fundamental data relating to the issuer.

The following table sets forth the Foundation's investments at fair value at August 31, 2018:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Common stock	\$ 20,864,999	\$ -	\$ -	\$ 20,864,999
Corporate bonds	-	8,476,585	-	8,476,585
	<u>\$ 20,864,999</u>	<u>\$ 8,476,585</u>	<u>\$ -</u>	<u>\$ 29,341,584</u>

The following table sets forth the Foundation's investments at fair value at August 31, 2017:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Common stock	\$ 11,590,718	\$ -	\$ -	\$ 11,590,718
Corporate bonds	-	6,222,671	-	6,222,671
	<u>\$ 11,590,718</u>	<u>\$ 6,222,671</u>	<u>\$ -</u>	<u>\$ 17,813,389</u>

Highland Park ISD Education Foundation

Notes to Financial Statements

For the years ended August 31, 2018 and 2017, net investment earnings, including earnings from cash equivalents, were as follows:

	2018	2017
Interest and dividends	\$ 379,138	\$ 279,665
Unrealized gains	2,021,747	831,200
Realized gains	470,957	280,882
Investment expenses	(110,025)	(94,161)
	\$ 2,761,817	\$ 1,297,586

4. Pledges Receivable

As of August 31, 2018 and 2017, pledges receivable totaled \$209,608 and \$358,324, of which 86% and 87% is due from two contributors, respectively. Pledges receivable at August 31, 2018 are expected to be collected during the year ended August 31, 2019.

5. Conditional Promise to Give

During the year ended August 31, 2016, the Foundation received a five-year grant from the Moody Foundation (grantor) in the amount of \$5,789,874 for assistance in preparing students for careers of the future. The amount the grantor promises to give is conditioned upon specific provisions mandated by the grantor. During the years ended August 31, 2018 and 2017, \$1,310,962 and \$910,837, was recognized as contribution revenue, respectively. At August 31, 2018, the remaining conditional promise to give totaled approximately \$3,300,000. The conditional promise to give will be recognized as revenue when the respective conditions are met in future years.

6. Net Assets

Unrestricted net assets of \$1,398,098 and \$1,376,563 include a board-designated endowment fund in the amount of \$211,160 at August 31, 2018 and 2017, respectively.

Temporarily restricted net assets consist of the following at August 31, 2018 and 2017:

	2018	2017
Purpose restrictions:		
General endowment fund earnings	\$ 6,273,609	\$ 5,029,676
William P. Clements, Jr. Fund	10,000,000	-
General scholarship funds	1,145,597	1,035,433
Bradfield café & PTA fund	765,118	730,687
La Fiesta de las Seis Banderas	138,909	264,657
Moody Innovative Institute	1,567,753	896,838
Other general funds	1,065,577	785,289
	\$ 20,956,563	\$ 8,742,580

Highland Park ISD Education Foundation

Notes to Financial Statements

Permanently restricted net assets consist of the following at August 31, 2018 and 2017:

	2018	2017
Endowment funds:		
Martha Mary Stewart Endowment	\$ 60,000	\$ 60,000
La Fiesta de las Seis Banderas	38,142	38,142
Other Endowment	65,000	65,000
Endowment Campaign Fund	10,437,427	10,009,740
	\$ 10,600,569	\$ 10,172,882

7. Endowment Funds

The Foundation’s endowment consists of funds established for education and general expenses, including both board-designated and donor-restricted endowment funds.

Net assets associated with endowment funds, including funds designated by the board of directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring “ordinary business care and prudence” regarding the preservation of donor-restricted endowment funds absent explicit donor stipulation to the contrary. 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) accumulation 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.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration of preservation of the funds
- The purposes of the Foundation and the endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The Foundation’s investment policy

Highland Park ISD Education Foundation

Notes to Financial Statements

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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment funds are categorized in the following net asset classes as of August 31, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 16,273,609	\$ 10,600,569	\$ 26,874,178
Board-designated endowment fund	211,160	-	-	211,160
Total endowment net assets	<u>\$ 211,160</u>	<u>\$ 16,273,609</u>	<u>\$ 10,600,569</u>	<u>\$ 27,085,338</u>

Endowment funds are categorized in the following net asset classes as of August 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 5,029,676	\$ 10,172,882	\$ 15,202,558
Board-designated endowment fund	211,160	-	-	211,160
Total endowment net assets	<u>\$ 211,160</u>	<u>\$ 5,029,676</u>	<u>\$ 10,172,882</u>	<u>\$ 15,413,718</u>

Changes in endowment net assets for the year ended August 31, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 211,160	\$ 5,029,676	\$ 10,172,882	\$ 15,413,718
Contributions	-	10,000,000	427,687	10,427,687
Net investment income	-	2,524,933	-	2,524,933
Appropriation of assets for expenditure	-	(1,281,000)	-	(1,281,000)
Endowment net assets, end of year	<u>\$ 211,160</u>	<u>\$ 16,273,609</u>	<u>\$ 10,600,569</u>	<u>\$ 27,085,338</u>

Changes in endowment net assets for the year ended August 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 211,160	\$ 4,371,032	\$ 9,949,558	\$ 14,531,750
Contributions	-	-	223,324	223,324
Unrealized and realized gains on investments	-	961,441	-	961,441
Appropriation of assets for expenditure	-	(302,797)	-	(302,797)
Endowment net assets, end of year	<u>\$ 211,160</u>	<u>\$ 5,029,676</u>	<u>\$ 10,172,882</u>	<u>\$ 15,413,718</u>

Highland Park ISD Education Foundation

Notes to Financial Statements

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term.

Endowment assets are invested in a well-diversified mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds, if possible. Actual returns in any given year may vary from this amount.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Strategies Employed for Achieving Objectives

The Foundation's approved spending policy was created to protect the value of the endowments.

The objectives of this spending policy are to (a) maintain the purchasing power of endowment funds with respect to inflation by spending no more than the real total return over the long term and achieving growth of the principal approximating the rate of inflation and (b) decouple investment decision from immediate income needs, thus increasing investment flexibility and improving investment performance by allowing investment managers to invest for maximum total return.

Provided that there are no donor agreements to the contrary, the spending rule for a given fiscal year shall be recommended by the investment committee approved by the board of directors and will be based on the rolling average of the previous twelve quarters of market value.

8. Related Party Transactions

The Foundation leases office space from HPISD. The facilities are made available to the Foundation in return for various services provided to the landlord, estimated at \$9,000 for the years ended August 31, 2018 and 2017, respectively.

Highland Park ISD Education Foundation

Notes to Financial Statements

9. Subsequent Events

The Foundation evaluated subsequent events after the statement of financial position date through December 5, 2018, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.