

**THE FUND FOR TEACHERS: A FOUNDATION TO  
RECOGNIZE, STIMULATE AND ENHANCE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Fund For Teachers: A Foundation to Recognize, Stimulate and Enhance  
Houston, Texas

We have audited the accompanying financial statements of The Fund for Teachers: A Foundation to Recognize, Stimulate and Enhance (a nonprofit Texas corporation), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 accounting principles generally accepted in the United States; 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 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 The Fund for Teachers: A Foundation to Recognize, Stimulate and Enhance as of December 31, 2015 and 2014, and the changes in its nets assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

*Harper & Pearson Company, P.C.*

Houston, Texas  
April 19, 2016

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014**

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
ASSETS		
Cash and cash equivalents	\$ 753,772	\$ 468,405
Investment securities	19,125,599	20,883,071
Pledges and other receivables	<u>22,645</u>	<u>60,363</u>
TOTAL ASSETS	<u>\$ 19,902,016</u>	<u>\$ 21,411,839</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 102,177	\$ 32,106
Total liabilities	<u>102,177</u>	<u>32,106</u>
NET ASSETS		
Unrestricted	18,852,934	20,280,726
Temporarily restricted	<u>946,905</u>	<u>1,099,007</u>
Total net assets	<u>19,799,839</u>	<u>21,379,733</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,902,016</u>	<u>\$ 21,411,839</u>

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
		Total		Total
REVENUES AND SUPPORT				
Contributions	\$ 1,102,135	\$ 436,236	\$ 1,538,371	\$ 334,164
Overriding royalty interest income, net	11,858	-	18,242	-
Investment securities (loss) income, net	(231,704)	-	(231,704)	-
Special events	321,623	-	321,623	221,164
Other income	7,500	-	7,500	-
Assets released from restrictions	588,338	(588,338)	-	(649,635)
Total Revenues and Support	<u>1,799,750</u>	<u>(152,102)</u>	<u>1,647,648</u>	<u>(94,307)</u>
EXPENSES				
Program:				
Grants paid	1,595,139	-	1,901,729	-
Program support	940,511	-	928,788	-
Total Program	<u>2,535,650</u>	<u>-</u>	<u>2,830,517</u>	<u>-</u>
Supporting Services:				
Management and general	326,642	-	411,886	-
Fundraising and special events	365,250	-	365,592	-
Total Supporting Services	<u>691,892</u>	<u>-</u>	<u>777,478</u>	<u>-</u>
Total Expenses	<u>3,227,542</u>	<u>-</u>	<u>3,607,995</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(1,427,792)</u>	<u>(152,102)</u>	<u>(1,271,224)</u>	<u>(94,307)</u>
NET ASSETS, BEGINNING OF YEAR	<u>20,280,726</u>	<u>1,099,007</u>	<u>21,551,950</u>	<u>1,193,314</u>
NET ASSETS, END OF YEAR	<u>\$ 18,852,934</u>	<u>\$ 946,905</u>	<u>\$ 20,280,726</u>	<u>\$ 1,099,007</u>
		<u>\$ 19,799,839</u>	<u>\$ 2,830,517</u>	<u>\$ 21,379,733</u>

See accompanying notes.

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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	<b>2015</b>	<b>2014</b>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,579,894)	\$ (1,365,531)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized loss (gains) on investment securities	599,751	(12,175)
Changes in operating assets and liabilities:		
Pledges and other receivables	37,718	(50,515)
Accounts payable and accrued expenses	70,071	(566)
Total adjustments	707,540	(63,256)
Net cash used by operating activities	(872,354)	(1,428,787)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investment securities	1,523,895	1,816,514
Purchase of investment securities	(366,174)	(481,302)
Net cash provided by investing activities	1,157,721	1,335,212
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	285,367	(93,575)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	468,405	561,980
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 753,772	\$ 468,405

NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund For Teachers: A Foundation to Recognize, Stimulate and Enhance (the "Foundation") is a Texas not-for-profit corporation that commenced operations on May 10, 2001. The Foundation was formed exclusively for educational, charitable, and literary purposes. Specifically, the Foundation's mission is to enrich the professional growth of teachers by recognizing and supporting them as they identify and pursue opportunities around the globe that will have the greatest impact on their practice, the academic lives of their students, and on their school communities. The activities of the Foundation include making grants directly to teachers throughout the United States so that they may have sufficient financial resources to participate in training and enrichment activities that will improve and enhance their skills and capacities as teachers.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from these estimates.

Concentrations of Credit Risk - Financial instruments, which subject the Foundation to concentrations of credit risk, consist principally of cash and cash equivalents, pledges and other receivables, and investment securities. Cash and cash equivalents consist of demand deposits and money market mutual funds available for operations. Cash and cash equivalents are maintained with financial institutions and brokerage firms in the United States. Deposits with financial institutions may exceed the amount of federal deposit insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. Money market funds, brokerage accounts and private investment funds are not insured. In monitoring this credit risk, the Foundation periodically evaluates the stability of the financial institutions and money managers that hold or invest its funds.

At December 31, 2015 and 2014, all pledges and other receivables are due in the next year. No collateral or other security is required to support pledges and other receivables. An allowance for doubtful accounts is established as needed based upon factors surrounding the credit risk of specific donors and debtors, historical trends and other information. Management estimates that all receivables are collectible, thus no allowance for uncollectible amounts has been recorded.

At December 31, 2015 and 2014, pledges receivable were \$18,440 and \$53,044, respectively, of which 98% of the 2015 balance was due from 3 donors and 85% of the 2014 balance was due from one third party donor.

Investment Risk - The Foundation's investments in securities subject the Foundation to various levels of risk associated with economic, operating, and political events beyond management's control. Consequently, management's judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Foundation's investments. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks could materially impact the amounts reflected herein in the near term.

NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of Investments - Investments are reported at fair value. Fair value is 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.

Contributions - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. The Foundation reports contributions as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions that are restricted by the donor for future periods or a specific purpose are reported as increases in temporarily restricted net assets. 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.

In-kind contributions are reflected as contributions at their estimated fair value at date of donation. The Foundation liquidates contributed stock immediately upon receipt and records the proceeds as contributions. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Unconditional promises to give that are expected to be collected within one year are recorded at their realizable value. Unconditional promises to give that are expected to be collected after one year or more are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included as contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investment Securities Income, Net - Interest, realized gains and losses, and the net change in unrealized appreciation or depreciation of investment securities during the year are recorded as investment securities income in unrestricted net assets in the statement of activities unless the use of the income is limited by donor-imposed restrictions. Income whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

Grants Paid - Grants paid include all direct grant awards made to educators. Program support includes all costs directly associated with providing the grant opportunity and the administration of the grants.

Federal Income Tax - The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, the Foundation is subject to taxes on unrelated business income. During 2015 and 2014, there was no unrelated business income.

The Foundation believes that all significant tax positions utilized by the Foundation will more likely than not be sustained upon examination. As of December 31, 2015, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2012 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as management and general expense in the statement of activities.



NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events - The Foundation has evaluated subsequent events through April 19, 2016, the date the financial statements were available to be issued. No subsequent events occurred which require adjustment to or disclosure in the financial statements at December 31, 2015.

NOTE B INVESTMENTS AND FAIR VALUE MEASUREMENTS

At times, the Foundation invests in various securities including direct investments in equity and fixed income securities, and mutual funds, all of which are traded on the open market. In addition, the Foundation has an investment in a privately offered multi-asset mutual fund. Equity securities and mutual funds include domestic and foreign common stocks and equity index shares. Fixed income securities and mutual funds include corporate bonds and notes, fixed income index shares and U.S. government and sovereign debt obligations.

GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

These inputs are summarized in the three broad levels listed below:

Level 1 – Unadjusted quoted prices for identical financial instruments in active markets that the Foundation has the ability to access.

Level 2 – Other significant observable inputs (including quoted prices in active and inactive markets for similar assets or liabilities), or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instruments.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the financial instruments. The fair value of Level 3 financial instruments is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Following is a description of the valuation techniques used for investments measured at fair value.

The investment in the privately offered multi-asset mutual fund is valued at the net asset value computed by the fund manager on a monthly basis using fair values of underlying assets, estimates of future earnings and other valuation techniques.

All other investments held are traded in active markets and valued at the most recent trade prices quoted.

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

NOTE B INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The Foundation believes its valuation techniques are appropriate and consistent with other market participants; however, the use of different techniques or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of investments are categorized as follows at December 31, 2015 and 2014:

	2015			
	Level 1	Level 2	Level 3	Total
Domestic equity mutual funds	\$ 2,883,474	\$ -	\$ -	\$ 2,883,474
International equity mutual funds	1,032,791	-	-	1,032,791
Fixed income mutual funds	976,898	-	-	976,898
Multi-asset mutual fund	-	14,232,436	-	14,232,436
	<u>\$ 4,893,163</u>	<u>\$ 14,232,436</u>	<u>\$ -</u>	<u>\$ 19,125,599</u>
	2014			
	Level 1	Level 2	Level 3	Total
Domestic equity mutual funds	\$ 2,888,580	\$ -	\$ -	\$ 2,888,580
International equity mutual funds	1,078,734	-	-	1,078,734
Fixed income mutual funds	967,788	-	-	967,788
Multi-asset mutual fund	-	15,947,969	-	15,947,969
	<u>\$ 4,935,102</u>	<u>\$ 15,947,969</u>	<u>\$ -</u>	<u>\$ 20,883,071</u>

NOTE C INVESTMENT SECURITIES INCOME

During 2015 and 2014, investment securities income, including interest earned on cash and cash equivalents consists of the following:

	2015	2014
Interest and dividends	\$ 368,047	\$ 483,323
Net realized and unrealized (loss) gains	(599,751)	12,175
Investment securities (loss) income	<u>\$ (231,704)</u>	<u>\$ 495,498</u>

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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NOTE D            RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets are restricted for the following programs at December 31, 2015 and 2014:

	2015	2014
Houston Programs	\$     5,000	\$     5,000
Asian Fellowship Program	168,512	200,630
Pi Society - Math Fellowships	21,257	78,886
Oklahoma Program	377,500	377,500
Permian Basin Program	166,407	238,797
Kansas City Program	1,115	51,494
Connecticut Area Program	185,414	120,000
Other Specified Programs	21,700	26,700
	\$   946,905	\$ 1,099,007

NOTE E            RELATED PARTY TRANSACTIONS

Members of the Board of Directors and the founding corporate contributor are considered related parties. All individuals who perform services for the Foundation are employees of the founding corporation. In addition, the founding corporation provides office space, utilities, supplies and equipment at no charge to the Foundation. Balances and transactions with related parties are as follows at and for the years ended December 31, 2015 and 2014:

	2015	2014
Pledges receivable	\$           -	\$         100
Accounts payable and accrued expenses	\$       1,357	\$       1,849
Contributions	\$     23,345	\$     14,375
Contributions of salaries and benefits	\$   917,381	\$ 1,066,491
Contributions of office space	\$     93,400	\$     84,800