

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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 12, 2018

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

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	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
ASSETS		
Cash and cash equivalents	\$ 448,967	\$ 451,178
Investment securities	21,736,332	19,736,011
Pledges and other receivables	<u>2,600</u>	<u>55,300</u>
TOTAL ASSETS	<u>\$ 22,187,899</u>	<u>\$ 20,242,489</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 30,838</u>	<u>\$ 41,627</u>
Total liabilities	<u>30,838</u>	<u>41,627</u>
NET ASSETS		
Unrestricted	21,057,864	18,724,833
Temporarily restricted	<u>1,099,197</u>	<u>1,476,029</u>
Total net assets	<u>22,157,061</u>	<u>20,200,862</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,187,899</u>	<u>\$ 20,242,489</u>

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>			<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUES AND SUPPORT</b>						
Contributions	\$ 944,403	\$ 1,007,389	\$ 1,951,792	\$ 1,026,644	\$ 1,659,897	\$ 2,686,541
Overriding royalty interest income, net	5,144	-	5,144	4,957	-	4,957
Investment securities income, net	3,323,115	-	3,323,115	1,029,182	-	1,029,182
Special events	120,295	-	120,295	-	-	-
Other income	1,557	-	1,557	-	-	-
Assets released from restrictions	<u>1,384,221</u>	<u>(1,384,221)</u>	<u>-</u>	<u>1,130,773</u>	<u>(1,130,773)</u>	<u>-</u>
Total Revenues and Support	<u>5,778,735</u>	<u>(376,832)</u>	<u>5,401,903</u>	<u>3,191,556</u>	<u>529,124</u>	<u>3,720,680</u>
<b>EXPENSES</b>						
Program:						
Grants paid	2,038,180	-	2,038,180	1,761,005	-	1,761,005
Program support	<u>868,685</u>	<u>-</u>	<u>868,685</u>	<u>1,044,578</u>	<u>-</u>	<u>1,044,578</u>
Total Program	<u>2,906,865</u>	<u>-</u>	<u>2,906,865</u>	<u>2,805,583</u>	<u>-</u>	<u>2,805,583</u>
Supporting Services:						
Management and general	389,914	-	389,914	261,074	-	261,074
Fundraising and special events	<u>148,925</u>	<u>-</u>	<u>148,925</u>	<u>253,000</u>	<u>-</u>	<u>253,000</u>
Total Supporting Services	<u>538,839</u>	<u>-</u>	<u>538,839</u>	<u>514,074</u>	<u>-</u>	<u>514,074</u>
Total Expenses	<u>3,445,704</u>	<u>-</u>	<u>3,445,704</u>	<u>3,319,657</u>	<u>-</u>	<u>3,319,657</u>
CHANGE IN NET ASSETS	2,333,031	(376,832)	1,956,199	(128,101)	529,124	401,023
NET ASSETS, BEGINNING OF YEAR	<u>18,724,833</u>	<u>1,476,029</u>	<u>20,200,862</u>	<u>18,852,934</u>	<u>946,905</u>	<u>19,799,839</u>
NET ASSETS, END OF YEAR	<u>\$ 21,057,864</u>	<u>\$ 1,099,197</u>	<u>\$ 22,157,061</u>	<u>\$ 18,724,833</u>	<u>\$ 1,476,029</u>	<u>\$ 20,200,862</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, 2017 AND 2016**

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	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,956,199	\$ 401,023
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized gain on investment securities	(1,629,046)	(783,886)
Changes in operating assets and liabilities:		
Pledges and other receivables	52,700	(32,655)
Accounts payable and accrued expenses	<u>(10,789)</u>	<u>(60,550)</u>
 Total adjustments	 <u>(1,587,135)</u>	 <u>(877,091)</u>
 Net cash provided (used) by operating activities	 <u>369,064</u>	 <u>(476,068)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investment securities	2,057,867	1,644,438
Purchase of investment securities	<u>(2,429,142)</u>	<u>(1,470,964)</u>
 Net cash (used) provided by investing activities	 <u>(371,275)</u>	 <u>173,474</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (2,211)	 (302,594)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>451,178</u>	 <u>753,772</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 448,967</u>	 <u>\$ 451,178</u>

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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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 strengthen instruction by investing in outstanding teachers' self-determined professional growth and development in order to support student success, enrich their own practice, and strengthen their schools and 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 available for operations. Cash and cash equivalents are maintained with financial institutions in the United States. Deposits with financial institutions at year-end and various times during the year exceeded the amount of federal deposit insurance provided on such deposits (approximately \$199,000 at December 31, 2017); 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, 2017 and 2016, 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.

Two donors contributed approximately 74% and 85% of total contributions during 2017 and 2016, respectively.

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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

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.

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 statements of activities as 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 statements 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.

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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

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 2017 and 2016, 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, 2017, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2014 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.

Recent Accounting Pronouncements - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, "*Leases (Topic 842)*". Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for the Foundation for the year beginning January 1, 2020. The Foundation is currently evaluating the effect the provisions of ASU 2016-02 will have on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*". The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU will become effective for the Foundation beginning January 1, 2018, and it not expected to significantly impact net assets or changes in net assets.

Subsequent Events - The Foundation has evaluated subsequent events through April 12, 2018, 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, 2017.

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 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 FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

NOTE B INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of investments are categorized as follows at December 31, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Domestic equity mutual funds	\$ 3,894,032	\$ -	\$ -	\$ 3,894,032
International equity mutual funds	1,378,938	-	-	1,378,938
Fixed income mutual funds	1,048,155	-	-	1,048,155
Money market fund	1,105,177	-	-	1,105,177
Multi-asset mutual fund	-	14,310,030	-	14,310,030
	<u>\$ 7,426,302</u>	<u>\$ 14,310,030</u>	<u>\$ -</u>	<u>\$ 21,736,332</u>

	2016			
	Level 1	Level 2	Level 3	Total
Domestic equity mutual funds	\$ 3,248,632	\$ -	\$ -	\$ 3,248,632
International equity mutual funds	1,081,055	-	-	1,081,055
Fixed income mutual funds	993,761	-	-	993,761
Money market fund	1,200,598	-	-	1,200,598
Multi-asset mutual fund	-	13,211,965	-	13,211,965
	<u>\$ 6,524,046</u>	<u>\$ 13,211,965</u>	<u>\$ -</u>	<u>\$ 19,736,011</u>

NOTE C INVESTMENT SECURITIES INCOME

During 2017 and 2016, investment securities income, including interest earned on cash and cash equivalents consists of the following:

	2017	2016
Interest and dividends	\$ 1,694,069	\$ 245,296
Net realized and unrealized gain	<u>1,629,046</u>	<u>783,886</u>
Investment securities income	<u>\$ 3,323,115</u>	<u>\$ 1,029,182</u>

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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NOTE D            RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets are restricted for the following programs at December 31, 2017 and 2016:

	2017	2016
Houston Programs	\$ -	\$ 5,000
Asian Fellowship Program	125,558	145,521
Oklahoma Program	377,500	377,500
Permian Basin Program	117,631	156,407
Kansas City Program	100,000	-
Connecticut Area Program	332,611	701,600
Douglas County Oregon Program	4,048	55,766
Other Specified Programs	41,849	34,235
	\$ 1,099,197	\$ 1,476,029

All assets released from restrictions during 2017 and 2016 were in satisfaction of program restrictions.

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, 2017 and 2016:

	2017	2016
Pledges receivable	\$ -	\$ 100
Accounts payable and accrued expenses	\$ 961	\$ 1,006
Contributions	\$ 21,800	\$ 6,400
Contributions of salaries and benefits	\$ 770,986	\$ 828,883
Contributions of office space	\$ 103,500	\$ 97,300

NOTE F            BENEFICIAL INTEREST IN COMMUNITY FOUNDATION

Fund for Teachers is the named beneficiary of a designated fund held by the Tulsa Community Foundation (TCF) with a fair value of approximately \$1.3 million including accumulated earnings of approximately \$500,000 as of December 31, 2017. Contributions, earnings and the fair value of this designated fund are not included in the accompanying financial statements as TCF has control of the related investments and the authority to redirect proceeds if TCF deems appropriate. The fund was created to support grants to teachers in Oklahoma.