

**MOUNTAIN BROOK CITY
SCHOOLS FOUNDATION**

Financial Statements

**For the Year Ended April 30, 2021
With Summarized Financial Information
For the Year Ended April 30, 2020**

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Table of Contents
For the Year Ended April 30, 2021
With Summarized Financial Information
For the Year Ended April 30, 2020**

Independent Auditor's Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-12

BORLAND | BENEFIELD

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mountain Brook City Schools Foundation

We have audited the accompanying financial statements of the Mountain Brook City Schools Foundation (the Foundation), which comprise the statement of financial position as of April 30, 2021, and the related statements of activities, functional expenses, 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.

Auditor's 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 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 Mountain Brook City Schools Foundation as of April 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Mountain Brook City School Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Borland Benefield, P.C.
Birmingham, Alabama
September 30, 2021

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Statement of Financial Position
As of April 30, 2021
With Summarized Financial Information
As of April 30, 2020**

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,340,360	\$ 289,708
Investments	9,805,119	8,506,412
Pledges receivable	72,244	110,624
Prepaid expenses	3,823	3,145
Total Current Assets	<u>11,221,546</u>	<u>8,909,889</u>
Property and equipment, net	-	51
Cash value of life insurance	<u>27,220</u>	<u>26,553</u>
Total Assets	<u>\$ 11,248,766</u>	<u>\$ 8,936,493</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	<u>\$ 461,168</u>	<u>\$ 461,843</u>
Net Assets		
Without donor restrictions	9,184,636	7,246,386
With donor restrictions	<u>1,602,962</u>	<u>1,228,264</u>
Total Net Assets	<u>10,787,598</u>	<u>8,474,650</u>
Total Liabilities and Net Assets	<u>\$ 11,248,766</u>	<u>\$ 8,936,493</u>

See accompanying notes to financial statements.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Statement of Activities
For the Year Ended April 30, 2021
With Summarized Financial Information
For the Year Ended April 30, 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue				
Contributions	\$ 515,953	\$ -	\$ 515,953	\$ 543,273
In kind contributions	10,802	-	10,802	10,566
Investment return, net	2,327,291	374,698	2,701,989	(539,395)
Total Support and Revenue	<u>2,854,046</u>	<u>374,698</u>	<u>3,228,744</u>	<u>14,444</u>
Expenses				
Program services	762,368	-	762,368	463,043
Management and general	79,403	-	79,403	83,270
Development	74,025	-	74,025	102,600
Total Expenses	<u>915,796</u>	<u>-</u>	<u>915,796</u>	<u>648,913</u>
Change in Net Assets	1,938,250	374,698	2,312,948	(634,469)
Net Assets, Beginning of Year	<u>7,246,386</u>	<u>1,228,264</u>	<u>8,474,650</u>	<u>9,109,119</u>
Net Assets, End of Year	<u>\$ 9,184,636</u>	<u>\$ 1,602,962</u>	<u>\$10,787,598</u>	<u>\$ 8,474,650</u>

See accompanying notes to financial statements.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Statement of Functional Expenses

For the Year Ended April 30, 2021

With Summarized Financial Information for the Year Ended April 30, 2020

	Program Services	Management and General	Development	2021 Total	2020 Totals
Expenses					
Awards paid	\$ 762,368	\$ -	\$ -	\$ 762,368	\$ 463,043
Salaries and payroll taxes	-	33,292	49,937	83,229	85,599
Professional services	-	18,713	-	18,713	18,594
Development	-	-	13,770	13,770	11,784
Public relations	-	-	10,318	10,318	5,812
Supplies	-	10,251	-	10,251	10,006
Bank charges	-	5,592	-	5,592	5,113
Rent	-	3,440	-	3,440	3,350
Postage	-	3,214	-	3,214	2,177
Telephone	-	2,447	-	2,447	2,420
Insurance	-	1,017	-	1,017	1,017
Online alumni directory fee	-	1,000	-	1,000	-
Miscellaneous	-	211	-	211	1,909
Subscriptions	-	175	-	175	200
Depreciation	-	51	-	51	103
Membership	-	-	-	-	1,708
Annual event	-	-	-	-	33,645
Website	-	-	-	-	2,433
Total Expenses	\$ 762,368	\$ 79,403	\$ 74,025	\$ 915,796	\$ 648,913

See accompanying notes to financial statements.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Statement of Cash Flows
For the Year Ended April 30, 2021
With Summarized Financial Information
For the Year Ended April 30, 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from contributions	\$ 564,468	\$ 518,423
Awards paid and other functional expenses	(951,511)	(681,325)
Interest received	2,682	530
Dividends received	203,563	215,368
Capital gain distributions received	35,721	42,889
Net Cash Provided / (Used) by Operating Activities	<u>(145,077)</u>	<u>95,885</u>
 Cash Flows From Investing Activities		
Purchase of investments	(8,651,680)	(2,311,421)
Proceeds from sale of investments	9,847,409	2,234,655
Net Cash Provided / (Used) by Investing Activities	<u>1,195,729</u>	<u>(76,766)</u>
 Net Increase in Cash and Cash Equivalents	1,050,652	19,119
 Cash and Cash Equivalents, Beginning of Year	<u>289,708</u>	<u>270,589</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 1,340,360</u>	<u>\$ 289,708</u>

See accompanying notes to financial statements.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Notes to Financial Statements For the Year Ended April 30, 2021

Note 1 – Summary of Significant Accounting Policies

Nature of Operations – The Mountain Brook City Schools Foundation (the “Foundation”) was founded in 1992 and serves to mobilize community support for the school system and to secure resources from individuals, corporations, and other foundations. The primary focus of the Foundation has been in the areas of technology, professional development, and library enhancement.

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

Basis of Presentation – The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with *Generally Accepted Accounting Principles*. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended April 30, 2020, from which the summarized information was derived.

Cash and Cash Equivalents – The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation maintains deposits and investments with various financial institutions that may, at times, exceed federally insured limits. However, the Foundation has not experienced any losses on such amounts, nor does management believe these amounts are exposed to any significant risks. Cash balances exceed federally insured limits by \$115,782 as of April 30, 2021.

Contributions – The Foundation reports gifts of cash and other assets, including unconditional promises to give, as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released with from restriction.

See independent auditor’s report.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Notes to Financial Statements (continued) For the Year Ended April 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Pledges Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. It is reasonably possible that the estimated cash flows could change within near-term. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Pledges receivable are stated net of an allowance for doubtful accounts. The allowance is estimated based on an analysis of specific donors, taking into consideration the age of the past due amounts and an assessment of the donor's ability to pay. Accounts are written off after all efforts of collection have been exhausted. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for doubtful accounts is considered necessary at April 30, 2021.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions are met (either stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Investment advisory fees are netted against investment income in the Statement of Activities. For the year ended April 30, 2021, investment advisory fees were \$34,415.

Property and Equipment – The Foundation capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are recorded at cost or, if donated, at fair market value on the date of donation. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets.

Estimated useful lives of property and equipment are as follows:

Computer equipment	3-5 years
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The cost of assets sold or retired, and the related accumulated depreciation are removed from the accounts and the gain and loss on such disposition is currently recognized.

Expense Allocation – The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Directly identifiable expenses are charged to programs and development. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Tax Status – The Foundation is a nonprofit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC).

As of April 30, 2021, the Foundation had no uncertain tax positions that qualify for disclosure in the financial statements. The Foundation files an annual Form 990 with the Internal Revenue Service and its tax returns for the year 2018 and subsequent years remain subject to examination by tax authorities.

Use of Estimates – Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

See independent auditor's report.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Notes to Financial Statements (continued) For the Year Ended April 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Principle - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASC 606) and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted ASC 606 and all related amendments using the modified retrospective transition method. The Foundation concluded that the adoption of the new standard did not require an adjustment to the opening net asset balance and no timing or recognition changes are necessary to conform with the standard. The adoption will only affect recognition of revenue related to special events.

Note 2 – Investments

Investments in debt and equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets or other observable inputs as of the reporting date. Investments in mutual funds are considered Level 1 measurements. Investments in corporate bonds, municipal bonds, and U.S. treasuries are considered Level 2 measurements. Other investment, consisting of limited partnership interest is carried at estimated fair value, as a practical expedient. Investments stated at fair value are summarized as follows as of April 30, 2021:

	<u>Fair Value</u>	<u>Cost</u>
Equities	\$ 4,586,035	\$ 4,547,278
Equity funds	2,630,350	1,673,511
Corporate bonds	1,335,334	1,335,543
Treasuries	1,004,977	1,006,225
Exchange traded funds	<u>187,902</u>	<u>187,948</u>
Total	<u>\$ 9,744,598</u>	<u>\$ 8,750,505</u>

Interest income on the investments for the year ended April 30, 2021 is summarized as follows:

	<u>Without Donor Restriction</u>	<u>Donor Restricted</u>	<u>Total</u>
Interest and dividends	\$ 206,245	\$ -	\$ 206,245
Unrealized gains	770,910	374,698	1,145,608
Realized gains	1,317,651	-	1,317,651
Capital gain distributions	35,721	-	35,721
Unrealized gain on NAV partnership	31,179	-	31,179
Investment fees	<u>(34,415)</u>	<u>-</u>	<u>(34,415)</u>
Total	<u>\$ 2,327,291</u>	<u>\$ 374,698</u>	<u>\$ 2,701,989</u>

See independent auditor's report.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Notes to Financial Statements (continued) For the Year Ended April 30, 2021

Note 3 – Pledges Receivable

The amounts due from unconditional promises to give at April 30, 2021 consist of the following:

Receivable in less than one year	\$	17,562
Receivable in one to five years		70,247
Receivable in greater than five years		<u>3,000</u>
Total unconditional promises to give		90,809
Less: Discount to net present value		<u>(18,565)</u>
Net unconditional promises to give	\$	<u>72,244</u>

Note 4 – Property and Equipment

As of April 30, 2021, property and equipment were as follows:

Computer equipment	\$	890
Less: Accumulated depreciation		<u>(890)</u>
Property and Equipment, Net	\$	<u>-</u>

Depreciation expense recorded for the year ended April 30, 2021 was \$51.

Note 5 – Contributed Services, Goods, and Use of Facility

A substantial number of unpaid volunteers have made significant contributions of their time to operate the programs of the Foundation. In addition, the Foundation received the following in-kind contributions for the year ended April 30, 2021:

Use of facility	\$	3,000
Professional services		<u>7,802</u>
Total	\$	<u>10,802</u>

Note 6 – Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

See independent auditor's report.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

**Notes to Financial Statements (continued)
For the Year Ended April 30, 2021**

Note 6 – Fair Value Measurements (continued)

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability'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. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at April 30, 2021:

- Investment securities: Valued based on quoted market prices in an active market for identical assets or other observable inputs as of the reporting date.
- Venture capital partnership: As a practical expedient, the Foundation is permitted to estimate the fair value of an investment in a limited partnership at the measurement date using the reported net asset value (NAV). The limited partnership is a non-publicly traded venture capital partnership stated at an estimated fair value that represents the Foundation's ownership interest in the net asset value (NAV) of the partnership. Interests in the partnership are based on valuations per share provided by the general partners.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of April 30, 2021:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Asset (Level 1)</u>	<u>Significant Unobservable Inputs (Level 2)</u>
Investment securities			
Equities	\$ 4,586,035	\$ 4,586,035	\$ -
Mutual funds	2,630,350	2,630,350	
Exchange traded funds	187,902	187,902	-
U.S. Treasuries	1,004,977	-	1,004,977
Corporate bonds	1,335,334	-	1,335,334
	<u>\$ 9,744,598</u>	<u>\$ 7,404,287</u>	<u>\$ 2,340,311</u>
Investments measured at net asset value (1)			
Venture capital partnership	<u>60,521</u>		
Total investments at fair value	<u>\$ 9,805,119</u>		

- (1) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the investments line item presented in the statement of financial position.

See independent auditor's report.

MOUNTAIN BROOK CITY SCHOOLS FOUNDATION

Notes to Financial Statements (continued) For the Year Ended April 30, 2021

Note 7 – Restrictions on Net Assets

Net assets with donor restrictions totaling \$1,602,962 are available for purposes as specified by donors which principally relate to the Ragland Award totaling \$163,570 and to the benefit of the Math Departments of Mountain Brook Senior High School and Mountain Brook Junior High School totaling \$1,439,392.

Note 8 – Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual restrictions within one year of the statement of financial position date. Amounts not available include amounts restricted by donors with time or purpose restrictions.

Financial assets, at year-end	\$ 11,190,261
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(1,602,962)
Board designations:	
Subject to appropriation	<u>(461,168)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,126,131</u>

Note 9 – Subsequent Events

Subsequent events have been evaluated through September 30, 2021, the date the financial statements were available to be issued.

See independent auditor's report.