

**THE TYLER JUNIOR COLLEGE FOUNDATION**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED  
AUGUST 31, 2018 and 2017**

**THE TYLER JUNIOR COLLEGE FOUNDATION**  
**AUGUST 31, 2018 and 2017**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Tyler Junior College Foundation  
Tyler, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Tyler Junior College Foundation (a non-profit organization) (the Foundation) which comprise the statement of financial position as of August 31, 2018 and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements. The financial statements of the Foundation as of August 31, 2017 and for the year then ended were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated October 17, 2017.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Foundation as of August 31, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Prothro, Wilhelmi & Company, PLLC*  
PROTHRO, WILHELMI, AND COMPANY, PLLC

Tyler, Texas  
October 30, 2018

**THE TYLER JUNIOR COLLEGE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,451,995	\$ 1,513,041
Pledges receivable, net	339,411	182,733
Deferred expenses	881,755	908,475
Total current assets	3,673,161	2,604,249
Non-current assets:		
Investments	57,753,391	45,972,423
Funds held in trust	485,234	485,643
Pledges receivable	1,243,694	570,000
Charitable gift annuities	294,072	318,423
Other assets	46,623	50,279
Real estate and mineral interests	720,442	692,750
Total non-current assets	60,543,456	48,089,518
Total assets	\$ 64,216,617	\$ 50,693,767
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 827,823	\$ 744,878
Deferred income	100,731	95,112
Total current liabilities	928,554	839,990
Net Assets:		
Unrestricted	11,547,243	10,327,995
Temporarily restricted	4,949,260	4,930,190
Permanently restricted	46,791,560	34,595,592
Total net assets	63,288,063	49,853,777
Total liabilities and net assets	\$ 64,216,617	\$ 50,693,767

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

**THE TYLER JUNIOR COLLEGE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**AUGUST 31, 2018**

	2018			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>				
Contributions and Fundraising	\$ 257,702	\$ 1,510,951	\$ 11,677,266	\$ 13,445,919
Unrealized Gain (loss) on Investments	244,298	3,804	3,341	251,443
Net Gain (loss) on Sales	1,034,159	20,712	-	1,054,871
Investment Income	1,523,804	24,063	59,074	1,606,941
Donor Transfers	(1,601,222)	1,144,935	456,287	-
Total support and revenue	1,458,741	2,704,465	12,195,968	16,359,174
Net Assets Released from Restrictions:			-	-
Satisfaction of program restrictions	2,685,395	(2,685,395)		
Total support, revenue, and net assets released from restrictions	4,144,136	19,070	12,195,968	16,359,174
<b>EXPENSES</b>				
Administrative	50,013	-	-	50,013
Fundraising:				
Golf Tournament	57,992	-	-	57,992
Public Relations	63,910	-	-	63,910
Special Event	-	-	-	-
Real Estate	4,399	-	-	4,399
Scholarships & Awards:				
Support of TJC	1,144,854	-	-	1,144,854
Scholarships	1,574,818	-	-	1,574,818
Other Awards	28,902	-	-	28,902
Total expenses	2,924,888	-	-	2,924,888
Change in net assets	1,219,248	19,070	12,195,968	13,434,286
<b>NET ASSETS</b>				
Balance, beginning of year	10,327,995	4,930,190	34,595,592	49,853,777
Balance, end of year	\$ 11,547,243	\$ 4,949,260	\$ 46,791,560	\$ 63,288,063

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

**THE TYLER JUNIOR COLLEGE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**AUGUST 31, 2017**

	2017			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>				
Contributions and Fundraising	\$ 256,957	\$ 1,855,013	\$ 1,763,219	\$ 3,875,189
Unrealized Gain (loss) on Investments	1,151,257	12,355	110,177	1,273,789
Net Gain (loss) on Sales	1,115,404	11,825	-	1,127,229
Investment Income	1,008,971	12,721	47,441	1,069,133
Donor Transfers	(1,708,781)	1,465,234	243,547	-
Total support and revenue	<u>1,823,808</u>	<u>3,357,148</u>	<u>2,164,384</u>	<u>7,345,340</u>
Net Assets Released from Restrictions:			-	-
Satisfaction of program restrictions	3,853,940	(3,853,940)		
Total support, revenue, and net assets released from restrictions	<u>5,677,748</u>	<u>(496,792)</u>	<u>2,164,384</u>	<u>7,345,340</u>
<b>EXPENSES</b>				
Administrative	52,847	-	-	52,847
Fundraising:				
Golf Tournament	61,203	-	-	61,203
Special Event	87,720	-	-	87,720
Real Estate	4,053	-	-	4,053
Scholarships & Awards:				
Support of TJC	2,112,006	-	-	2,112,006
Scholarships	1,705,332	-	-	1,705,332
Other Awards	26,238	-	-	26,238
Total expenses	<u>4,049,399</u>	<u>-</u>	<u>-</u>	<u>4,049,399</u>
Change in net assets	1,628,349	(496,792)	2,164,384	3,295,941
<b>NET ASSETS</b>				
Balance, beginning of year	<u>8,699,646</u>	<u>5,426,982</u>	<u>32,431,208</u>	<u>46,557,836</u>
Balance, end of year	<u>\$ 10,327,995</u>	<u>\$ 4,930,190</u>	<u>\$ 34,595,592</u>	<u>\$ 49,853,777</u>

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

**THE TYLER JUNIOR COLLEGE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**AUGUST 31, 2018 and 2017**

	2018	2017
<b><u>CASH FLOW FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ 13,434,286	\$ 3,295,941
Change in Operating Assets and Liabilities:		
Contributions and Investment Earnings Restricted for Long-Term Purposes	(11,739,681)	(1,920,837)
(Increase) Decrease in Value of Investments	(558,330)	(1,078,354)
(Increase) Decrease in Value of Real Estate and Minerals	(27,692)	(93,529)
(Increase) Decrease in:		
Contributions Receivable	(830,372)	(92,855)
Deferred Expense	26,720	(128,492)
Charitable Gift Annuities	24,351	(16,647)
Other Assets	3,656	2,622
Funds Held in Trust	409	(29,638)
Increase (Decrease) in:		
Deferred Revenue	5,619	(13,781)
Accounts Payable	82,945	15,188
Total adjustments	(13,012,375)	(3,356,323)
Net cash provided by operating activities	421,911	(60,382)
<b><u>CASH FLOW FROM INVESTING ACTIVITIES:</u></b>		
Sale of Investments	44,671,469	19,535,578
Purchase of Investments	(55,894,107)	(21,721,328)
Net cash used by investing activities	(11,222,638)	(2,185,750)
<b><u>CASH FLOW FROM FINANCING ACTIVITIES:</u></b>		
Contributions Restricted for Permanent Endowment	11,677,266	1,763,219
Investment Earnings Restricted for Permanent Endowment	62,415	157,618
Net Cash Provided by Financing Activities	11,739,681	1,920,837
Net increase in cash and cash equivalents	938,954	(325,295)
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR</b>	1,513,041	1,838,336
<b>CASH AND CASH EQUIVALENTS, AT END OF YEAR</b>	\$ 2,451,995	\$ 1,513,041

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



## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **ORGANIZATION AND NATURE OF ACTIVITIES**

The Tyler Junior College Foundation is a nonprofit corporation organized under the Texas Nonprofit Corporation Act. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Foundation is to strengthen the higher educational resources of Texas by encouraging a program of benefactions to Tyler Junior College.

### **BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. All contributions received by the Foundation are considered available for unrestricted use unless specifically restricted by the donor. Revenues are recognized in the period in which they become available and measurable. Expenses are recognized in the period in which the liability is incurred, if measurable.

### **FINANCIAL STATEMENT PRESENTATION**

The financial statements are reported in accordance with the requirements of FASB Accounting Standards Codification Section 958, Not-for-Profit Organizations. Accordingly, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### **CONTRIBUTIONS**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

### **CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the condition on which they depend are substantially met. Only those pledges with signed agreements were recorded as receivables.

### **DEFERRED INCOME AND EXPENSES**

Income received for future events is deferred and recognized in the periods to which it relates. Scholarships and other disbursements paid that relate to future periods are recognized as deferred expenses.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

### **CASH AND CASH EQUIVALENTS**

For the purposes of presentation in the Statement of Cash Flows, the Foundation considers cash equivalents to be short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

### **DONATED SERVICES**

Unpaid volunteers conduct a portion of the Foundation's activity. The value of this contributed time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition under generally accepted accounting principles.

### **ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **INVESTMENTS**

Investments are stated at fair market value. Unrealized gains and losses are reported in the Statement of Activities. Fair values are obtained from the investment firm that manages the Foundation's investments. Donated investments are recorded at fair value at the time they are received.

### **FEDERAL INCOME TAX**

The Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation. Although exempt from Federal income taxes, the Foundation is subject to examination by tax authorities for a period of three years after the due date of the Foundation's Federal information return.

### **NET ASSETS**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor or contract-imposed restrictions. Accordingly, net assets and changes in net assets of the Foundation are classified and reported as follows:

- Unrestricted net assets are net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

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

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

- Temporarily restricted net assets are net assets subject to donor or contract-imposed stipulations that may be, or will be, met by the occurrence of a specific event or the passage of time. 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.
- Permanently restricted net assets are net assets subject to donor or contract-imposed stipulations to be maintained in perpetuity by the Foundation.

**NOTE 2 – RECLASSIFICATIONS**

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net assets or cash flows previously reported.

**NOTE 3 - INVESTMENTS**

Investments are reported at fair value, which is determined using the market valuations provided on the year-end statements by the relevant financial institution. Fair value estimates are made at a specific point in time, based on relevant market information, and information about the financial instrument (level 1 inputs). The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments, reported at fair market value at August 31 include the following:

	<u>2018</u>	<u>2017</u>
Interest Program	\$ 1,938,564	\$ 976,281
Corporate Equities	28,003,833	25,126,503
Mutual Funds	6,528,972	1,039,381
Fixed Income	21,163,966	18,724,540
Other	118,056	105,718
Total	<u>\$ 57,753,391</u>	<u>\$ 45,972,423</u>

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

**NOTE 3 – INVESTMENTS (continued)**

Investment income, unrealized gains (losses), and realized gains (losses) on investments recognized during the years ended 2018 and 2017 were as follows:

	<b>2018</b>		
	Investment Income	Unrealized Gain (Loss)	Realized Gain (Loss)
Brokerage Account	\$ 1,499,782	\$ 247,007	\$ 1,034,177
Other	107,159	4,436	20,694
Total	<u>\$ 1,606,941</u>	<u>\$ 251,443</u>	<u>\$ 1,054,871</u>

  

	<b>2017</b>		
	Investment Income	Unrealized Gain (Loss)	Realized Gain (Loss)
Brokerage Account	\$ 1,014,571	\$ 1,134,232	\$ 1,115,300
Other	54,562	139,557	11,929
Total	<u>\$ 1,069,133</u>	<u>\$ 1,273,789</u>	<u>\$ 1,127,229</u>

Charitable gift annuities of \$294,072 and \$318,423 for 2018 and 2017, respectively, are reported at surrender value. Investment income is net of brokerage fees of \$258,061 and \$216,339 for 2018 and 2017, respectively.

"Funds Held in Trust" are investments held by U.S. Trust in the M.C. Batey Trust and Southside Bank in the Gollob Charitable Trust. Under terms of the trusts, all distributions from the trusts go to the TJC Foundation for scholarships.

Other investment income includes Oil and Gas royalties of \$62,729 and \$50,063 for 2018 and 2017, respectively.

**NOTE 4 – RELATED PARTY TRANSACTIONS**

The Foundation expended approximately \$2,748,574 and \$3,843,576 to Tyler Junior College for scholarships, support and awards in 2018 and 2017, respectively. Tyler Junior College provides substantially all administrative staff and supplies to the Foundation at no cost. The Foundation owed the College \$827,823 and \$705,523 at August 31, 2018 and 2017, respectively.

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

**NOTE 5 – REAL ESTATE AND MINERAL INTERESTS**

Real estate and mineral interests is summarized as follows:

	<u>2018</u>	<u>2017</u>
Real Estate and Mineral Interest Held for Future Use or Investment	<u>\$ 720,442</u>	<u>\$ 692,750</u>

Real Estate held for future use has been recorded at cost or at appraised value if contributed and consists of numerous parcels of land.

**NOTE 6 – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash deposited in banks of \$2,334,667 and investments in brokerage accounts totaling \$57,753,391 at August 31, 2018.

The Foundation also maintains demand deposits with various banks. Approximately \$2.08 million was in excess of Federal Deposit Insurance Corporation (FDIC) coverage.

**NOTE 7 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the purposes designated by the donor, primarily scholarships. Permanently restricted net assets are to provide a permanent endowment, with investment income restricted for scholarship purposes.

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

## NOTE 8 – FAIR VALUE MEASUREMENTS

The Foundation's investments at August 31, 2018 are reported at fair value in the accompanying financial statements as follows:

	<u>2018</u>			
	<u>Fair Value Measurements at the End of the Reporting Period Using</u>			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Debt and Equity Investments	\$ 58,238,625	\$ 58,238,625	\$ -	\$ -
Oil and Gas Property	304,911	-	304,911	-
Land	415,531	-	415,531	-
	<u>415,531</u>	<u>-</u>	<u>415,531</u>	<u>-</u>
Total	<u>\$ 58,959,067</u>	<u>\$ 58,238,625</u>	<u>\$ 720,442</u>	<u>\$ -</u>

The Foundation's investments at August 31, 2017 are reported at fair value in the accompanying financial statements as follows:

	<u>2017</u>			
	<u>Fair Value Measurements at the End of the Reporting Period Using</u>			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Debt and Equity Investments	\$ 46,458,066	\$ 46,458,066	\$ -	\$ -
Oil and Gas Property	277,219	-	277,219	-
Land	415,531	-	415,531	-
	<u>415,531</u>	<u>-</u>	<u>415,531</u>	<u>-</u>
Total	<u>\$ 47,150,816</u>	<u>\$ 46,458,066</u>	<u>\$ 692,750</u>	<u>\$ -</u>

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

## **NOTE 8 – FAIR VALUE MEASUREMENTS (continued)**

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

## **NOTE 9 – TAX POSITIONS**

As discussed in Note 1, the Foundation is exempt from Federal Income taxes. There were no uncertain tax positions for which the Foundation believes a liability should be accrued at August 31, 2018. The years 2015 through 2017 remain open for examination by taxing authorities.

## **NOTE 10 – ENDOWMENTS**

The Foundation's endowment consists of funds established for a variety of purposes. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, 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) accumulations 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. 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. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund: The duration and preservation of the fund and the purposes of the Foundation and the donor restricted endowment fund.

**NOTE 10 – ENDOWMENTS (continued)**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of August 31, 2018.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide income for the benefit of Tyler Junior College at a consistent level as adjusted for inflation annually, but preserve principal.

To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation with fixed income and equity-based investments to achieve its long-term return objectives within prudent risk constraints. Target asset allocations are set in its investment policy.

The Foundation has set a spending cap of 4% and a floor of 0% of its endowment fund's earnings. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.



**NOTE 10 – ENDOWMENTS (continued)**

A reconciliation of endowment investments is as follows:

	Permanently Restricted Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Beginning balance (9/1/17)	\$ 34,595,592	\$ 8,814,027	\$ 4,930,190	\$ 48,339,809
Contributions	11,677,266	257,702	1,510,951	13,445,919
Investment Return	59,074	2,557,963	44,775	2,661,812
Net Appreciation	3,341	244,298	3,804	251,443
Expenditures	-	(239,493)	(2,685,395)	(2,924,888)
Other Changes	456,287	(2,344,002)	1,144,935	(742,780)
Ending balance (8/31/18)	<u>\$ 46,791,560</u>	<u>\$ 9,290,495</u>	<u>\$ 4,949,260</u>	<u>\$ 61,031,315</u>

	Permanently Restricted Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Beginning balance (9/1/16)	\$ 32,431,208	\$ 7,499,147	\$ 5,426,982	\$ 45,357,337
Contributions	1,763,219	256,957	1,855,013	3,875,189
Investment Return	47,441	2,124,375	24,546	2,196,362
Net Appreciation	110,177	1,151,257	12,355	1,273,789
Expenditures	-	(195,459)	(3,853,940)	(4,049,399)
Other Changes	243,547	(2,022,250)	1,465,234	(313,469)
Ending balance (8/31/17)	<u>\$ 34,595,592</u>	<u>\$ 8,814,027</u>	<u>\$ 4,930,190</u>	<u>\$ 48,339,809</u>

**NOTE 11 – PLEDGES RECEIVABLE**

Pledges receivable at August 31, 2018 are as follows:

Pledges Due in 2019	\$ 368,261
Pledges Due 2020 to 2023	1,473,044
	<u>1,841,305</u>
Allowance for Uncollectible Pledges	(83,322)
	<u>1,757,983</u>
Discount at Present Value at 3.4%	(174,878)
	<u>\$ 1,583,105</u>

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

## **NOTE 12 – NEWLY ISSUED ACCOUNTING STANDARDS**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. Accounting Standards Update 2016-14 is effective for fiscal years that begin after December 15, 2017. This update will impact the presentation of the Foundation's financial statements by changing from three categories of net assets to two categories of net assets. The Foundation will report amounts for net assets with donor restrictions and net assets without donor restrictions rather than for the currently required unrestricted, temporarily restricted, and permanently restricted net assets.

## **NOTE 13 – OTHER MATTERS**

During the fiscal year ended August 31, 2017, the Foundation became the beneficiary of an estate for the restricted purpose of a permanent endowment fund identified as “The James F. and Virginia Hawkins Gatewood Memorial Fund” (the Fund). Per the stipulations of the agreement, the primary purpose of the Fund is to fund Presidential Scholarships for qualified students attending Tyler Junior College. The secondary purpose of the Fund is to fund Tyler Promise Scholarships for students graduating from high school in the Tyler area who need financial assistance to attend college. The agreement did not assign a value or estimated value of the estate, rather it specified the remainder of the estate, not previously gifted to other beneficiaries, would be granted to the Foundation for the Fund.

At the end of fiscal year 2017, the Foundation anticipated a distribution totaling approximately \$18 million related to the estate. Approximately half of this amount was paid out early in the year ended August 31, 2018; transfer of the remaining assets was pending until the IRS Determination Letter from the filing of Form 706 was received. After the year ended August 31, 2018, the Foundation received a majority of the remaining funds.

## **NOTE 14 – SUBSEQUENT EVENTS**

The Foundation evaluated subsequent events through October 30, 2018, the date which the financial statements were available to be issued. No events occurred which required subsequent disclosure in the financial statements for the year ended August 31, 2018.