

KEARNEY PUBLIC SCHOOLS FOUNDATION, INC.

KEARNEY, NEBRASKA

FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1-2
FINANCIAL STATEMENTS:	
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis	3
Statements of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis	4
Notes to Financial Statements	5-10
SUPPLEMENTARY INFORMATION:	
Foundation - Schedules of Revenues and Expenses	11
Kearney Community Learning Center - Schedules of Revenues and Expenses	12
Class Act - Schedules of Revenues and Expenses	13
Schedule of Cash and Money Markets	14
Schedule of Temporarily Restricted and Agency Funds	15-18

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kearney Public Schools Foundation, Inc.
Kearney, Nebraska

We have audited the accompanying financial statements of the Kearney Public Schools Foundation, Inc. (a nonprofit corporation), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of August 31, 2015 and 2014, and the related statement of revenues, expenses, and changes in net assets – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 assets, liabilities, and net assets of the Kearney Public Schools Foundation, Inc. as of August 31, 2015 and 2014, and its revenues, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 11-18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

TONNIGES & ASSOCIATES, P.C.

Tonniges & Associates P.C.

Kearney, Nebraska
November 23, 2015

KEARNEY PUBLIC SCHOOLS FOUNDATION, INC.
KEARNEY, NEBRASKA
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
AUGUST 31, 2015 AND 2014

ASSETS

ASSETS	<u>2015</u>	<u>2014</u>
Cash and money markets	\$ 607,414	\$ 441,101
Certificate of deposit	112,868	111,779
Investments	64,697	64,698
Total assets	<u>\$ 784,979</u>	<u>\$ 617,578</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Payroll tax payable	\$ 9,322	\$ 12,365
Agency funds:		
Kearney Community Learning Center	5,987	15,544
Total liabilities	<u>15,309</u>	<u>27,909</u>

NET ASSETS		
Unrestricted	137,507	77,650
Temporarily restricted		
Class Act	237,249	214,323
Other funds	333,679	236,461
Total temporarily restricted net assets	<u>570,928</u>	<u>450,784</u>
Permanently restricted	61,235	61,235
Total net assets	<u>769,670</u>	<u>589,669</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 784,979</u>	<u>\$ 617,578</u>
---	-------------------	-------------------

See accompanying notes to financial statements.

KEARNEY PUBLIC SCHOOLS FOUNDATION, INC.
KEARNEY, NEBRASKA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
RECEIPTS AND OTHER SUPPORT								
Dividends and interest	\$ 1,056	\$ 1,674	\$ -	\$ 2,730	\$ 126	\$ 850	\$ -	\$ 976
Contributions	9,547	634,125	-	643,672	20,253	486,858	-	507,111
Fundraising events	68,232	17,525	-	85,757	63,037	2,500	-	65,537
Administrative fees	63,150	-	-	63,150	42,899	-	-	42,899
Program	-	2,420	-	2,420	-	1,890	-	1,890
Other income	-	-	-	-	-	-	-	-
Net unrealized gain on investments	-	-	-	-	108	3,198	-	3,306
Total receipts and other support	141,985	655,744	-	797,729	126,423	495,296	-	621,719
Net assets released from restrictions	533,827	(533,827)	-	-	570,949	(570,949)	-	-
DISBURSEMENTS AND LOSSES								
Educational subsidies	349,961	-	-	349,961	425,429	-	-	425,429
Scholarships	32,299	-	-	32,299	25,191	-	-	25,191
Fundraising events	18,154	-	-	18,154	29,346	-	-	29,346
Program	95,539	-	-	95,539	74,398	-	-	74,398
Payroll	109,056	-	-	109,056	102,015	-	-	102,015
Management and general - other	11,624	-	-	11,624	16,072	-	-	16,072
Net unrealized loss on investments	1,095	-	-	1,095	-	-	-	-
Total disbursements and losses	617,728	-	-	617,728	672,451	-	-	672,451
CHANGE IN NET ASSETS	58,084	121,917	-	180,001	24,921	(75,653)	-	(50,732)
NET ASSETS, beginning of year	77,650	450,784	61,235	589,669	101,969	477,197	61,235	640,401
TRANSFERS	1,773	(1,773)	-	-	(49,240)	49,240	-	-
NET ASSETS, end of year	\$ 137,507	\$ 570,928	\$ 61,235	\$ 769,670	\$ 77,650	\$ 450,784	\$ 61,235	\$ 589,669

See accompanying notes to financial statements.

KEARNEY PUBLIC SCHOOLS FOUNDATION, INC.
KEARNEY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Kearney Public Schools Foundation, Inc., Kearney, Nebraska, is a nonprofit corporation formed under laws of the State of Nebraska in 1984. The Foundation encourages excellence in education by providing resources to and recognition of the students and staff of Kearney Public Schools. The Foundation's activities are funded by gifts, bequests and donations -- no public school district funds are used.

Basis of Accounting

The Kearney Public Schools Foundation, Inc. maintains its books and records and reports its financial operations on the modified cash basis of accounting. As the accompanying statement of assets, liabilities and net assets -- modified cash basis does not include accounts receivable, accounts payable and other accrued revenues and expenses, the financial statements do not reflect the financial position or the results of operations of the Kearney Public Schools Foundation, Inc. in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-205 "Financial Statements of Not-for-Profit Organizations". Under this standard, 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. A description of the three net asset categories utilized by the Foundation follows:

Unrestricted Net Assets

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met; trust activity, deferred gifts and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted or determined.

KEARNEY PUBLIC SCHOOLS FOUNDATION, INC.
KEARNEY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the principal be invested in perpetuity and only the income be made available for program operations in accordance with donor.

Contributed Materials and Services

The Foundation records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived 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. Contributions of tangible assets are recognized at fair market value when received. Any amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with their operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Income Taxes

The Kearney Public Schools Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Foundation has adopted the provisions of FASB ASC 740-10, "Accounting for uncertain Tax Positions". The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Foundation's income tax returns are subject to examination by the IRS for the years ending August 31, 2012, 2013, and 2014.

KEARNEY PUBLIC SCHOOLS FOUNDATION, INC.
KEARNEY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Foundation has adopted FASB ASC 958-320 "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value on the statement of assets, liabilities, and net assets – modified cash basis. Unrealized gains and losses are included in the change in net assets shown on the statement of revenues, expenses, and changes in net assets – modified cash basis.

Compensated Absences

Compensated absences for vacation pay, sick pay, and personal time have not been accrued since they cannot be reasonably estimated. The Foundation's policy is to recognize these costs when actually paid.

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by Foundation requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$150 and \$241 for the years ended August 31, 2015 and 2014.

NOTE 2. CONCENTRATION OF CREDIT RISK

The Foundation has deposits in various financial institutions. The total balance at each institution is covered by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2014, there were no uninsured deposits. At August 31, 2015, there were \$121,643 of uninsured deposits.

KEARNEY PUBLIC SCHOOLS FOUNDATION, INC.
KEARNEY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. CONTINGENCIES (MERRYMAN PERFORMING ARTS CENTER)

The Foundation received contributions and proceeds from an estate to construct the Merryman Performing Arts Center as an addition and renovation of Central Elementary School, which is owned by the Kearney Public School District. Construction was completed in 2006. The foundation did not have the cash to pay for all the construction costs primarily due to the embezzlement of funds by a former executive director. The Kearney Public Schools paid the remaining construction costs. At August 31, 2015 and 2014 the construction reimbursement costs to the School outstanding were \$1,260,866. At this time, it is anticipated that the outstanding construction balance to the Kearney Public Schools will remain a contingency of the Kearney Public Schools Foundation.

NOTE 4. RELATED PARTY TRANSACTIONS

The Foundation offices are located in the administrative offices of the Kearney Public Schools. The space and some fixtures and furniture are provided to the Foundation rent free.

NOTE 5. TEMPORARILTY RESTRICTED NET ASSETS

Temporarily restricted net assets of the Foundation consist of funds designated for scholarship and various programs for the benefit of the students and support of the Kearney Public Schools. The total amount of these funds at August 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Class Act Fund	\$237,249	\$214,323
Other Funds	<u>333,679</u>	<u>236,461</u>
Total temporarily restricted net assets	<u>\$570,928</u>	<u>\$450,784</u>

NOTE 6. ENDOWMENT FUND

The Kearney Public Schools Foundation, Inc. has established an endowment fund to further support the mission of the Foundation. Contributions given by donors specifically for the endowment fund are maintained permanently. Other contributions given by donors but designated to the endowment fund by the board are considered unrestricted and can be used for general purposes by board vote. Income earned from all contributions is to be spent as specified by the donor. As of August 31, 2015, all contributions were given directly by donors and are to be maintained permanently.

KEARNEY PUBLIC SCHOOLS FOUNDATION, INC.
KEARNEY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. ENDOWMENT FUND (continued)

The state of Nebraska enacted the Uniform Prudent Management of Institutional Fund Act (UPMIFA) effective September 1, 2007, the provision of which applies to endowment funds existing on or established after that date. The Foundation has adopted the accounting standards related to the net asset classification of endowment funds in FASB ASC 958-205 for the year ending August 31, 2015 and 2014. The Board of Directors of the Foundation has determined that the majority of the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Changes in endowment net assets as of August 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning	\$ (374)	\$ 3,837	\$ 61,235	\$ 64,698
Contributions	-	-	-	-
Investment Income	-	1,420	-	1,420
Net Appreciation (Depreciation)	-	(1,095)	-	(1,095)
Fees	(327)	-	-	(327)
Endowment net assets - ending	<u>\$ (701)</u>	<u>\$ 4,162</u>	<u>\$ 61,235</u>	<u>\$ 64,696</u>

Changes in endowment net assets as of August 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning	\$ (61)	\$ (32)	\$ 61,235	\$ 61,142
Contributions	-	-	-	-
Investment Income	-	671	-	671
Net Appreciation (Depreciation)	-	3,198	-	3,198
Fees	(313)	-	-	(313)
Endowment net assets - ending	<u>\$ (374)</u>	<u>\$ 3,837</u>	<u>\$ 61,235</u>	<u>\$ 64,698</u>

KEARNEY PUBLIC SCHOOLS FOUNDATION, INC.
KEARNEY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10, the Organization's management has evaluated events subsequent to August 31, 2015 through November 23, 2015.

During the prior fiscal year, the Organization received a pledge of \$550,000 to be paid in five equal annual installments to be used towards the construction of the new Kearney High School Auditorium. The first installment of \$110,000 was received in January 2015. The second installment is scheduled to be received in January 2016.