

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

FINANCIAL STATEMENTS

(MODIFIED CASH BASIS)

DECEMBER 31, 2018 AND 2017

CPAs / ADVISORS



FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

TABLE OF CONTENTS
DECEMBER 31, 2018 AND 2017

	Page
Review Report of Independent Accountants	1
 Financial Statements	
Statements of Financial Position – Modified Cash Basis.....	3
Statements of Activities – Modified Cash Basis	4
Statements of Functional Expenses – Modified Cash Basis	5
Notes to Financial Statements	6



Blue & Co., LLC / 2650 Eastpoint Parkway, Suite 300 / Louisville, KY 40223
main 502.992.3500 fax 502.992.3509 email blue@blueandco.com
blueandco.com

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Fern Creek High School Alumni Association, Inc.
Louisville, Kentucky

We have reviewed the accompanying financial statements of Fern Creek High School Alumni Association, Inc. (the "Organization"), which comprise the statements of financial position - modified cash basis as of December 31, 2018 and 2017, and the related statements of activities - modified cash basis and functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 conclusion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective January 1, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Blue & Co., LLC

Louisville, Kentucky
August 27, 2019

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017 As Restated
	<u>2018</u>	<u>As Restated</u>
Cash and cash equivalents	\$ 79,077	\$ 22,049
Investments	254,301	278,404
Gaming deposit	5,000	5,000
Property and equipment, net	<u>4,040</u>	<u>5,409</u>
 Total assets	 <u>\$ 342,418</u>	 <u>\$ 310,862</u>

NET ASSETS

Without donor restrictions:		
Undesignated	\$ 310,018	\$ 292,462
Board designated	<u>20,000</u>	<u>0</u>
Total without donor restrictions	330,018	292,462
 With donor restrictions	 <u>12,400</u>	 <u>18,400</u>
 Total net assets	 <u>\$ 342,418</u>	 <u>\$ 310,862</u>

See review report of independent accountants and accompanying notes to financial statements.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

**STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	As Restated With Donor Restrictions
				Total
Support and revenues				
Gaming revenues	\$ 421,792	\$ 0	\$ 353,602	\$ 0
Contributions	13,583	350	8,073	14,391
Membership dues	9,130	0	6,209	0
Fundraising events	4,082	0	4,817	0
Dividends	10,085	0	4,152	0
Realized gain on investments	17,590	0	1,870	0
Unrealized gain (loss) on investments	(52,028)	0	33,124	0
Interest income	16	0	7	7
Net assets released from restrictions	6,350	(6,350)	4,400	(4,400)
Total support and revenues	430,600	(6,000)	416,254	9,991
				426,245
Expenses				
Program services	360,101	0	341,469	0
Management and general	31,739	0	34,544	0
Fundraising	1,204	0	3,629	0
Total expenses	393,044	0	379,642	0
Change in net assets	37,556	(6,000)	36,612	9,991
Net assets, beginning of year	292,462	18,400	255,850	8,409
Net assets, end of year	\$ 330,018	\$ 12,400	\$ 292,462	\$ 18,400
				\$ 310,862

See review report of independent accountants and accompanying notes to financial statements.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Gaming expense	\$ 214,706	\$ 0	\$ 0	\$ 214,706	\$ 209,162	\$ 0	\$ 0	\$ 209,162
School and student needs	82,965	0	0	82,965	77,056	0	0	77,056
Salaries and wages	54,396	6,043	0	60,439	49,487	5,498	0	54,985
Fundraising events expense	0	0	1,204	1,204	0	0	3,629	3,629
Supplies	1,974	2,500	0	4,474	2,083	2,640	0	4,723
Insurance	0	1,078	0	1,078	0	5,236	0	5,236
Professional fees	0	6,456	0	6,456	0	6,806	0	6,806
Office expense	0	14,173	0	14,173	0	13,221	0	13,221
Vehicle expense	0	1,489	0	1,489	0	1,143	0	1,143
Depreciation	1,369	0	0	1,369	1,369	0	0	1,369
Miscellaneous	4,691	0	0	4,691	2,312	0	0	2,312
	<u>\$ 360,101</u>	<u>\$ 31,739</u>	<u>\$ 1,204</u>	<u>\$ 393,044</u>	<u>\$ 341,469</u>	<u>\$ 34,544</u>	<u>\$ 3,629</u>	<u>\$ 379,642</u>

See review report of independent accountants and accompanying notes to financial statements.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Fern Creek High School Alumni Association, Inc. (the "Organization") is a not-for-profit organization whose mission is to provide scholarships and assistance to Fern Creek High School (the "School") graduates as well as to assist with current School projects. The Organization provides funding for facilities and equipment upgrades as well as supporting programs of the school (i.e. band, reserve officer training corps, food club, computer academy, radio station). The Organization also provides newsletters and organizes events for the alumni of the School.

Basis of Accounting

The accompanying financial statements have been prepared using the modified cash basis of accounting and have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor imposed restrictions.

Under this method, revenues are recognized when collected rather than when earned, and expenses generally are recognized when paid rather than when incurred. The cash basis is modified to include investments (at fair value), deposits with vendors and fixed assets, less the related depreciation.

Basis of Presentation

Net assets, support, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions – Net assets that are currently available for operating purposes under the direction of the board of directors (Board) or designated by the Board for specific use. The Organization maintains net assets without donor restrictions as follows:

Undesignated - represent those net assets that the Organization may use at its discretion.

Board designated – net assets which have been set aside for the construction of a fieldhouse.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with the modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues, and expenses. Actual results could vary from the estimates that were used.

Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At various times throughout the year, the Organization may have balances in excess of federally insured limits.

Investments

The Organization carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of the investments are reflected in the statement of activities in the period in which changes occur.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The property and equipment of the Organization is being depreciated over their estimated useful lives ranging from three to fifteen years using straight-line and accelerated methods.

Support and Revenue Recognition

Contributions are recognized as support in the period the contribution is received. Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions received with donor imposed restrictions are reported as restricted support and increase net assets with donor restrictions. All other support and revenue is recorded when received.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Allocation of Expenses

Operating expenses directly identifiable with a functional area are charged to that area and, where expenses affect more than one area, they are allocated on the basis of ratios determined by management based on estimates of time and effort. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Organization is exempt from taxation as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Organization is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are issued.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is August 27, 2019.

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-17, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity and financial performance. The organization has adjusted the presentation of its financial statements herein. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 6), and disclosures related to the functional allocation of expenses were expanded (Note 1).

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

The impact of the adoption of ASU No. 2016-14 on the Organization's net assets is as follows:

	<u>As Previously Stated</u>	<u>Adjustments</u>	<u>As Restated</u>
Statement of Financial Position			
at December 31, 2017:			
Unrestricted net assets	\$ 292,462	\$ (292,462)	\$ 0
Temporarily restricted net assets	18,400	(18,400)	0
Net assets without donor restrictions	0	292,462	292,462
Net assets with donor restrictions	<u>0</u>	<u>18,400</u>	<u>18,400</u>
Total net assets	<u>\$ 310,862</u>	<u>\$ 0</u>	<u>\$ 310,862</u>
Statement of Activities for the year			
ended December 31, 2017:			
Change in unrestricted net assets	\$ 36,612	\$ (36,612)	\$ 0
Change temporarily restricted net assets	9,991	(9,991)	0
Change in net assets without donor restrictions	0	36,612	36,612
Change in net assets with donor restrictions	<u>0</u>	<u>9,991</u>	<u>9,991</u>
Total net assets	<u>\$ 46,603</u>	<u>\$ 0</u>	<u>\$ 46,603</u>

3. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 20,048	\$ 20,048
Less accumulated depreciation	<u>16,008</u>	<u>14,639</u>
Net property and equipment	<u>\$ 4,040</u>	<u>\$ 5,409</u>

Depreciation expense was \$1,369 for the years ended December 31, 2018 and 2017.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

4. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or programs at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Auditorium Fund	\$ 659	\$ 7,009
Fieldhouse Fund	<u>11,741</u>	<u>11,391</u>
	<u>\$ 12,400</u>	<u>\$ 18,400</u>

Amounts received for the Auditorium Fund are to be used for the betterment of the School's auditorium including but not limited to repairs and maintenance and purchases of equipment and property.

Net assets released from restriction during the years ended December 31, 2018 and 2017 were \$6,350 and \$4,400, respectively.

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

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 methodology used at December 31, 2018 and 2017.

Mutual funds and Exchange Traded Funds: Valued at the daily closing price as reported by the fund. The mutual funds held by the Organization are open-ended mutual funds registered with the Securities and Exchange Commission. The exchange traded funds held by the Organization are registered with the Securities and Exchange Commission. The funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and exchange traded funds held by the Organization are deemed to be actively traded.

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, 2018:

	Assets at Fair Value as of December 31, 2018:			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds				
Bonds	\$ 36,521	\$ 0	\$ 0	\$ 36,521
Large growth	10,209	0	0	10,209
Large value	<u>19,884</u>	<u>0</u>	<u>0</u>	<u>19,884</u>
Total exchange traded funds	66,614	0	0	66,614
Mutual funds				
Large growth	105,442	0	0	105,442
Medium growth	17,696	0	0	17,696
Small growth	2,512	0	0	2,512
Large blend	21,886	0	0	21,886
Small blend	5,003	0	0	5,003
Large value	20,025	0	0	20,025
Medium value	<u>15,123</u>	<u>0</u>	<u>0</u>	<u>15,123</u>
Total mutual funds	<u>187,687</u>	<u>0</u>	<u>0</u>	<u>187,687</u>
Total exchange traded and mutual funds	<u>\$ 254,301</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 254,301</u>

See review report of independent accountants.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, 2017:

	Assets at Fair Value as of December 31, 2017:			Total
	Level 1	Level 2	Level 3	
Exchange traded funds				
Bonds	\$ 30,930	\$ 0	\$ 0	\$ 30,930
Large blend	91,819	0	0	91,819
Large growth	37,413	0	0	37,413
Large value	37,212	0	0	37,212
Medium growth	8,557	0	0	8,557
Medium value	8,479	0	0	8,479
Small growth	8,525	0	0	8,525
Small value	<u>8,365</u>	<u>0</u>	<u>0</u>	<u>8,365</u>
Total exchange traded funds	231,300	0	0	231,300
Mutual funds				
Large growth	10,861	0	0	10,861
Medium growth	10,766	0	0	10,766
Large blend	10,480	0	0	10,480
Medium value	<u>14,997</u>	<u>0</u>	<u>0</u>	<u>14,997</u>
Total mutual funds	<u>47,104</u>	<u>0</u>	<u>0</u>	<u>47,104</u>
Total exchange traded and mutual funds	<u>\$ 278,404</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 278,404</u>

The Organization's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. There were no transfers among levels during 2018 and 2017.

The Organization holds investments, which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

6. LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Organization's financial assets as of December 31, 2018 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated funds that are intended to fund future capital improvements. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolutions.

Cash and cash equivalents	\$ 79,077
Investments	<u>254,301</u>
Total financial assets	333,378
Less board designated funds	<u>(20,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 313,378</u>