

FEI SCHOLARSHIP FOUNDATION

ANNUAL FINANCIAL REPORT

JUNE 30, 2014 AND 2013

FEI SCHOLARSHIP FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
FEI Scholarship Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of FEI Scholarship Foundation (the "Foundation") which comprise the statements of financial position as of June 30, 2014 and 2013 and the related statements of activities and changes in net assets, and statements of cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FEI Scholarship Foundation, as of June 30, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Hein & Associates LLP

Houston, Texas
February 20, 2015

FEI SCHOLARSHIP FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	JUNE 30, 2014	JUNE 30, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 202,286	$ 155,704
Investments, at market	190,447	217,328
Current pledges receivable	20,000	7,500
Total current assets	412,733	380,532
LONG TERM ASSETS–		
Deferred pledges receivable	10,000	7,500
Total long term assets	10,000	7,500
Total assets	$ 422,733	$ 388,032
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES	$ 4,829	$ –
NET ASSETS:		
Unrestricted	402,904	373,032
Temporarily restricted	15,000	15,000
Total net assets	417,904	388,032
Total liabilities and net assets	$ 422,733	$ 388,032

See accompanying notes to these financial statements.

FEI SCHOLARSHIP FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	YEARS ENDED JUNE 30,					
	2014			2013		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES:						
Contributions – corporations and individuals	$ 69,411	$ 15,000	$ 84,411	$ 85,450	$ 15,000	$ 100,450
Net assets released from restrictions	–	–	–	1,000	(1,000)	–
Contributed services	720	–	720	720	–	720
Investment income – unrealized gain/(loss)	9,171	–	9,171	(10,581)	–	(10,581)
Investment income – realized gain/(loss)	(9,922)	–	(9,922)	–	–	–
Interest and dividend income	13,623	–	13,623	5,347	–	5,347
Total revenues	83,003	15,000	98,003	81,936	14,000	95,936
OPERATING EXPENSES:						
Program services – scholarships	48,000	–	48,000	36,000	–	36,000
Program services – other	5,741	–	5,741	5,777	–	5,777
Professional and administrative	14,390	–	14,390	4,830	–	4,830
Total operating expenses	68,131	–	68,131	46,607	–	46,607
CHANGE IN NET ASSETS	14,872	15,000	29,872	35,329	14,000	49,329
NET ASSETS, beginning of year	373,032	15,000	388,032	337,703	1,000	338,703
NET ASSETS, end of year	$ 387,904	$ 30,000	$ 417,904	$ 373,032	$ 15,000	$ 388,032

See accompanying notes to these financial statements.

FEI SCHOLARSHIP FOUNDATION

STATEMENTS OF CASH FLOWS

	YEARS ENDED JUNE 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 29,872	$ 49,329
Unrealized (gain)/loss on investments	(9,171)	10,581
Realized loss on investments	9,922	–
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Net change in operating assets and liabilities:		
Current pledges receivable	(12,500)	(7,500)
Deferred pledges receivable	(2,500)	(7,500)
Current liabilities	4,829	–
Net cash provided by operating activities	20,452	44,910
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(136,850)	(227,909)
Sale of investments	162,980	–
Net cash provided by (used in) investing activities	26,130	(227,909)
CHANGE IN CASH AND CASH EQUIVALENTS	46,582	(182,999)
CASH AND CASH EQUIVALENTS, beginning of year	155,704	338,703
CASH AND CASH EQUIVALENTS, end of year	$ 202,286	$ 155,704

See accompanying notes to these financial statements.

1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization – The FEI Scholarship Foundation (the "Foundation") is a not-for-profit organization that provides scholarships for Southeast, Texas area college students in need of financial assistance.

Tax-Exempt Status – On November 3, 2003, the Foundation received an advanced ruling from the Internal Revenue Service granting exemption from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501 (c)(3).

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

Financial Statement Presentation – The Foundation is required to report information regarding its financial position and activities, according to three classes of net assets based upon the existence or absence of donor-imposed restrictions. These classes are as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to the donor imposed stipulations that may or will be met either by actions of the Foundation and/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 – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Fund to use all or part of the income earned on any related investments for general or specific purposes.

For the years ended June 30, 2014 and 2013, the Foundation's net assets consisted of unrestricted and temporarily restricted net assets.

Cash and Cash Equivalents – Cash held in checking accounts, money markets, and investments with maturities of less than three months at the date of purchase are classified as cash and cash equivalents.

1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk – Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and investments. The Foundation places its cash with quality financial institutions. At times, such cash balances may be in excess of the federally insured limits. Historically, the Foundation has not experienced any losses of its cash due to such concentration of credit risk.

Investments – The Foundation determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. Debt securities are classified as held to maturity when the Foundation has the positive intent and ability to hold the securities to maturity. Debt securities for which the Foundation does not have the intent or ability to hold to maturity are classified as available for sale. Held-to-maturity securities are recorded as either short term or long term on the Statement of Financial Position, based on contractual maturity date and are stated at amortized cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings.

The fair value of substantially all securities is determined by quoted market prices. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market.

Fair Value – Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value and explains the related disclosure requirements. ASC 820 indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability and defines fair value based upon an exit price model.

1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASC 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs based on the Foundation's assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions – The Foundation records unconditional contributions received, including promises to give, as revenue when received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. There have been no conditional contributions received during the years ended June 30, 2014 or 2013.

Multi-Year Pledges – Unconditional promises to give to the Foundation that extend beyond the current fiscal year are considered multi-year pledges. These multi-year pledges are recorded as pledges receivable and temporarily restricted revenue at the time of the promise at the present value of the expected future cash flows. The temporarily restricted net assets are transferred to unrestricted net assets as each year of the multi-year pledge passes. The Foundation estimates the collectability of these pledges, and when necessary, reduces the carrying value of the pledges by an allowance for uncollectible amounts. All pledges were considered collectible at June 30, 2014 and 2013.

Contributed Services – Certain fees for professional and administrative services incurred by the Foundation are paid by a related party. The Foundation records the expense for the services, and recognizes the value of the fees paid as contributed services revenue in the Statements of Activities and Changes in Net Assets.

2. RELATED PARTY

Financial Executives of Houston, Inc. (formerly known as Financial Executives International – Houston Chapter) ("FEI Houston") established the Foundation. FEI Houston provides financial backing and resources to the Foundation including contributed funds, contributed services and volunteer time. The Foundation recorded contributed services from FEI Houston of $720 and $720 during the years ended June 30, 2014 and 2013, respectively. The Foundation also receives donated services from unpaid volunteers who assist in fundraising, special projects, and governance. No amounts have been recognized in the Statements of Activities and Changes in Net Assets for these contributed services because the criteria for recognition have not been satisfied.

3. INVESTMENTS

The Company's investments comprise equity and debt securities, all of which are classified as trading securities and are carried at their fair value based on the quoted market prices of the securities. The investments presented at fair value in the table below represent Level 1 investments. Net realized and unrealized gains and losses on trading securities are included in the Statement of Activities and Changes in Net Assets. For the purpose of determining realized gains and losses, the cost of securities sold is based on specific identification.

The composition of trading securities is as follows at June 30, 2014 and 2013:

	2014		
	COST	FAIR VALUE	UNREALIZED (LOSS)
Preferred stock	$ 191,857	$ 190,447	$ (1,410)
Total trading securities	$ 191,857	$ 190,447	$ (1,410)

	2013		
	COST	FAIR VALUE	UNREALIZED (LOSS)
Mutual fund investments	$ 171,058	$ 162,825	$ (8,233)
Preferred stock	56,851	54,503	(2,348)
Total trading securities	$ 227,909	$ 217,328	$ (10,581)

3. INVESTMENTS (continued)

Investment income for the year ended June 30, 2014 and 2013 consists of the following:

	2014	2013
Interest and dividend income	$ 13,623	$ 5,347
Net realized gains (losses)	(9,922)	–
Net unrealized holding gains (losses)	9,171	(10,582)
Net investment income (loss)	$ 12,872	$ (5,235)

4. SCHEDULE OF PLEDGES RECEIVABLE

The following table details unconditional promises to give to the Foundation as of June 30, 2014:

2015	$ 20,000
2016	10,000
Total	$ 30,000

5. SOURCES OF REVENUE

The following table details sources of contributions received by the Foundation for the years ended June 30:

	2014	2013
FEI Houston	$ 41,500	$ 33,000
FEI members	12,511	8,750
Corporate sponsors	25,000	57,500
Other individuals	5,400	1,200
Total	$ 84,411	$ 100,450

6. SCHOLARSHIPS

The Foundation annually provides academic scholarships to accounting or finance students attending accredited colleges and universities in Southeast Texas. The scholarship recipients are selected for their economic need, academic achievements, and extracurricular activity records in their respective schools.

7. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through February 20, 2015, the date which these financial statements were available to be issued. No events or transactions have occurred that would require adjustment to or disclosure in these financial statements.