

REPORT OF INDEPENDENT AUDITORS
AND ANNUAL FINANCIAL REPORT

FEI HOUSTON SCHOLARSHIP FOUNDATION

June 30, 2018 and 2017

MOSSADAMS

Table of Contents

	PAGE
Report of Independent Auditors	1–2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6–11

MOSSADAMS

Report of Independent Auditors

To the Board of Directors
FEI Houston Scholarship Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of FEI Houston Scholarship Foundation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets 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 FEI Houston Scholarship Foundation as of June 30, 2018 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – 2017 Financial Statement

The financial statements of FEI Houston Scholarship Foundation as of and for the year ended June 30, 2017 were audited by other auditors whose report, dated November 13, 2017, expressed an unmodified opinion on those statements.

Moss Adams LLP

Houston, Texas
January 7, 2019

FEI Houston Scholarship Foundation
Statements of Financial Position

	June 30, 2018	June 30, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 94,812	$ 267,996
Investments, at fair market value	565,621	361,648
Current pledges receivable	26,000	37,500
Total current assets	686,433	667,144
DEFERRED PLEDGES RECEIVABLE	38,000	45,000
Total assets	$ 724,433	$ 712,144
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES	$ 272	$ -
NET ASSETS		
Unrestricted	660,161	647,144
Temporary restricted	64,000	65,000
Total net assets	724,161	712,144
Total liabilities and net assets	$ 724,433	$ 712,144

See accompanying notes.

FEI Houston Scholarship Foundation
Statements of Activities and Changes in Net Assets

	Years Ended June 30,					
	2018			2017		
	Unrestricted	Temporary Restricted	Total	Unrestricted	Temporary Restricted	Total
REVENUES						
Contributions - corporations and individuals	$ 75,726	$ 19,000	$ 94,726	$ 80,386	$ 15,000	$ 95,386
Net assets released from restrictions	20,000	(20,000)	-	24,500	(24,500)	-
Investment income - unrealized gain/(loss)	1,170	-	1,170	(6,258)	-	(6,258)
Investment income - realized loss	(828)	-	(828)	(25)	-	(25)
Interest and dividend income	12,855	-	12,855	14,117	-	14,117
Total revenues	108,923	(1,000)	107,923	112,720	(9,500)	103,220
OPERATING EXPENSES						
Program services - scholarships	60,000	-	60,000	60,000	-	60,000
Bad debt expense	10,000	-	10,000	-	-	-
Professional and administrative	25,906	-	25,906	21,951	-	21,951
Total operating expenses	95,906	-	95,906	81,951	-	81,951
CHANGE IN NET ASSETS	13,017	(1,000)	12,017	30,769	(9,500)	21,269
NET ASSETS, beginning of year	647,144	65,000	712,144	616,375	74,500	690,875
NET ASSETS, end of year	$ 660,161	$ 64,000	$ 724,161	$ 647,144	$ 65,000	$ 712,144

See accompanying notes.

FEI Houston Scholarship Foundation
Statements of Cash Flows

	June 30, 2018	June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 12,017	$ 21,269
Unrealized (gain) loss on investments	(1,170)	6,258
Realized loss on investments	828	25
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Net change in operating assets and liabilties		
Pledges receivable	18,500	17,500
Current liabilities	(272)	(9,204)
Net cash provided by operating activities	29,903	35,848
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(309,837)	(200,440)
Proceeds from sales of investments	106,750	247,309
Net cash provided by (used in) investing activities	(203,087)	46,869
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS	(173,184)	82,717
CASH AND CAH EQUIVALENTS, beginning of year	267,996	185,279
CASH AND CASH EQUIVALENTS, end of year	$ 94,812	$ 267,996

Note 1 – General and Summary of Significant Accounting Policies

Description of Organization
The FEI Houston 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 must be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

As of June 30, 2018 and 2017, 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.

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, 2018 and 2017.

Note 1 – General and Summary of Significant Accounting Policies (continued)

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 revenues.

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.

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, 2018 or 2017.

Scholarships
The Foundation provides academic scholarships annually 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.

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.

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 due to such concentration.

Uncertain Tax Positions
The Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3). The financial effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon an examination. Interest and penalties, if any, are included in the expenses in the statement of activities. As of June 30, 2018, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. The Foundation’s tax years of 2015 and forward are subject to examination by federal and state taxing authorities.

Note 1 – General and Summary of Significant Accounting Policies (continued)

Reclassification of Prior Year Presentation
Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on the reported results of activities.

Recent Accounting Pronouncements
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Financial Reporting, to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. For nonpublic entities, this update is effective for fiscal years beginning after December 15, 2017. The Foundation is evaluating the impact of adoption on its financial statements.

Note 2 – Investments

The Foundation follows Accounting Standards Codification (ASC) ASC 820, Fair Value Measurements and Disclosures, for its financial assets and liabilities carried at fair value on a recurring basis in the financial statements. ASC 820 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset or liability's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy under the ASC are described below:

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.

Note 2 – Investments (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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Preferred Stock and Bond – Stated at fair value as determined by the New York Stock Exchange. Such investments are classified as Level 1.

The preceding methods described may produce a fair value calculation 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.

The Company's equity securities are classified as trading securities and 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. The cost of securities sold is based on specific identification.

The composition of investments are as follows:

	June 30, 2018		
	Cost	Fair Value	Unrealized Gain
Preferred stock and bond	$ 558,747	$ 565,621	$ 6,874
Total investments	$ 558,747	$ 565,621	$ 6,874

	June 30, 2017		
	Cost	Fair Value	Unrealized Gain
Preferred stock and bond	$ 355,944	$ 361,648	$ 5,704
Total investments	$ 355,944	$ 361,648	$ 5,704

Note 2 – Investments (continued)

Investment income consists of the following:

	June 30, 2018	June 30, 2017
Interest and divident income	$ 12,855	$ 14,117
Net realized losses	(828)	(25)
Net unrealized holding gains/(losses)	1,170	(6,258)
Total investment income	$ 13,197	$ 7,834

Note 3 – Schedule of Pledges Receivable

The following table details unconditional promises to give to the Foundation as of June 30, 2018:

2019	$ 26,000
2020	26,000
2021	11,000
2022	1,000
Total	$ 64,000

Note 4 – Sources of Revenue

The following table details sources of contributions received by the Foundation:

	June 30, 2018	June 30, 2017
FEI Houston	$ 2,825	$ 47,300
FEI members	60,415	10,086
Corporate sponsors	31,486	30,000
Other individuals	-	8,000
Total contributions	$ 94,726	$ 95,386

Note 5 – 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. FEI Houston provided contributions of $2,825 and $47,300 during the years ended June 30, 2018 and 2017, 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.

Note 6 – Subsequent Events

The Foundation has evaluated subsequent events through January 7, 2019, 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.


MOSSADAMS