

**FERN CREEK HIGH SCHOOL ALUMNI  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**(MODIFIED CASH BASIS)**

**DECEMBER 31, 2017 AND 2016**

*CPAs / ADVISORS*



**FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.**

TABLE OF CONTENTS  
DECEMBER 31, 2017 AND 2016

---

|   | Page     |
|---|----------|
| <b>Review Report of Independent Accountants .....</b>         | <b>1</b> |
| <br><b>Financial Statements</b>                               |          |
| 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

## 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, 2017 and 2016, 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.

*Blue & Co., LLC*

Louisville, Kentucky

September 6, 2018

**FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.**

STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS  
DECEMBER 31, 2017 AND 2016

---

**ASSETS**

|                             | <u>2017</u>           | <u>2016</u>           |
|-----------------------------|-----------------------|-----------------------|
| Cash and cash equivalents   | \$ 22,049             | \$ 12,936             |
| Investments                 | 278,404               | 239,545               |
| Gaming deposit              | 5,000                 | 5,000                 |
| Property and equipment, net | <u>5,409</u>          | <u>6,778</u>          |
| <br>Total assets            | <br><u>\$ 310,862</u> | <br><u>\$ 264,259</u> |

**NET ASSETS**

|                            |                       |                       |
|----------------------------|-----------------------|-----------------------|
| Unrestricted:              |                       |                       |
| Undesignated               | \$ 272,462            | \$ 255,850            |
| Board designated           | <u>20,000</u>         | <u>0</u>              |
| Total unrestricted         | 292,462               | 255,850               |
| <br>Temporarily restricted | <br><u>18,400</u>     | <br><u>8,409</u>      |
| <br>Total net assets       | <br><u>\$ 310,862</u> | <br><u>\$ 264,259</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, 2017 AND 2016

|                                       | 2017              |                        |                   | 2016              |                        |                   |
|---------------------------------------|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
|                                       | Unrestricted      | Temporarily Restricted | Total             | Unrestricted      | Temporarily Restricted | Total             |
| <b>Support and revenues</b>           |                   |                        |                   |                   |                        |                   |
| Gaming revenues                       | \$ 353,602        | \$ 0                   | \$ 353,602        | \$ 336,415        | \$ 0                   | \$ 336,415        |
| Contributions                         | 8,073             | 14,391                 | 22,464            | 10,925            | 1,900                  | 12,825            |
| Membership dues                       | 6,209             | 0                      | 6,209             | 5,035             | 0                      | 5,035             |
| Fundraising events                    | 4,817             | 0                      | 4,817             | 3,690             | 0                      | 3,690             |
| Dividends                             | 4,152             | 0                      | 4,152             | 3,342             | 0                      | 3,342             |
| Realized gain/(loss) on investments   | 1,870             | 0                      | 1,870             | (1,074)           | 0                      | (1,074)           |
| Unrealized gain on investments        | 33,124            | 0                      | 33,124            | 10,728            | 0                      | 10,728            |
| Interest income                       | 7                 | 0                      | 7                 | 0                 | 0                      | 0                 |
| Net assets released from restrictions | <u>4,400</u>      | <u>(4,400)</u>         | <u>0</u>          | <u>400</u>        | <u>(400)</u>           | <u>0</u>          |
| Total support and revenues            | 416,254           | 9,991                  | 426,245           | 369,461           | 1,500                  | 370,961           |
| <b>Expenses</b>                       |                   |                        |                   |                   |                        |                   |
| Program services                      | 341,469           | 0                      | 341,469           | 357,032           | 0                      | 357,032           |
| Management and general                | 34,544            | 0                      | 34,544            | 27,105            | 0                      | 27,105            |
| Fundraising                           | <u>3,629</u>      | <u>0</u>               | <u>3,629</u>      | <u>528</u>        | <u>0</u>               | <u>528</u>        |
| Total expenses                        | <u>379,642</u>    | <u>0</u>               | <u>379,642</u>    | <u>384,665</u>    | <u>0</u>               | <u>384,665</u>    |
| Change in net assets                  | 36,612            | 9,991                  | 46,603            | (15,204)          | 1,500                  | (13,704)          |
| <b>Net assets, beginning of year</b>  | <u>255,850</u>    | <u>8,409</u>           | <u>264,259</u>    | <u>271,054</u>    | <u>6,909</u>           | <u>277,963</u>    |
| <b>Net assets, end of year</b>        | <u>\$ 292,462</u> | <u>\$ 18,400</u>       | <u>\$ 310,862</u> | <u>\$ 255,850</u> | <u>\$ 8,409</u>        | <u>\$ 264,259</u> |

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, 2017 AND 2016

|                            | 2017              |                        |                 |                   | 2016              |                        |               |                   |
|----------------------------|-------------------|------------------------|-----------------|-------------------|-------------------|------------------------|---------------|-------------------|
|                            | Program Services  | Management and General | Fundraising     | Total Expenses    | Program Services  | Management and General | Fundraising   | Total Expenses    |
| Gaming expense             | \$ 209,162        | \$ 0                   | \$ 0            | \$ 209,162        | \$ 200,940        | \$ 0                   | \$ 0          | \$ 200,940        |
| School and student needs   | 77,056            | 0                      | 0               | 77,056            | 94,000            | 0                      | 0             | 94,000            |
| Salaries and wages         | 49,487            | 5,498                  | 0               | 54,985            | 45,648            | 5,072                  | 0             | 50,720            |
| Fundraising events expense | 0                 | 0                      | 3,629           | 3,629             | 0                 | 0                      | 528           | 528               |
| Supplies                   | 2,083             | 2,640                  | 0               | 4,723             | 2,348             | 2,974                  | 0             | 5,322             |
| Insurance                  | 0                 | 5,236                  | 0               | 5,236             | 0                 | 1,789                  | 0             | 1,789             |
| Professional fees          | 0                 | 6,806                  | 0               | 6,806             | 0                 | 6,406                  | 0             | 6,406             |
| Office expense             | 0                 | 13,221                 | 0               | 13,221            | 0                 | 9,873                  | 0             | 9,873             |
| Vehicle expense            | 0                 | 1,143                  | 0               | 1,143             | 0                 | 991                    | 0             | 991               |
| Depreciation               | 1,369             | 0                      | 0               | 1,369             | 6,929             | 0                      | 0             | 6,929             |
| Miscellaneous              | 2,312             | 0                      | 0               | 2,312             | 7,167             | 0                      | 0             | 7,167             |
|                            | <u>\$ 341,469</u> | <u>\$ 34,544</u>       | <u>\$ 3,629</u> | <u>\$ 379,642</u> | <u>\$ 357,032</u> | <u>\$ 27,105</u>       | <u>\$ 528</u> | <u>\$ 384,665</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, 2017 AND 2016

---

### 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 and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Accordingly, the net assets of the Organization and the changes therein are classified and reported as follows:

*Unrestricted net assets* represent those net assets that the Organization may use at its discretion.

*Board designated funds* are unrestricted funds which have been set aside for the construction of a fieldhouse.

*Temporarily restricted net assets* are net assets subject to donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor 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.



# FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### 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.

Dividend income and net unrealized and realized gains and losses on the investments are recognized as unrestricted or temporarily restricted based upon the existence or absence of donor-imposed restrictions.

### 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 unrestricted net assets 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 temporarily restricted net assets. All other support and revenue is recorded when received.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets 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, 2017 AND 2016

---

### Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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.

### Recently Issued Accounting Standards

On August 18, 2016, FASB issued ASU No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the Organization is not required to adopt until its year ending December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This ASU completes the first phase of a two phase project to amend non-for-profit financial reporting requirements.

The Organization is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.

### 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 September 6, 2018.

# FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### 2. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2017 and 2016 is as follows:

|                               | <u>2017</u>     | <u>2016</u>     |
|-------------------------------|-----------------|-----------------|
| Equipment                     | \$ 20,048       | \$ 20,048       |
| Less accumulated depreciation | <u>14,639</u>   | <u>13,270</u>   |
| Net property and equipment    | <u>\$ 5,409</u> | <u>\$ 6,778</u> |

Depreciation expense was \$1,369 and \$6,929 for the years ended December 31, 2017 and 2016, respectively.

### 3. TEMPORARILY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets are available for the following purposes or programs at December 31, 2017 and 2016:

|                    | <u>2017</u>      | <u>2016</u>     |
|--------------------|------------------|-----------------|
| Auditorium Fund    | \$ 7,009         | \$ 7,009        |
| Fieldhouse Fund    | 11,391           | 0               |
| Class Reunion Fund | <u>0</u>         | <u>1,400</u>    |
|                    | <u>\$ 18,400</u> | <u>\$ 8,409</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. Amounts received for the Class Reunion Fund are to be used for the 2017 Class Reunion.

Net assets released from restriction during the years ended December 31, 2017 and 2016 were \$4,400 and \$400, respectively.

### 4. 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).

---

*See review report of independent accountants.*

# FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

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.

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, 2017 and 2016.

- *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.

**FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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<br>December 31, 2017: |             |             | Total             |
|---|--|-------------|-------------|-------------------|
|   | Level 1  | Level 2     | Level 3     |                   |
| <b>Exchange traded funds</b>                  |  |             |             |                   |
| Bond  | \$ 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>      |
| <b>Total exchange traded funds</b>            | 231,300  | 0           | 0           | 231,300           |
| <b>Mutual funds</b>                           |  |             |             |                   |
| 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>     |
| <b>Total mutual funds</b>                     | <u>47,104</u>                                    | <u>0</u>    | <u>0</u>    | <u>47,104</u>     |
| <b>Total exchange traded and mutual funds</b> | <u>\$ 278,404</u>                                | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 278,404</u> |

*See review report of independent accountants.*

# FERN CREEK HIGH SCHOOL ALUMNI ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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, 2016:

|   | Assets at Fair Value as of<br>December 31, 2016: |             |             |                   |
|---|--|-------------|-------------|-------------------|
|   | Level 1  | Level 2     | Level 3     | Total             |
| <b>Exchange traded funds</b>                  |  |             |             |                   |
| Bond  | \$ 39,810  | \$ 0        | \$ 0        | \$ 39,810         |
| Large blend                                   | 75,844   | 0           | 0           | 75,844            |
| Large growth                                  | 31,103   | 0           | 0           | 31,103            |
| Large value                                   | 37,948   | 0           | 0           | 37,948            |
| Medium growth                                 | 7,080  | 0           | 0           | 7,080             |
| Medium value                                  | 7,581  | 0           | 0           | 7,581             |
| Small growth                                  | 2,529  | 0           | 0           | 2,529             |
| Small value                                   | <u>5,203</u>                                     | <u>0</u>    | <u>0</u>    | <u>5,203</u>      |
| <b>Total exchange traded funds</b>            | 207,098  | 0           | 0           | 207,098           |
| <b>Mutual funds</b>                           |  |             |             |                   |
| Large growth                                  | 8,587  | 0           | 0           | 8,587             |
| Medium growth                                 | 9,337  | 0           | 0           | 9,337             |
| Large blend                                   | 9,569  | 0           | 0           | 9,569             |
| Medium value                                  | <u>4,954</u>                                     | <u>0</u>    | <u>0</u>    | <u>4,954</u>      |
| <b>Total mutual funds</b>                     | <u>32,447</u>                                    | <u>0</u>    | <u>0</u>    | <u>32,447</u>     |
| <b>Total exchange traded and mutual funds</b> | <u>\$ 239,545</u>                                | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 239,545</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 2017 and 2016.

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.