

FINANCIAL REPORT

**ALAMO HEIGHTS
SCHOOL FOUNDATION**

JUNE 30, 2007

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Carneiro, Chumney & Co., L.C.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Alamo Heights School Foundation
San Antonio, Texas

We have audited the statements of assets, liabilities, and fund balances - modified cash basis of the Alamo Heights School Foundation as of June 30, 2007 and 2006, and the related statement of cash receipts and disbursements and changes in fund balances - by fund - modified cash basis (with summarized financial information for 2006) for the year ended June 30, 2007. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements modified for investments reported at fair market value. This basis is a comprehensive basis of accounting other than United States generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances of the Alamo Heights School Foundation as of June 30, 2007 and 2006, and its receipts and disbursements and changes in fund balance for the year ended June 30, 2007, on the basis of accounting described in Note 1.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



August 31, 2007

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ALAMO HEIGHTS SCHOOL FOUNDATION
 STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCES -
 MODIFIED CASH BASIS

JUNE 30, 2007 AND 2006

	2007	2006
Assets:		
Cash:		
Cash in bank	72,197	2,248
Money market accounts	--	177,889
Total Cash Assets	72,197	180,137
Investments -		
At fair market value	2,621,996	2,141,263
TOTAL ASSETS	2,694,193	2,321,400
Commitments - Note 9		
Liabilities	--	--
Fund Balances:		
Operating Fund	103,382	84,155
Endowed Scholarship Funds	184,438	149,780
Endowed Grant Funds	654,168	581,385
Endowment Funds	1,752,205	1,506,080
Total Fund Balances	2,694,193	2,321,400
TOTAL LIABILITIES AND FUND BALANCE	2,694,193	2,321,400

The accompanying notes are an integral part of these financial statements.

ALAMO HEIGHTS SCHOOL FOUNDATION

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN FUND BALANCES - BY FUND - MODIFIED CASH BASIS

YEAR ENDED JUNE 30, 2007
(With Summarized Financial Information for the Year ended 2006)

	2007				2006	
	Operating Funds	Endowed Scholarship Funds	Endowed Grant Funds	Endowment Funds	Total	Total
Operating Receipts and Disbursements:						
Receipts:						
Contributions:						
Endowment campaign	--	350	20,730	121,874	142,954	378,411
Fundraising campaigns	402,012	--	--	37,730	439,742	454,467
Interest	1,664	825	2,966	7,775	13,230	8,882
Dividends	--	34,350	--	--	34,350	33,813
Managed asset investment income	9,409	5,305	19,326	50,303	84,343	57,562
Managed asset realized gain on sale of investments	1,058	168	307	1,211	2,744	107,635
Managed asset unrealized gain/(loss) on investment	14,881	11,671	43,061	109,931	179,544	(140,376)
Management fee	33,067	--	--	--	33,067	25,936
Alumni Association dues	1,565	--	--	--	1,565	--
Special events (net of disbursements of \$8,646 for 2007 and \$9,071 for 2006)	42,920	--	--	--	42,920	36,893
Disbursements:						
Grants	328,134	--	22,000	50,000	400,134	362,855
Scholarships	--	9,250	--	--	9,250	33,000
Professional dues and education	1,923	--	--	--	1,923	2,628
Fundraising expenses	29,491	--	--	--	29,491	20,365
Payroll	106,651	--	--	--	106,651	101,171
Professional fees	8,400	--	--	--	8,400	5,420
Management fee	--	8,761	6,607	17,699	33,067	25,936
Supplies and general	12,750	--	--	--	12,750	16,394
Total Disbursements	487,349	18,011	28,607	67,699	601,666	567,769
Cash Receipts Over						
Cash disbursements	19,227	34,658	57,783	261,125	372,793	395,454
Fund balances, beginning of the year before transfer of net assets	400,508	470,654	--	1,450,238	2,321,400	1,925,946
Transfer of net assets	(316,353)	(320,874)	596,385	40,842	--	--
FUND BALANCES, END OF YEAR	103,382	184,438	654,168	1,752,205	2,694,193	2,321,400

The accompanying notes are an integral part of these financial statements.

ALAMO HEIGHTS SCHOOL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Modified Cash Basis)

Note 1 : Summary of Significant Accounting Policies

Organization

The Alamo Heights School Foundation (the Foundation) provides support to the Alamo Heights Independent School District (AHISD). The Foundation receives contributions from the public and uses these contributions and earnings from invested contributions to provide scholarships for students of the AHISD and fund requests from AHISD.

Basis of Presentation

The financial statements of the Foundation are prepared on the modified cash basis of accounting that includes reporting investments at fair market value. Under this basis, receipts are recognized when received and disbursements are recognized when made. Accordingly, accounts receivable for contributions and accounts payable for amounts due vendors and suppliers are not included in the financial statements.

The financial statements of the Foundation include the Oma E. Vordenbaum Trust. The Foundation is Trustee of the Trust (see Note 4).

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. For accounting and reporting purposes, resources are grouped into funds by activity, objective, or restricted purpose (see Notes 4 and 5).

Investments

For investment purposes, cash and investments from various funds have been pooled to enhance the return on investment and improve cash management (see Note 3).

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

Management Fee

To address general overhead and operating costs, the general fund assesses the scholarship, grant, and endowment funds an annual management fee equal to 1% of the fair market value of each fund as of June 30.

Federal Income Taxes

The Foundation is exempt from Federal income tax as a public foundation under Internal Revenue Code Section 501(c)(3). Contributions to the Foundation are deductible by the donor for Federal income tax purposes. The Oma E. Vordenbaum Trust is subject to Federal income tax on undistributed net income.

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ALAMO HEIGHTS SCHOOL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007
(Modified Cash Basis)
(Continuation)

Note 1: Summary of Significant Accounting Policies (Continued)
Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with United States generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

Note 2: Cash Credit Risk

The Foundation maintains its cash in bank accounts which, at times, may exceed the federally insured limit of \$100,000. Management believes the Foundation is not exposed to any significant credit risk on cash. At June 30, 2007 and 2006 approximately \$0 and \$72,000, respectively, exceeded the FDIC insured limit.

Note 3: Investments

Investments are carried at fair market value based on quoted market prices. At June 30, 2007 and 2006 aggregate cost of the investments was \$2,581,175 and \$2,282,990, respectively.

As of January 1, 2007, the Foundation hired a new investment manager, South Texas Money Managers (STMM) to replace the Combined Charities Investment Group (CCIG). The Foundation's investment activity from both STMM and CCIG for the years ended June 30, 2007 and 2006 resulted in realized income of \$87,087 and \$165,197, respectively, which was subsequently reinvested. The unrealized gain/(loss) on investments and increase/(decrease) in fund balance was \$179,544 and (\$140,376) for the years ended June 30, 2007 and 2006, respectively, based on carrying the investments at market value.

The cost and fair value of investments by major type at September 30, 2007 and 2006 are as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	164,759	164,759	477	477
Fixed income securities	--	--	870,061	792,436
Equity securities	<u>2,416,416</u>	<u>2,457,237</u>	<u>1,412,452</u>	<u>1,348,350</u>
	<u>2,581,175</u>	<u>2,621,996</u>	<u>2,282,990</u>	<u>2,141,263</u>

(Continued)

ALAMO HEIGHTS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Modified Cash Basis)

(Continuation)

Note 4: Scholarships Awarded

W. W. and Anna May Campbell Scholarship

The W. W. and Anna May Campbell Scholarship Trust, with Frost National Bank as Trustee, was established under the will of Anna May Campbell for the benefit of the Foundation. In 1985, the Alamo Heights School Foundation formed the W. W. and Anna May Campbell Scholarship Fund to administer Trust revenue distributed to the Foundation. The revenue from the Trust is to be used for scholarships for graduates of Alamo Heights High School who are attending state or other publicly supported colleges or universities and who are sophomores or above in class standing. Recipients of the Campbell Scholarships will be selected based on scholastic ability and financial need.

Shirley Fitch English Memorial Scholarship

The Shirley Fitch English Memorial Scholarship was established in 1985. Income from the English Fund will be used to award a \$1,000 annual scholarship. The recipient of the annual scholarship will be a graduating senior who has demonstrated academic effort, improvement, and perseverance, and can be at any level of ability. The recipient should have demonstrated school spirit through involvement in extra-curricular activities. Scholarship monies may be used for any area of further education that will enable the recipient to lead a productive life. A committee composed of the principal, a member of the Foundation, and a representative of the teaching staff will select the recipient.

Debbie McPherson Memorial Sportsmanship Award

In 1978, the Foundation received a \$5,000 contribution, income from which is designated to fund the Debbie McPherson Memorial Sportsmanship Award. The award is given annually to a graduating senior female athlete of Alamo Heights High School. Selection shall be made by the Coaching Staff and the Athletic Director of the High School. Qualities to be used as a guide in making the selection include team spirit, honesty, self-sacrifice, an unselfish attitude, dedication to the team and the sport, fairness, courtesy, perseverance, self-determination, good attendance in workouts, and average grades or better.

Oma E. Vordenbaum Trust

On September 13, 1977, the Alamo Heights School Foundation, acting as Trustee of the Oma E. Vordenbaum Trust, received from the Estate of Oma E. Vordenbaum \$88,891 cash and a one-half mineral interest in approximately 117 acres in Gonzales County, Texas. The Trust was established for the purpose of creating a scholarship fund for graduating seniors enrolled in Alamo Heights High School seeking higher education. Desirable qualifications for students designated to receive assistance from the Trust shall be fixed by the Trustee. Currently, scholarships are awarded on both merit and need. The recipient should also have many of the qualities Mrs. Vordenbaum exemplified herself and valued in others, including intellectual curiosity and a love of learning, perseverance and seriousness of purpose, an honest and direct approach, sincerity, trustworthiness, unselfishness, neatness in work and appearance, and respect for others. In addition, she prized a wholesome attitude toward school and education, a willingness to work hard, a desire to cooperate with and to help others, and a positive and pleasant approach to life.

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ALAMO HEIGHTS SCHOOL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Modified Cash Basis)

(Continuation)

Note 4. Scholarships Awarded (Continued)

Bob Ware Memorial Scholarship

The Bob Ware Memorial Scholarship was established in 1975. Income from the Ware Fund will be used annually to award a scholarship (or scholarships) to an Alamo Heights graduating senior (or seniors). Only the income from the fund should be expended, leaving the principal intact. The recipient should be a conscientious student with average ability who achieves better than his/her indicated ability while involved in the extra-curricular activities of his/her school. The recipient should be selected by a faculty committee designated by the Foundation and composed of at least three teachers including a representative from the athletic department. Preferably, those teachers who have best known Bob Ware or his family will be selected.

Scholarships Approved in the Current Year

Scholarships approved in 2007 and to be paid out in 2008 include:

Vordenbaum	6,000
Campbell	32,000
English	1,000
McPherson	1,000
Ware	<u>1,000</u>
	<u>41,000</u>

Note 5. Grants Awarded

Boldrick Fund

The Boldrick Fund was established in 1991. The income from this fund is to be used creatively to benefit special achievers, those teachers with a penchant for learning and academic achievement, and to stimulate interest in careers in science, math, and language arts.

Faye Langley Cowden Chair for Elementary Education

Contributions of \$200,000 have been received by the Foundation for the purpose of establishing an elementary education chair in the Alamo Heights Independent School District. Funding for the Chair is provided by the income from investment of the donation. The assets of the Fund may not be hypothecated or pledged by the Foundation for any purpose. The Foundation has established the Cowden Fund to account for the assets, receipts, and disbursements related to the Chair.

Johnnie Eng Fund for Teaching Excellence

The fund was established upon his retirement to honor the impact Mr. Eng had on the lives of his students and colleagues. The fund will support academic excellence at Alamo Heights High School.

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ALAMO HEIGHTS SCHOOL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Modified Cash Basis)

(Continuation)

Note 5: Grants Awarded (Continued)

Caroline Gose Fund

The fund was established in memory of Caroline Gose, a 2003 Alamo Heights graduate. Income generated will provide funding for a student/teacher project at the High School in the areas of theater, journalism, or community service.

Ida M. Kennedy Fund

The fund was established in memory of Mrs. Kennedy, a revered math teacher at the Junior School. The interest from the fund will be used by the Junior School.

Graham Ladensohn Memorial Lecture Series

The Graham Ladensohn Memorial Lecture Series was established in 1991 for the purpose of financing lecture speakers for the community and the Alamo Heights Independent School District faculty.

Note 6: Other Grants Awarded

Operating General Fund

Grants from the General Fund are made on a periodic basis to schools in the Alamo Heights Independent School District for classroom supplies, libraries, technology, staff enrichment, and salary support. During the year ended June 30, 2007, a grant of \$250,000 was made by the Foundation to the District. Additional grants of \$60,000 were made to the District per donors' specific funding requests during the fiscal year. The Foundation awarded an additional \$18,134 in Innovative Grants to the Alamo Heights School District during the year ended June 30, 2007.

During the year ended June 30, 2006, a grant of \$250,000 was made by the Foundation to the District. Additional grants of \$80,837 were made to the district per donors' specific funding requests during the fiscal year. The Foundation awarded an additional \$16,268 in Innovative Grants to the Alamo Heights School District during the year ended June 30, 2006.

Note 7: Endowment Fund

The Endowment Fund Campaign was initiated in the fall of 2002. The intent of the endowment effort is to recruit support for long-term financial security of the District. Upon maturity, earnings from the endowment will support various facets of the District's programs.

During fiscal year 2006/2007 the Board approved to distribute \$50,000 a year to help fund the Teacher for Academic Excellence in Science. This commitment is subject to a periodic review by the board.

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ALAMO HEIGHTS SCHOOL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Modified Cash Basis)

(Continuation)

Note 7: Endowment Fund (Continued)

Board Designated Fund

During fiscal year 2006/2007 the Board approved the transfer of the Permanent Fund, which was established in 1998, to the Endowment. Earnings on these undesignated contributions, honorariums, and memorials to the Alamo Heights School Foundation after expenses paid are available for operational needs, as requested, of the Alamo Heights Independent School District at a level set annually by the Alamo Heights School Foundation in consultation with the superintendent

Note 8: Pledges Receivable

During the fiscal year 2002/2003, the Foundation initiated an Endowment campaign. The statement of cash receipts and disbursements and changes in fund balances reflects only amounts received in cash. Unrecorded pledges receivable total \$146,295 and \$258,315 as of June 30, 2007 and 2006, respectively.

Note 9: Operating Lease

During the 2002-2003 year, the Foundation began paying for leased office space under an indefinite operating lease with the Alamo Heights Independent School District. Rent expense for the year ended June 30, 2006 and 2007 was \$2,400 each year.

Minimum future rental payments under the operating lease over the next five years are:

2008	\$ 2,400
2009	2,400
2010	2,400
2011	2,400
2012	2,400

Note 10: Transfer of Net Assets

During the 2007, management elected to transfer net assets previously grouped in endowed scholarship and operating funds to endowed grant funds and endowment funds as shown on the statement of cash receipts and disbursements and changes in fund balances - by fund - modified cash basis.

SUPPLEMENTARY SCHEDULE

