The Awty International School

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2017 and 2016

Independent Auditors' Report

To the Board of Directors of
The Awty International School:

We have audited the accompanying financial statements of The Awty International School, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016 and the related consolidated statements of activities and 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.

Auditors' 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 our audits 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 auditors' 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 consolidated financial position of The Awty International School as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

November 10, 2017

2900 Weslayan, Suite 200 Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

The Awty International School

Consolidated Statements of Financial Position as of June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash	$ 31,635,821	$ 28,055,544
Receivables:		
Tuition	105,368	79,359
Other	25,793	7,998
Textbook and uniform inventory	204,313	299,348
Prepaid expenses and other assets	330,834	499,886
Operating pledges receivable, net *(Note 2)*	674,615	706,009
Investments *(Notes 3 and 4)*	5,465,813	5,097,594
Cash restricted/designated for capital projects	1,341,726	7,596,557
Pledges receivable restricted/designated for capital projects *(Note 2)*	1,968,461	1,901,770
Property and equipment, net *(Note 5)*	70,706,924	56,616,983
TOTAL ASSETS	$ 112,459,668	$ 100,861,048
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 684,196	$ 638,770
Construction payable	4,932,820	
Accrued expenses	1,597,714	1,667,361
Deferred tuition and fees	26,070,103	21,851,371
Notes payable, net *(Note 6)*	11,907,439	12,810,839
Total liabilities	45,192,272	36,968,341
Net assets:		
Unrestricted *(Notes 7 and 9)*	63,164,067	60,164,733
Temporarily restricted *(Note 8)*	4,103,329	3,727,974
Total net assets	67,267,396	63,892,707
TOTAL LIABILITIES AND NET ASSETS	$ 112,459,668	$ 100,861,048

See accompanying notes to consolidated financial statements.

The Awty International School

Consolidated Statement of Activities for the year ended June 30, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE:			
Tuition and fees	$ 36,176,955		$ 36,176,955
Auxiliary service fees	1,429,348		1,429,348
Other program service fees	1,489,924		1,489,924
Contributions	890,926	$ 915,869	1,806,795
Fundraising events	685,819	355,439	1,041,258
Direct donor benefit costs	(172,279)		(172,279)
Investment return, net *(Note 3)*	371,372		371,372
Other	106,628		106,628
Total revenue	40,978,693	1,271,308	42,250,001
Net assets released from restrictions:			
Program and fundraising expenditures	675,453	(675,453)	
Expiration of time restrictions	220,500	(220,500)	
Total	41,874,646	375,355	42,250,001
EXPENSES:			
Instructional and student activities	32,366,337		32,366,337
Management and general	5,174,806		5,174,806
Fundraising	1,334,169		1,334,169
Total expenses	38,875,312		38,875,312
CHANGES IN NET ASSETS	2,999,334	375,355	3,374,689
Net assets, beginning of year	60,164,733	3,727,974	63,892,707
Net assets, end of year	$ 63,164,067	$ 4,103,329	$ 67,267,396

See accompanying notes to consolidated financial statements.

The Awty International School

Consolidated Statement of Activities for the year ended June 30, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE:			
Tuition and fees	$ 34,605,733		$ 34,605,733
Auxiliary service fees	1,493,148		1,493,148
Other program service fees	1,607,059		1,607,059
Contributions	641,614	$ 2,120,502	2,762,116
Fundraising events	802,660	387,211	1,189,871
Direct donor benefit costs	(165,591)		(165,591)
Investment return, net *(Note 3)*	51,412		51,412
Other	379,178		379,178
Total revenue	39,415,213	2,507,713	41,922,926
Net assets released from restrictions:			
Program and fundraising expenditures	478,209	(478,209)	
Expiration of time restrictions	200,000	(200,000)	
Capital campaign expenditure	128,019	(128,019)	
Total	40,221,441	1,701,485	41,922,926
EXPENSES:			
Instructional and student activities	31,388,940		31,388,940
Management and general	4,120,958		4,120,958
Fundraising	1,290,568		1,290,568
Total expenses	36,800,466		36,800,466
CHANGES IN NET ASSETS	3,420,975	1,701,485	5,122,460
Net assets, beginning of year	56,743,758	2,026,489	58,770,247
Net assets, end of year	$ 60,164,733	$ 3,727,974	$ 63,892,707

See accompanying notes to consolidated financial statements.

The Awty International School

Consolidated Statements of Cash Flows for the years ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 3,374,689	$ 5,122,460
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,776,057	2,728,999
Amortization of loan issuance costs	20,592	18,876
Contributions restricted for capital projects	(650,163)	(1,192,476)
Net realized and unrealized (gain) loss on investments	(285,647)	48,477
Changes in operating assets and liabilities:		
Receivables	(43,804)	30,791
Textbook and uniform inventory	95,035	(53,560)
Prepaid expenses and other assets	169,052	(158,634)
Operating pledges receivable	31,394	(578,171)
Accounts payable and accrued expenses	(24,221)	412,132
Deferred tuition and fees	4,218,732	459,846
Net cash provided by operating activities	9,681,716	6,838,740
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	2,236,772	21,091,364
Purchases of investments	(2,268,750)	(5,148,985)
Change in money market mutual funds held as investments	(50,594)	(32,073)
Purchases of property and equipment	(10,572,076)	(2,022,664)
Net cash provided (used) by investing activities	(10,654,648)	13,887,642
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital projects	583,472	599,484
Principal repayments of notes payable	(1,978,338)	(1,817,876)
Loan issuance costs	(306,756)	
Net cash used by financing activities	(1,701,622)	(1,218,392)
NET CHANGE IN CASH	(2,674,554)	19,507,990
Cash, beginning of year	35,652,101	16,144,111
Cash, end of year	$ 32,977,547	$ 35,652,101

Supplemental disclosure of cash flow information:

Interest paid	$459,754	$500,733
Non-cash financing and investing transactions:		
Proceeds of note payable for construction financing	$1,356,303	
Proceeds of note payable to repay 2014 loan	$4,003,260	

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – The Awty International School (Awty) is a private day school that provides instruction to both American and international students in Houston, Texas. Awty's current enrollment is approximately 1,600 students in preschool through 12th grade. Founded in 1956, the purpose of Awty is to give its students an innovative and comprehensive education at all levels. The students are expected to acquire fluency in a second language and to participate in academic and extracurricular activities to increase their understanding of other societies and cultures and of global affairs.

7502 Old Katy Road Company (Old Katy) was incorporated in May 2002 to own, invest in, operate, maintain, lease, finance, pledge, and sell real property for the benefit of Awty. Awty is the sole member of Old Katy.

1495 POP, Inc. (POP) was incorporated in May 2004 to own, invest in, operate, maintain, lease, finance, pledge, and sell real property for the benefit of Awty. Awty is the sole member of POP.

1110 NPO LLC (NPO) is a limited liability company formed in May 2014 to own, invest in, operate, maintain, lease, finance, pledge, and sell real property for the benefit of Awty. Awty is the sole member of NPO.

Basis of consolidation – The accompanying financial statements include the consolidated activities of Awty, Old Katy, POP and NPO (collectively the School). Significant intercompany balances and transactions have been eliminated in consolidation.

Federal income tax status – Awty, Old Katy and POP are exempt from federal income tax under §501(c)(3) of the Internal Revenue Code. Awty is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(ii). Old Katy and POP are classified as Type I supporting organizations under §509(a)(3). NPO is a pass-through entity for tax purposes and is not subject to income taxes.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Textbook and uniform inventory is reported at the lower of cost or market.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts are included in contribution revenue. An allowance for uncollectible pledges receivable is provided when it is believed balances may not be collected in full. It is possible that management's estimate regarding the collectability of pledges receivable will change in the near term resulting in a change in the carrying value of pledges receivable.

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless its use is limited by donor-imposed restrictions. The School's management determines the School's valuation policies utilizing information provided by investment managers. See Note 4 for discussion of fair value measurements. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets until expended in accordance with donor-imposed restrictions.

Property and equipment are reported at cost if purchased or at fair value at the date of gift if donated. The School computes depreciation using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years for furniture, fixtures, and equipment and 3 to 30 years for buildings and improvements.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Tuition and fees are recognized in the period in which the services are provided and are shown net of student financial aid of $1,315,189 in 2017 and $1,060,974 in 2016. Tuition and fees include tuition paid by the French government of $360,271 in 2017 and $445,770 in 2016. Amounts received for future periods are recognized as deferred tuition and fees until earned.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted revenue. Conditional promises to give are included in contribution revenue when the conditions are substantially met. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are classified as restricted revenue. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions.* New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	2017	2016
Pledges receivable	$ 2,822,699	$ 2,797,402
Allowance for uncollectible pledges	(120,231)	(127,988)
Discount to net present value at 1.01% to 1.89%	(59,392)	(61,635)
Pledges receivable, net	$ 2,643,076	$ 2,607,779

Pledges receivable at June 30, 2017 are expected to be collected as follows:

Within one year	$ 953,699
In one to five years	1,719,000
Thereafter	150,000
Total pledges receivable	$ 2,822,699

In 2011, the School launched a capital campaign, *"Building for Our Future."* The goal of the campaign was to provide funds to significantly enhance building structures throughout the campus. Through June 30, 2017, contributions to the campaign totaled approximately $10.5 million before pledge allowances and discounts.

Concentration – At June 30, 2017, approximately 57% of pledges are due from four donors. At June 30, 2016, approximately 64% of pledges are due from three donors. These gifts include a pledge from an individual for $200,000 per year over the donor's remaining lifetime that has been recognized based on a life-expectancy table published by the United States Social Security Administration.

NOTE 3 – INVESTMENTS

Investments consist of the following:

	2017	2016
Common stock	$ 1,451,177	$ 1,294,722
Exchange-traded funds	965,920	859,275
Corporate bonds and notes	663,593	684,175
Equity mutual funds	658,411	641,512
Bond mutual funds	540,893	518,810
Preferred securities	418,335	393,940
U. S. Government securities	295,589	302,403
Alternative investments	291,840	273,296
Money market mutual funds	180,055	129,461
Total investments	$ 5,465,813	$ 5,097,594

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return includes earnings on cash and consists of the following:

	2017	2016
Interest and dividends	$ 124,896	$ 139,430
Net realized and unrealized gain (loss) on investments	285,647	(48,477)
Investment management fees	(39,171)	(39,541)
Investment return, net	$ 371,372	$ 51,412

NOTE 4 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2017 consist of investments as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Common stock:				
Domestic	$ 1,386,227			$ 1,386,227
International	64,950			64,950
Exchange-traded funds:				
Domestic	664,009			664,009
International	301,911			301,911
Corporate bonds and notes		$ 663,593		663,593
Equity mutual funds:				
International	423,065			423,065
Domestic	235,346			235,346
Bond mutual funds – total return	540,893			540,893
Preferred securities		418,335		418,335
U. S. Government securities		295,589		295,589
Alternative investments:				
Multi-strategy fund (a)			$ 291,840	291,840
Money market mutual funds	180,055			180,055
Total assets measured at fair value	$ 3,796,456	$ 1,377,517	$ 291,840	$ 5,465,813

Assets measured at fair value at June 30, 2016 consist of investments as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Common stock:				
Domestic	$ 1,254,639			$ 1,254,639
International	40,083			40,083
Exchange-traded funds:				
Domestic	592,464			592,464
International	266,811			266,811
Corporate bonds and notes		$ 684,175		684,175
Equity mutual funds:				
International	372,038			372,038
Domestic	269,474			269,474
Bond mutual funds – total return	518,810			518,810
Preferred securities		393,940		393,940
U. S. Government securities		302,403		302,403
Alternative investments:				
Multi-strategy fund (a)			$ 273,296	273,296
Money market mutual funds	129,461			129,461
Total assets measured at fair value	$ 3,443,780	$ 1,380,518	$ 273,296	$ 5,097,594

(a) The primary investment objective is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger endowments. The fund's secondary objective is to provide capital appreciation with less volatility than that of the equity markets. Redemptions from the fund may be made on the last day of each calendar quarter, with a redemption notice of 65 calendar days prior to the redemption day. Redemptions during any calendar quarter are limited to 20% of the fund's net assets.

Valuation methods used for assets measured at fair value are as follows:

- *Common stock* and *exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Corporate bonds and notes, preferred securities* and *U. S. Government securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.
- *Mutual funds* are valued at the published net asset value of shares held.
- *Alternative investments* are valued at net asset values as determined by the issuer or investment manager based on the fair value of the underlying investments. Management takes into consideration consultation with fund investment managers to determine the overall reasonableness of the reported fair values.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Changes in the fair value of Level 3 assets for the years ended June 30, 2017 and 2016 consist of the following:

Balance at July 1, 2015	$ 579,162
Redemptions	(269,900)
Net realized and unrealized loss	(35,966)
Balance at June 30, 2016	273,296
Net unrealized gain	18,544
Balance at June 30, 2017	$ 291,840

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	2017	2016
Land	$ 14,139,756	$ 14,139,756
Buildings and improvements	59,379,874	59,177,657
Furniture, fixtures, and equipment	8,333,565	7,688,723
Construction in progress	17,077,992	1,059,053
Total property and equipment, at cost	98,931,187	82,065,189
Accumulated depreciation	(28,224,263)	(25,448,206)
Property and equipment, net	$ 70,706,924	$ 56,616,983

NOTE 6 – NOTES PAYABLE

Notes payable consist of the following:

	2017	2016
In July 2011, the School obtained a $10,000,000 tax-exempt loan from a bank. Proceeds from the loan were used to finance the construction of a new administration and classroom building. The loan bears interest at 3.02% and is collateralized by real property of the School. The loan matures on July 6, 2021.	$ 6,550,387	$ 7,169,382
In April 2017, the School obtained a loan with a bank to borrow up to $12,500,000. Proceeds from the loan were used to repay a bank loan and to finance the construction of the Early Learning Campus. The loan bears an initial interest rate at the prime rate (4.25% at June 30, 2017) and will be adjusted to 3.41% starting in January 2018. Principal is due monthly starting in January 2018. The loan is collateralized by real property of the School. The loan matures on December 31, 2024.	5,364,362	

In 2002, the School obtained a $6,000,000 tax-exempt loan from a bank. Proceeds from the loan were used to repay a prior bank loan and to finance the purchase and renovation of a new lower school building. In June 2011, the loan was refinanced with another bank. The loan bears interest at 2.61% and is collateralized by real property of the School. The loan matures on March 31, 2018.	383,455	904,457
In July 2014, the School obtained a $6,000,000 loan from a bank. Proceeds from the loan were used to finance a portion of the purchase of the North Post Oak property. The loan bears interest at 4.38% and is collateralized by real property of the School. This loan was paid off in 2017.		4,841,601
Total notes payable	12,298,204	12,915,440
Loan issuance costs	(390,765)	(104,601)
Notes payable, net	$ 11,907,439	$ 12,810,839

Notes payable are due as follows:

2018	$ 1,319,413
2019	1,347,813
2020	1,397,766
2021	1,449,626
2022	4,641,008
Thereafter	2,142,578
Total	$ 12,298,204

Interest expense totaled approximately $406,000 in 2017 and $494,000 in 2016. Amortization of loan issuance costs totaled $20,592 in 2017 and $18,876 in 2016.

Line of credit – The School has a $1,500,000 revolving line of credit with a bank that matures on April 30, 2018. At June 30, 2017, no balance was outstanding on this line of credit.

NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	2017	2016
Property and equipment, net of related notes payable	$ 56,700,097	$ 43,806,144
Undesignated	1,068,398	11,327,040
Board-designated for general endowment	5,395,572	5,031,549
Total unrestricted net assets	$ 63,164,067	$ 60,164,733

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Capital projects	$ 2,099,388	$ 1,449,225
Student activities	1,193,441	1,396,749
Use in future periods	810,500	882,000
Total temporarily restricted net assets	$ 4,103,329	$ 3,727,974

NOTE 9 – ENDOWMENT FUNDS

The School's endowment funds represent quasi-endowments established by its Board of Directors. Changes in endowment funds for the years ended June 30, 2017 and 2016 are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, July 1, 2015	$ 5,013,309	$ 0	$ 0	$ 5,013,309
Investment return:				
Interest and dividends	129,137			129,137
Net realized and unrealized loss	(71,356)			(71,356)
Investment management fees	(39,541)			(39,541)
Net investment return	18,240			18,240
Endowment net assets, June 30, 2016	5,031,549	0	0	5,031,549
Investment return:				
Net realized and unrealized gain	285,647			285,647
Interest and dividends	117,547			117,547
Investment management fees	(39,171)			(39,171)
Net investment return	364,023			364,023
Endowment net assets, June 30, 2017	$ 5,395,572	$ 0	$ 0	$ 5,395,572

Investment Policies and Strategy

Endowment funds are maintained in an investment account managed by an independent financial firm that follows guidance provided in an investment policy approved by the School's Board of Directors. The funds are invested for the long term. The Board of Directors recognizes that higher long-term returns are realized through higher exposure to equity and is willing to tolerate declines in the fund values in the short term, with the understanding that this may be necessary to maximize long-term return. The funds are currently in an accumulation phase and have no distributions. During this time, fund assets are invested to maximize total return while maintaining a reasonable level of risk.

Spending Policy

Once the fund assets exceed $1.5 million in a 3-year trailing average value, distributions from the funds may be made according to the following:

VALUE OF FUNDS	DISTRIBUTION OF FUNDS
$1,500,000 to $3,000,000	1% of 3-year trailing average value of funds
$3,000,000 to $5,000,000	2% of 3-year trailing average value of funds
$5,000,000 and above	3% of 3-year trailing average value of funds

Yearly distributions from the fund are determined by the Board of Directors. There were no distributions from the funds in 2017 and 2016.

NOTE 10 – EMPLOYEE BENEFIT PLAN

Awty has a defined contribution, money purchase retirement plan covering full-time employees who have completed two years of continuous service. Awty contributed approximately $682,000 and $665,000 to the plan during 2017 and 2016, respectively.

NOTE 11 – COMMITMENTS

In January 2011, the School entered into an agreement with a French charitable corporation (the Corporation) to establish a curriculum parallel to that of schools in France and the State of Texas. The Corporation will be paid an annual fee of 1.5% of tuition revenue for students enrolled in the French section. The annual fee will be no less than $120,000 each year. The agreement was amended in November 2016. The annual fee for the next three school years will be approximately $199,000 each year. The agreement will remain in effect for 30 years and shall automatically renew for two successive terms of 10 years each unless either party shall notify the other in writing, at least two years prior to the expiration of any such term, that it elects to allow the agreement to terminate at the end of such term. The School paid the Corporation approximately $199,000 and $193,000 during 2017 and 2016, respectively, for the annual fee.

At June 30, 2017, the School had outstanding contractual commitments totaling approximately $2.6 million related to the construction of a new early learning campus.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
