

**THE FORMAN S. ACTON EDUCATIONAL  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

December 31, 2014

THE FORMAN S. ACTON EDUCATIONAL FOUNDATION, INC.

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of  
The Forman S. Acton Educational Foundation, Inc.

We have reviewed the accompanying statement of assets and net assets arising from cash transactions of The Forman S. Acton Educational Foundation, Inc., (the "Foundation") as of December 31, 2014, and the related statement of revenue collected and expenses paid for the period beginning October 3, 2014 and ending December 31, 2014. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Foundation'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 is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting, as described in Note A to the financial statements, and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting, as described in Note A to the financial statements.

*Mercadien, P.C.*  
*Certified Public Accountants*

June 30, 2015

- AN INDEPENDENTLY OWNED MEMBER,  
MCGLADREY ALLIANCE
- AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE  
SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

THE FORMAN S. ACTON EDUCATIONAL FOUNDATION, INC.

STATEMENT OF ASSETS AND NET ASSETS ARISING FROM CASH TRANSACTIONS  
December 31, 2014

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**ASSETS**

Cash	\$ 61,491
Deposits	<u>87,374</u>
Total assets	<u>\$ 148,865</u>

**NET ASSETS**

Net Assets	
Unrestricted	\$ 148,865
Total Net Assets	<u>\$ 148,865</u>

THE FORMAN S. ACTON EDUCATIONAL FOUNDATION, INC.

STATEMENT OF REVENUE COLLECTED AND EXPENSES PAID  
October 3, 2014 to December 31, 2014

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	<u>Unrestricted</u>
Revenue collected	
Contributions	\$ 253,100
Interest income	<u>12</u>
Total revenue collected	<u>253,112</u>
 Expenses	
Management services	88,822
Scholarships	10,000
Materials and supplies	2,885
Travel and conference	<u>2,540</u>
Total expenses paid	<u>104,247</u>
 Revenue collected in excess of expenses paid	148,865
 Net assets, October 3, 2014	<u>-</u>
 Net assets, December 31, 2014	<u>\$ 148,865</u>

# THE FORMAN S. ACTON EDUCATIONAL FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### A. NATURE OF ORGANIZATION

The Forman S. Acton Educational Foundation, Inc. (the "Foundation") was organized under the laws of the State of New Jersey on October 3, 2014. The Foundation is a grant making private foundation whose mission is to advance the educational and academic opportunities to ensure those who display great academic promise as well as all children living within the Salem City School District achieve to high academic standards, are college and career ready, and become engaged community members and responsible global citizens. The Foundation will be funded by a distribution from the Estate of Forman S. Acton.

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The financial statements of the Foundation have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP"). Under that basis, generally, the only asset recognized is cash and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements. Noncash transactions are not recognized in the financial statements. The cash basis differs from U.S. GAAP primarily because the effects of any outstanding transactions unpaid or collected or at the date of financial statements are not included in the financial statements.

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - net assets not subject to donor-imposed stipulations, and therefore are expendable for operating purposes.
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or by the passage of time.
- Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or donor-specified purposes.

The Foundation has no temporarily or permanently restricted net assets.

#### Cash

Cash includes highly liquid debt instruments with original maturities of ninety days or less.

#### Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Foundation's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized as of December 31, 2014.

The Foundation is classified as a private foundation under Code Section 501. It is subject to a 2% federal excise tax on net investment income which is the aggregate of all dividends, interest, and net realized capital gain income reduced for expenses incurred to generate that income.

# THE FORMAN S. ACTON EDUCATIONAL FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Income Taxes (Continued)

The Foundation uses the cash basis of accounting for tax purposes. Taxes are payable when dividends, interest, and other investment income are received in cash and when gains are realized by selling the investments. Realized losses can be used to offset any gains realized in the same year; the excess of realized losses over realized gains cannot be carried back or carried forward to offset gains in prior or future tax years. In addition, during the period ended December 31, 2014, the Estate of Forman Acton generated net investment income which is reportable by the Foundation (as the sole beneficiary to the Estate) and subject to the net investment excise tax. The Foundation does not record taxes payable for financial statement reporting purposes, however the estimated tax liability for excise tax as of December 31, 2014 is \$33,500. This liability will be paid in 2015.

The Foundation accounts for uncertainty in income taxes recognized in the financial statements using a recognition threshold of more likely than not as to whether the uncertainty will be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold. As the Foundation was incorporated in 2014, the Foundation's 2014 federal exempt organization return will be subject to examination by the Internal Revenue Service once it is filed for a period of three years in accordance with the IRS Statute of Limitations.

#### Subsequent Events

Management has evaluated events for potential recognition and disclosure that occurred after December 31, 2014 but before June 30, 2015, the date the financial statements were available to be issued and determined that the following items were required to be disclosed:

- **Transfers from the Estate of Forman Acton** - the Foundation will be funded with the residue assets of the Estate of Dr. Forman Acton. The estimated residue value of the estate is \$33,000,000. The estate transferred \$1,906,430 to the Foundation during the months of January - May 2015. Management anticipates that the remaining residue estate will be received by the Foundation within an 18 month timeframe.
- **Payment of Federal Excise Tax** - the Foundation requested an extension to file its 2014 Form 990PF as of May 15, 2015 and paid estimated excise tax of \$33,500 with the extension to cover the 2014 tax due.

### C. NET ASSETS

#### Unrestricted

There are no donor restrictions on the Foundation's net assets other than to support the mission of the Foundation, the purpose for which it was formed. Accordingly, all net assets are considered unrestricted and available for the general use of the Foundation. The Foundation's trustees may, from time to time, choose to designate unrestricted net assets for certain purposes.

# THE FORMAN S. ACTON EDUCATIONAL FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### D. INVESTMENTS

The Foundation was created with funding representing the residuary estate of Forman S. Acton. The Trustees will invest the net assets of the Foundation as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment funds of the Foundation are unrestricted.

#### **Endowment Description**

The Board of Trustees has adopted endowment policies in accordance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA" or the "Act") and has interpreted the Act as allowing the Foundation the powers to manage and invest the funds in good faith and with the care an ordinarily prudent person, in a like position, would exercise under similar circumstances.

#### **Interpretation of Relevant Law**

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original bequest from the estate.

The funds are permanent funds with disciplined long-term investment objectives and strategies that will accommodate relevant, reasonable, or probable events. The following objectives have been established in order to maintain the long-term financial viability of the Foundation's mission:

1. Maintain the purchasing power of the Foundation's assets.
2. Produce returns in excess of inflation sufficient to support the spending policy.
3. Limit risk to those levels necessary to achieve the investment goals.
4. To minimize principal fluctuations throughout an investment cycle (three to five years).
5. Control administration and management costs.

#### **Endowment Spending Policy**

Generally the Board will approve a spending policy limiting annual expenditures for grants and operating expenses to 5% plus those administrative costs allocated to investment management and fees, based on the average monthly fund market value of the preceding twelve months. In no event shall this spending amount be less than the amount required to avoid application of the excise tax on failure to distribute income imposed by Section 4942 of the Internal Revenue Code. Furthermore, in recognition of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), spending shall comply with the evolving "prudent spending" guidelines of UPMIFA.

#### **Endowment Investment Policies**

The Foundation's investment policies seek to establish an appropriate investment strategy for managing all Foundation assets, including an investment time horizon, risk tolerance ranges and asset allocation. The goal of this strategy is to provide sufficient diversification and overall return over the long-term time horizon of the Fund. Funds will be invested in a well-diversified asset mix, which includes primarily equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total investment portfolio; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.



**THE FORMAN S. ACTON EDUCATIONAL FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**E. ADMINISTRATIVE SERVICES AGREEMENT**

The Foundation is managed by the President who is the Chairman of the Board of a separate unrelated organization, Syntiro Inc. ("Syntiro"), which is a not for profit corporation of the State of Maine located in Readfield, ME. Syntiro provides administrative and support services and office facilities and equipment to the Foundation. The Foundation pays a management fee for this service. In addition, the management and staff of the Foundation are employed by Syntiro; accordingly, the Foundation remits payments to Syntiro on a cost reimbursement basis for management and staff costs based on the time committed to the Foundation's operations. During the period ended December 31, 2014, the Foundation made payments of \$168,996 to Syntiro, Inc. related to contract services of which \$81,622 was recorded as management fees and \$87,374 was held as a deposit for 2015 costs.