

Houston Independent School District Foundation

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2022 and 2021

Houston Independent School District Foundation

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Independent Auditors' Report

To the Board of Directors of
Houston Independent School District Foundation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Houston Independent School District Foundation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Houston Independent School District Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Houston Independent School District Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston Independent School District Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Houston Independent School District Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston Independent School District Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blazek & Vetterling

February 21, 2023

Houston Independent School District Foundation

Statements of Financial Position as of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 4,964,487	\$ 3,571,727
Prepaid expenses	33,211	46,337
Contributions receivable, net (<i>Note 4</i>)	<u>1,152,167</u>	<u>3,505,000</u>
TOTAL ASSETS	<u>\$ 6,149,865</u>	<u>\$ 7,123,064</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 109,165	\$ 84,486
Deferred revenue	5,000	25,000
Refundable advance (<i>Note 2</i>)	<u> </u>	<u>51,668</u>
Total liabilities	<u>114,165</u>	<u>161,154</u>
Net assets:		
Without donor restrictions	651,927	274,551
With donor restrictions (<i>Note 5</i>)	<u>5,383,773</u>	<u>6,687,359</u>
Total net assets	<u>6,035,700</u>	<u>6,961,910</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,149,865</u>	<u>\$ 7,123,064</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statement of Activities for the year ended June 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Cash and other financial assets	\$ 271,640	\$ 1,776,762	\$ 2,048,402
Nonfinancial assets <i>(Notes 3 and 6)</i>	290,553		290,553
Special events:			
Cash and other financial assets	457,550		457,550
Nonfinancial assets	30,934		30,934
Direct donor benefit costs	(145,083)		(145,083)
Grant reversions		352,738	352,738
Other income	19,532		19,532
Total revenue	<u>925,126</u>	<u>2,129,500</u>	<u>3,054,626</u>
Net assets released from restrictions:			
Program expenditures	<u>3,433,086</u>	<u>(3,433,086)</u>	
Total	<u>4,358,212</u>	<u>(1,303,586)</u>	<u>3,054,626</u>
EXPENSES:			
Program services:			
Emerge Fund	1,857,814		1,857,814
Community Relations	280,032		280,032
School Designated	200,301		200,301
Mandarin Immersion Magnet School	182,000		182,000
Homeless & Refugee Students	131,492		131,492
Innovation Fund	121,078		121,078
Disaster Relief	117,896		117,896
EOTY	101,156		101,156
College & Career Readiness	100,000		100,000
HISD By Design	59,375		59,375
Yates High School	50,000		50,000
Sterling High School	43,510		43,510
Super Bowl	42,183		42,183
MAS	39,649		39,649
Las Americas	28,712		28,712
HISD Nutrition Services Food Literacy	28,326		28,326
Monarch Heroes Program	22,435		22,435
Chavez High School	19,670		19,670
Student Resilience Ambassadors	17,747		17,747
Other	<u>193,837</u>		<u>193,837</u>
Total program services	<u>3,637,213</u>		<u>3,637,213</u>
Management and general <i>(Note 3)</i>	271,178		271,178
Fundraising	<u>72,445</u>		<u>72,445</u>
Total expenses	<u>3,980,836</u>		<u>3,980,836</u>
CHANGES IN NET ASSETS	377,376	(1,303,586)	(926,210)
Net assets, beginning of year	<u>274,551</u>	<u>6,687,359</u>	<u>6,961,910</u>
Net assets, end of year	<u>\$ 651,927</u>	<u>\$ 5,383,773</u>	<u>\$ 6,035,700</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Cash and other financial assets	\$ 201,854	\$ 4,759,250	\$ 4,961,104
Nonfinancial assets (<i>Notes 3 and 6</i>)	454,783		454,783
Special events:			
Cash and other financial assets	359,332		359,332
Direct donor benefit costs	(17,889)		(17,889)
Other income	<u>103,820</u>		<u>103,820</u>
Total revenue	1,101,900	4,759,250	5,861,150
Net assets released from restrictions:			
Program expenditures	<u>4,652,068</u>	<u>(4,652,068)</u>	
Total	<u>5,753,968</u>	<u>107,182</u>	<u>5,861,150</u>
EXPENSES:			
Program services:			
Emerge Fund	3,239,990		3,239,990
Community Relations	313,700		313,700
School Designated	178,190		178,190
Homeless & Refugee Students	76,061		76,061
Innovation Fund	12,493		12,493
College & Career Readiness	27,308		27,308
Yates High School	50,000		50,000
Super Bowl	11,067		11,067
Las Americas	19,939		19,939
HISD Nutrition Services Food Literacy	135,422		135,422
Chavez High School	13,284		13,284
HISD Relief Fund	885,883		885,883
Braeburn Elementary School	50,000		50,000
Mental Health Initiative	33,525		33,525
Blackshear Elementary School	25,000		25,000
Energy Institute High School	20,804		20,804
Win for Kids	20,000		20,000
Wisdom High School	19,297		19,297
Deady Middle School	11,541		11,541
Other	<u>17,823</u>		<u>17,823</u>
Total program services	<u>5,161,327</u>		<u>5,161,327</u>
Management and general (<i>Note 3</i>)	259,605		259,605
Fundraising	<u>114,488</u>		<u>114,488</u>
Total expenses	<u>5,535,420</u>		<u>5,535,420</u>
CHANGES IN NET ASSETS	218,548	107,182	325,730
Net assets, beginning of year	<u>56,003</u>	<u>6,580,177</u>	<u>6,636,180</u>
Net assets, end of year	<u>\$ 274,551</u>	<u>\$ 6,687,359</u>	<u>\$ 6,961,910</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statements of Functional Expenses for the years ended June 30, 2022 and 2021

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2022 TOTAL</u>
Grants	\$ 1,633,334			\$ 1,633,334
Professional fees	816,466	\$ 72,212		888,678
Supplies and materials	515,436			515,436
Technology and related support	382,514			382,514
Salaries and related benefits	100,167	144,358	\$ 50,083	294,608
Sponsorships	169,208	1,203		170,411
Occupancy		22,755		22,755
Travel and meetings	16,187	428		16,615
Bank service fees		12,662		12,662
Dues and subscriptions	3,901	3,443	307	7,651
Other		14,117	22,055	36,172
Total expenses	<u>\$ 3,637,213</u>	<u>\$ 271,178</u>	<u>\$ 72,445</u>	3,980,836
Direct donor benefit costs				<u>145,083</u>
Total				<u>\$ 4,125,919</u>

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2021 TOTAL</u>
Grants	\$ 2,998,542			\$ 2,998,542
Professional fees	949,761	\$ 78,142	\$ 41,500	1,069,403
Supplies and materials	764,183		697	764,880
Technology and related support	268,249			268,249
Salaries and related benefits	76,666	123,443	69,950	270,059
Sponsorships	94,909			94,909
Occupancy		22,755		22,755
Travel and meetings	8,339	1,190		9,529
Bank service fees		5,111		5,111
Dues and subscriptions		9,756	850	10,606
Other	678	19,208	1,491	21,377
Total expenses	<u>\$ 5,161,327</u>	<u>\$ 259,605</u>	<u>\$ 114,488</u>	5,535,420
Direct donor benefit costs				<u>17,889</u>
Total				<u>\$ 5,553,309</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statements of Cash Flows for the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (926,210)	\$ 325,730
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	13,126	(28,990)
Contributions receivable	2,352,833	796,268
Accounts payable and accrued expenses	24,679	43,493
Deferred revenue	(20,000)	25,000
Refundable advance	<u>(51,668)</u>	<u>51,668</u>
Net cash provided by operating activities	<u>1,392,760</u>	<u>1,213,169</u>
NET CHANGE IN CASH	1,392,760	1,213,169
Cash, beginning of year	<u>3,571,727</u>	<u>2,358,558</u>
Cash, end of year	<u>\$ 4,964,487</u>	<u>\$ 3,571,727</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Notes to Financial Statements for the years ended June 30, 2022 and 2021

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Houston Independent School District Foundation (the Foundation), a nonprofit, tax-exempt corporation, was organized in 1994 to support the Houston Independent School District (HISD) and its mission of providing every student with a consistently rigorous education in a safe environment.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Cash – The Foundation maintains its cash deposits at federally insured financial institutions. At times, bank deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. An allowance for contributions receivable is provided when it is believed they may not be collected in full. Management believes all contributions are fully collectable and no allowance is necessary.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

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 *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the Foundation is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Special events revenue includes elements of both contributions and exchange transactions and are recognized when an event occurs. Direct donor benefit costs represent the costs of goods and services provided in exchange for the amount paid by event attendees. Amounts received in advance are reported as deferred revenue.

In-kind contributions – Donated supplies, materials, travel, and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended.

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.

Adoption of accounting standard – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, required contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and required disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU was retroactively adopted as of July 1, 2020 and had no impact on changes in net assets, but resulted in additional disclosures.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 4,964,487	\$ 3,571,727
Contributions receivable, net	<u>1,152,167</u>	<u>3,505,000</u>
Total financial assets	6,116,654	7,076,727
Less financial assets not available for general expenditure:		
Donor-restricted assets not expected to be satisfied in coming year	<u>(2,319,349)</u>	<u>(3,550,000)</u>
Total financial assets available for general expenditure	<u>\$ 3,797,305</u>	<u>\$ 3,526,727</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of support for HISD, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Foundation received two Paycheck Protection Program (PPP) loans of \$12,000 and \$51,000 in fiscal year 2021 through the Small Business Administration (SBA). The initial PPP loan of \$12,000 was forgiven in whole in February 2021 and was recognized as contribution revenue for the year ended June 30, 2021. The second loan was reflected as a refundable advance at June 30, 2021, forgiven in whole in October 2021, and recognized as contribution revenue for the year ended June 30, 2022.

NOTE 3 – RELATED PARTY TRANSACTIONS

Program support – The Foundation provided direct support to HISD for projects and grants totaling \$1,633,334 in 2022 and \$2,998,542 in 2021. The program support given in direct and indirect projects and programs for the benefit of HISD in 2022 was \$3,637,213 and \$5,161,327 in 2021.

Support from HISD – HISD contributes office space, supplies and printing to the Foundation.

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2022 TOTAL</u>
Rent	<u> </u>	<u>\$ 22,755</u>	<u> </u>	<u>\$ 22,755</u>
Total	<u>\$ 0</u>	<u>\$ 22,755</u>	<u>\$ 0</u>	<u>\$ 22,755</u>
	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2021 TOTAL</u>
Rent	<u> </u>	<u>\$ 22,755</u>	<u> </u>	<u>\$ 22,755</u>
Total	<u>\$ 0</u>	<u>\$ 22,755</u>	<u>\$ 0</u>	<u>\$ 22,755</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2022 are expected to be collected as follows:

Receivable in less than one year	\$ 1,018,417
Receivable in one to five years	<u>133,750</u>
Total contributions receivable	<u>\$ 1,152,167</u>

At June 30, 2022, \$829,167 or 72% of total contributions receivable were from three donors. At June 30, 2021, \$3,275,000 or 93% of total contributions receivable were from one donor.

There were no contribution revenue concentrations in 2022. Contributions from one donor accounted for 55% of contribution revenue in 2021.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Emerge Fund	\$ 1,782,922	\$ 3,640,736
Disaster Relief	1,199,790	964,948
Personnel in HISD Community Relations	273,568	282,500
Energy Institute High School	271,100	282,439
Innovation Fund	228,821	234,851
HISD Nutrition Services Food Literacy	195,002	43,878
MAS	169,211	710
HISD Relief Fund	165,888	165,389
Sterling High School	150,000	43,510
Yates High School	150,000	200,000
Substance Use Diversion Program	100,000	100,000
Las Americas	72,298	28,911
Mental Health Initiative	67,119	11,475
Scholarships	66,515	72,000
Outdoor Education Center	63,435	70,435
Advanced Placement Initiative	55,266	55,266
EOTY	39,646	16,757
Monarch Heroes Program	36,079	38,014
Chavez High School	34,849	25,319
Wisdom High School	30,447	14,689
HISD By Design	27,814	87,189
Super Bowl	22,858	62,220
Fine Arts Department	22,680	26,134
YWCPA	20,319	19,482
Designated for Schools	19,810	81,216
College & Career Readiness	15,176	176
MFF	12,292	12,292
Equity	10,051	51
Gregory Lincoln	10,000	10,000
Student Resilience Ambassadors	9,439	6,686
Career Day	8,551	13,051
Arts Connect	8,350	8,350
Washington BTHS	7,150	2,386
Austin High School	7,073	7,073
Booker T. Washington High School	6,500	6,500
Lamar High School	5,500	5,500
Roses	4,875	97
Asian Advisory Committee	3,676	3,676
Homeless & Refugee Students		30,474
Other	<u>9,703</u>	<u>12,979</u>
Total subject to expenditure for specified purpose	<u>\$ 5,383,773</u>	<u>\$ 6,687,359</u>

NOTE 6 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets, none of which had donor restrictions, were recognized as follows:

<u>CONTRIBUTED NONFINANCIAL ASSETS</u>	<u>MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES</u>	<u>VALUATION TECHNIQUES AND INPUTS</u>	<u>FISCAL YEAR 2022</u>	<u>FISCAL YEAR 2021</u>
Materials/supplies	Program	Fair value estimated using current market prices	\$ 250,398	\$ 422,028
Travel	Program	Travel certificate values provided by airlines	17,400	10,000
Use of facilities	Operations	Fair value of comparable properties available in commercial real estate listings	<u>22,755</u>	<u>22,755</u>
Total			<u>\$ 290,553</u>	<u>\$ 454,783</u>

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 21, 2023, 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.
