

Houston Independent School District Foundation

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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 28, 2024

Houston Independent School District Foundation

Statements of Financial Position as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents <i>(Note 4)</i>	\$ 5,651,947	\$ 4,964,487
Prepaid expenses	73,738	33,211
Contributions receivable, net <i>(Note 5)</i>	<u>2,488,056</u>	<u>1,152,167</u>
TOTAL ASSETS	<u>\$ 8,213,741</u>	<u>\$ 6,149,865</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 160,712	\$ 109,165
Deferred revenue	<u> </u>	<u>5,000</u>
Total liabilities	<u>160,712</u>	<u>114,165</u>
Net assets:		
Without donor restrictions	789,884	651,927
With donor restrictions <i>(Note 6)</i>	<u>7,263,145</u>	<u>5,383,773</u>
Total net assets	<u>8,053,029</u>	<u>6,035,700</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,213,741</u>	<u>\$ 6,149,865</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statement of Activities for the year ended June 30, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Cash and other financial assets	\$ 95,016	\$ 5,054,880	\$ 5,149,896
Nonfinancial assets <i>(Notes 3 and 7)</i>	9,600		9,600
Special events:			
Cash and other financial assets	527,084		527,084
Nonfinancial assets <i>(Note 7)</i>	23,860		23,860
Direct donor benefit costs	(105,173)		(105,173)
Other income	<u>187,724</u>		<u>187,724</u>
Total revenue	738,111	5,054,880	5,792,991
Net assets released from restrictions:			
Program expenditures	<u>3,175,508</u>	<u>(3,175,508)</u>	
Total	<u>3,913,619</u>	<u>1,879,372</u>	<u>5,792,991</u>
EXPENSES:			
Program services:			
Emerge Fund	1,021,839		1,021,839
Community Relations	554,526		554,526
Student Electoral Program	300,000		300,000
School Designated	212,590		212,590
Ideation Fund	203,549		203,549
HISD Nutrition Services Food Literacy	190,019		190,019
Miles Ahead Scholars	145,832		145,832
Yates High School	80,000		80,000
Sterling High School	66,583		66,583
EOTY	59,199		59,199
Young Women's College Preparatory Academy	56,505		56,505
Las Americas	45,415		45,415
Booker T. Washington High School	40,587		40,587
Wisdom High School	32,942		32,942
Mental Health Initiative	28,887		28,887
Recycling Program	23,673		23,673
Chavez High School	17,509		17,509
Energy Institute High School	17,275		17,275
Allocated and other	<u>267,022</u>		<u>267,022</u>
Total program services	<u>3,363,952</u>		<u>3,363,952</u>
Management and general	289,412		289,412
Fundraising	<u>122,298</u>		<u>122,298</u>
Total expenses	<u>3,775,662</u>		<u>3,775,662</u>
CHANGES IN NET ASSETS	137,957	1,879,372	2,017,329
Net assets, beginning of year	<u>651,927</u>	<u>5,383,773</u>	<u>6,035,700</u>
Net assets, end of year	<u>\$ 789,884</u>	<u>\$ 7,263,145</u>	<u>\$ 8,053,029</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statement of Activities for the year ended June 30, 2022

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions:			
Cash and other financial assets	\$ 271,640	\$ 1,776,762	\$ 2,048,402
Nonfinancial assets <i>(Notes 3 and 7)</i>	290,553		290,553
Special events:			
Cash and other financial assets	457,550		457,550
Nonfinancial assets <i>(Note 7)</i>	30,934		30,934
Direct donor benefit costs	(145,083)		(145,083)
Grant reversions		352,738	352,738
Other income	<u>19,532</u>		<u>19,532</u>
Total revenue	925,126	2,129,500	3,054,626
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
Ideation Fund	121,078		121,078
HISD Nutrition Services Food Literacy	28,326		28,326
Miles Ahead Scholars	39,649		39,649
Yates High School	50,000		50,000
Sterling High School	43,510		43,510
EOTY	101,156		101,156
Las Americas	28,712		28,712
Chavez High School	19,670		19,670
Mandarin Immersion Magnet School	182,000		182,000
Homeless & Refugee Students	131,492		131,492
Disaster Relief	117,896		117,896
College & Career Readiness	100,000		100,000
HISD By Design	59,375		59,375
Super Bowl	42,183		42,183
Monarch Heroes Program	22,435		22,435
Student Resilience Ambassadors	17,747		17,747
Allocated and 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	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

Statements of Functional Expenses for the years ended June 30, 2023 and 2022

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2023 TOTAL
Grants	\$ 1,671,590			\$ 1,671,590
Professional fees	695,139	\$ 67,885		763,024
Supplies and materials	716,998			716,998
Salaries and related benefits	148,674	197,889	\$ 77,894	424,457
Sponsorships	81,205			81,205
Travel and meetings	39,349	972		40,321
Technology and related support	10,997			10,997
Bank service fees		9,375		9,375
Dues and subscriptions		4,593		4,593
Other		8,698	44,404	53,102
Total expenses	<u>\$ 3,363,952</u>	<u>\$ 289,412</u>	<u>\$ 122,298</u>	3,775,662
Direct donor benefit costs				<u>105,173</u>
Total				<u>\$ 3,880,835</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL
Grants	\$ 1,633,334			\$ 1,633,334
Professional fees	816,466	\$ 72,212		888,678
Supplies and materials	515,436			515,436
Salaries and related benefits	100,167	144,358	\$ 50,083	294,608
Sponsorships	169,208	1,203		170,411
Travel and meetings	16,187	428		16,615
Technology and related support	382,514			382,514
Bank service fees		12,662		12,662
Dues and subscriptions	3,901	3,443	307	7,651
Occupancy		22,755		22,755
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>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statements of Cash Flows for the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,017,329	\$ (926,210)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	(40,527)	13,126
Contributions receivable	(1,335,889)	2,352,833
Accounts payable and accrued expenses	51,547	24,679
Deferred revenue		(20,000)
Refundable advance	<u>(5,000)</u>	<u>(51,668)</u>
Net cash provided by operating activities	<u>687,460</u>	<u>1,392,760</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	687,460	1,392,760
Cash and cash equivalents, beginning of year	<u>4,964,487</u>	<u>3,571,727</u>
Cash and cash equivalents, end of year	<u>\$ 5,651,947</u>	<u>\$ 4,964,487</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Notes to Financial Statements for the years ended June 30, 2023 and 2022

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 and cash equivalents – Cash includes highly liquid investments with original maturities of three months or less. The Foundation maintains its cash deposits at federally insured financial institutions. At times, bank deposits exceed the federally insured limit per depositor per institution. Any funds not required to meet immediate operational needs are held in money market mutual fund accounts which are invested in short term U. S. Treasury securities.

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. Amortization of discounts is included in contribution revenue. 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.

Contributions of nonfinancial assets – 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.

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>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 5,651,947	\$ 4,964,487
Contributions receivable, net	<u>2,488,056</u>	<u>1,152,167</u>
Total financial assets	8,140,003	6,116,654
Less financial assets not available for general expenditure:		
Donor-restricted assets not expected to be satisfied in coming year	<u>(2,270,678)</u>	<u>(2,319,349)</u>
Total financial assets available for general expenditure	<u>\$ 5,869,325</u>	<u>\$ 3,797,305</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.

NOTE 3 – RELATED PARTY TRANSACTIONS

Program support – The Foundation provided direct support to HISD for projects and grants totaling \$1,671,590 in 2023 and \$1,633,334 in 2022. The total program support given in direct and indirect projects and programs for the benefit of HISD was \$3,363,952 in 2023 and \$3,637,213 in 2022.

Support from HISD – HISD contributed office space to the Foundation in 2022. There was no contributed office space in 2023.

	<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>

NOTE 4 – CASH

The composition of cash at June 30, 2023 is as follows:

	<u>2023</u>	<u>2022</u>
Demand deposits	\$ 487,520	\$ 4,964,487
U. S. Treasury money market mutual fund	<u>5,164,427</u>	<u> </u>
Total cash	<u>\$ 5,651,947</u>	<u>\$ 4,964,487</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 2,525,000	\$ 1,152,167
Discount at interest rate of 4.8%	<u>(36,944)</u>	<u> </u>
Contributions receivable, net	<u>\$ 2,488,056</u>	<u>\$ 1,152,167</u>

Contributions receivable at June 30, 2023 are expected to be collected as follows:

Receivable in less than one year	\$ 1,720,000
Receivable in one to five years	<u>805,000</u>
Total contributions receivable	<u>\$ 2,525,000</u>

At June 30, 2023, \$2,290,000 or 92% of total contributions receivable were from one donor. At June 30, 2022, \$829,167 or 72% of total contributions receivable were from three donors.

Contributions from one donor accounted for 63% of contribution revenue in 2023.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Student Electoral Program	\$ 2,739,980	
Relief Fund	1,365,678	\$ 1,365,678
Emerge Fund	761,083	1,782,922
Community Relations	507,939	273,568
Ideation Fund	326,490	228,821
Recycling Program	273,327	
Energy Institute High School	253,825	271,100
Substance Use Diversion Program	100,000	100,000
Yates High School	100,000	150,000
Sterling High School	83,417	150,000
College & Career Readiness	65,101	15,176
Outdoor Education Center	63,435	63,435
Miles Ahead Scholars	63,379	169,211
Scholarships	58,544	66,515
Advanced Placement Initiative	55,266	55,266
EOTY	49,947	39,646
Mental Health Initiative	47,732	67,119
Chavez High School	39,402	34,849
Wisdom High School	37,608	30,447
Monarch Heroes Program	35,668	36,079
Las Americas	35,472	72,298
Super Bowl	32,524	22,858
HISD By Design	23,489	27,814
YWCPA	18,767	20,319
MFF	12,292	12,292
Osborne Elementary	11,000	
Student Resilience Ambassadors	10,687	9,439
Gregory Lincoln	10,000	10,000
Washington BTHS	8,563	7,150
Career Day	8,551	8,551
Fine Arts Department	8,432	22,680
Arts Connect	8,350	8,350
Austin High School	7,073	7,073
Booker T. Washington High School	6,500	6,500
Equity	6,069	10,051
Lamar High School	5,500	5,500
HISD Nutrition Services Food Literacy	4,983	195,002
Asian Advisory Committee	3,676	3,676
Designated for Schools		19,810
Roses		4,875
Homeless & Refugee Students		
Other	<u>13,396</u>	<u>9,703</u>
Total subject to expenditure for specified purpose	<u>\$ 7,263,145</u>	<u>\$ 5,383,773</u>

NOTE 7 – 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 2023</u>	<u>FISCAL YEAR 2022</u>
Auction and raffle	Fundraising	Actual value of auction bids and raffle tickets purchased.	\$ 23,860	\$ 30,934
Travel	Program	Travel certificate values provided by airlines.	9,600	3,700
Materials/supplies	Program	Fair value estimated using current market prices.		233,164
Use of facilities	Operations	Fair value of comparable properties available in commercial real estate listings.		22,755
Total			<u>\$ 33,460</u>	<u>\$ 290,553</u>

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 28, 2024, 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.
