

Houston Independent School District Foundation

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2020 and 2019

Houston Independent School District Foundation

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Houston Independent School District Foundation, which comprise the statements of financial position as of June 30, 2020 and 2019 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.

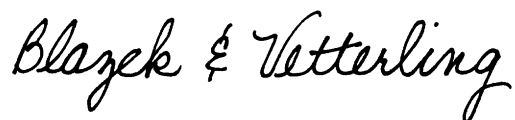
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 financial position of Houston Independent School District Foundation as of June 30, 2020 and 2019 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.



March 11, 2021

Houston Independent School District Foundation

Statements of Financial Position as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 2,358,558	\$ 2,045,846
Prepaid expenses	17,347	16,850
Contributions receivable, net (<i>Note 5</i>)	<u>4,301,268</u>	<u>8,183,190</u>
TOTAL ASSETS	<u>\$ 6,677,173</u>	<u>\$ 10,245,886</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 40,993</u>	<u>\$ 278,210</u>
Net assets:		
Without donor restrictions	56,003	88,414
With donor restrictions (<i>Note 6</i>)	<u>6,580,177</u>	<u>9,879,262</u>
Total net assets	<u>6,636,180</u>	<u>9,967,676</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,677,173</u>	<u>\$ 10,245,886</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions (<i>Note 4</i>)	\$ 65,250	\$ 1,705,823	\$ 1,771,073
Special events revenue	344,555		344,555
Direct donor benefit costs	(81,696)		(81,696)
Grant reversions		362,027	362,027
Other income	<u>22,651</u>		<u>22,651</u>
Total revenue	350,760	2,067,850	2,418,610
Net assets released from restrictions:			
Program expenditures	<u>5,366,935</u>	<u>(5,366,935)</u>	
Total	<u>5,717,695</u>	<u>(3,299,085)</u>	<u>2,418,610</u>
EXPENSES:			
Program services:			
Emerge Fund	4,381,120		4,381,120
Hurricane Harvey Relief	236,703		236,703
School Designated	236,456		236,456
College & Career Readiness	132,720		132,720
STEM Program	60,000		60,000
Homeless & Refugee Students	50,107		50,107
Las Americas	49,973		49,973
Mental Health Initiative	35,000		35,000
Innovation Fund	32,190		32,190
Win for Kids	30,000		30,000
HISD Nutrition Services	25,000		25,000
HISD Relief Fund	24,167		24,167
Teachers of the Year	22,708		22,708
Energy Institute High School	12,406		12,406
Miles Ahead Scholars	10,380		10,380
HISD Ascending to Men	8,225		8,225
Monarch Heroes Program	8,153		8,153
Other	<u>144,521</u>		<u>144,521</u>
Total program services	<u>5,499,829</u>		<u>5,499,829</u>
Management and general	158,943		158,943
Fundraising	<u>91,334</u>		<u>91,334</u>
Total expenses	<u>5,750,106</u>		<u>5,750,106</u>
CHANGES IN NET ASSETS	(32,411)	(3,299,085)	(3,331,496)
Net assets, beginning of year	<u>88,414</u>	<u>9,879,262</u>	<u>9,967,676</u>
Net assets, end of year	<u>\$ 56,003</u>	<u>\$ 6,580,177</u>	<u>\$ 6,636,180</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statement of Activities for the year ended June 30, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions (<i>Note 4</i>)	\$ 176,677	\$ 1,229,539	\$ 1,406,216
Special events revenue	441,392		441,392
Direct donor benefit costs	(216,073)		(216,073)
Grant reversions		833,315	833,315
Other income	<u>808</u>		<u>808</u>
Total revenue	402,804	2,062,854	2,465,658
Net assets released from restrictions:			
Program expenditures	<u>7,481,980</u>	<u>(7,481,980)</u>	
Total	<u>7,884,784</u>	<u>(5,419,126)</u>	<u>2,465,658</u>
EXPENSES:			
Program services:			
Emerge Fund	5,300,823		5,300,823
Hurricane Harvey Relief	959,317		959,317
School Designated	594,302		594,302
Homeless & Refugee Students	100,000		100,000
Las Americas	24,048		24,048
Innovation Fund	40,708		40,708
Energy Institute High School	22,464		22,464
Monarch Heroes Program	18,352		18,352
Superintendent's Fund	174,411		174,411
Scholarships	127,407		127,407
Outdoor Education Center	25,297		25,297
Arts Connect	21,650		21,650
HIPPY	7,250		7,250
Other	<u>140,565</u>		<u>140,565</u>
Total program services	<u>7,556,594</u>		<u>7,556,594</u>
Management and general	258,225		258,225
Fundraising	<u>107,922</u>		<u>107,922</u>
Total expenses	<u>7,922,741</u>		<u>7,922,741</u>
CHANGES IN NET ASSETS	(37,957)	(5,419,126)	(5,457,083)
Net assets, beginning of year	<u>126,371</u>	<u>15,298,388</u>	<u>15,424,759</u>
Net assets, end of year	<u>\$ 88,414</u>	<u>\$ 9,879,262</u>	<u>\$ 9,967,676</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statements of Functional Expenses for the year ended June 30, 2020 and 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2020 TOTAL
Grants	\$ 5,227,613			\$ 5,227,613
Professional fees	53,175	\$ 72,933	\$ 43,940	170,048
Sponsorships	129,854			129,854
Salaries and related benefits	38,808	21,515	31,046	91,369
Travel and meetings	29,523	1,226		30,749
Occupancy		22,755		22,755
Technology and related support	16,476			16,476
Dues and subscriptions		11,401		11,401
Bank service fees		10,962		10,962
Supplies and materials			2,497	2,497
Marketing and advertising		1,683		1,683
Other	4,380	16,468	13,851	34,699
Total expenses	<u>\$ 5,499,829</u>	<u>\$ 158,943</u>	<u>\$ 91,334</u>	5,750,106
Direct donor benefit costs				<u>81,696</u>
Total				<u>\$ 5,831,802</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2019 TOTAL
Grants	\$ 7,237,950			\$ 7,237,950
Professional fees		\$ 43,892	\$ 40,000	83,892
Sponsorships	202,124	9,450		211,574
Salaries and related benefits	48,233	83,761	38,672	170,666
Travel and meetings	36,057	15,498	8,935	60,490
Occupancy		22,755		22,755
Technology and related support	21,229			21,229
Dues and subscriptions	11,001	10,142		21,143
Bank service fees		6,210		6,210
Supplies and materials			6,175	6,175
Marketing and advertising		60,933		60,933
Other		5,584	14,140	19,724
Total expenses	<u>\$ 7,556,594</u>	<u>\$ 258,225</u>	<u>\$ 107,922</u>	7,922,741
Direct donor benefit costs				<u>216,073</u>
Total				<u>\$ 8,138,814</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statements of Cash Flows for the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (3,331,496)	\$ (5,457,083)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	(497)	(7,200)
Contributions receivable	3,881,922	4,896,591
Accounts payable and accrued expenses	<u>(237,217)</u>	<u>78,991</u>
Net cash provided (used) by operating activities	<u>312,712</u>	<u>(488,701)</u>
NET CHANGE IN CASH	312,712	(488,701)
Cash, beginning of year	<u>2,045,846</u>	<u>2,534,547</u>
Cash, end of year	<u>\$ 2,358,558</u>	<u>\$ 2,045,846</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Notes to Financial Statements for the years ended June 30, 2020 and 2019

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.

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. Cost of direct donor benefits provided represents the costs of goods and services provided in exchange for the amount paid by event attendees.

In-kind contributions – Donated materials 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 – ADOPTION OF ACCOUNTING STANDARDS

Effective July 1, 2019, the Foundation adopted the guidance in Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the distinction between contributions and exchange transactions and between conditional and unconditional contributions. These amendments have been applied on a retrospective basis to the financial statements for the year ended June 30, 2019. Because the timing and amount of revenue recognized previously is not different from revenue recognized under the new guidance, adoption of these standards had no impact on total beginning or ending net assets or on total changes in net assets for the year ended June 30, 2019. Presentation and disclosure pertaining to the year ended June 30, 2019 have been updated as appropriate to conform to the new standards.

NOTE 3 – 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>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 2,358,558	\$ 2,045,846
Contributions receivable, net	<u>4,301,268</u>	<u>8,183,190</u>
Total financial assets	6,659,826	10,229,036
Less financial assets not available for general expenditure:		
Donor-restricted assets not expected to be satisfied in coming year	<u>(275,000)</u>	<u>(3,690,000)</u>
Total financial assets available for general expenditure	<u>\$ 6,384,826</u>	<u>\$ 6,539,036</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.

In March 2020, the Director of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. The extent of the impact of COVID-19 on the Foundation’s operational and financial performance will

depend on developments such as the duration and spread of the outbreak, impact on donors, employees and vendors, all of which are uncertain and cannot be predicted. Therefore, while the Foundation expects this to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

NOTE 4 – RELATED PARTY TRANSACTIONS

Program support – The Foundation provided direct support to HISD for projects and grants totaling \$5,227,613 in 2020 and \$7,237,950 in 2019. The program support given in direct and indirect projects and programs for the benefit of HISD in 2020 was \$5,499,829 and \$7,556,594 in 2019.

Support from HISD – HISD contributes office space, supplies and printing to the Foundation. In addition, HISD contributed \$128,745 to the Foundation for salaries in 2019. No amount was contributed for salaries in 2020.

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2020 TOTAL</u>
Rent	<u> </u>	\$ 22,755	<u> </u>	\$ 22,755
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>2019 TOTAL</u>
Rent		\$ 22,755		\$ 22,755
Salaries	\$ 47,415	<u>43,398</u>	\$ 37,932	<u>128,745</u>
Total	\$ <u>47,415</u>	\$ <u>66,153</u>	\$ <u>37,932</u>	\$ <u>151,500</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Total contribution receivable	\$ 4,301,268	\$ 8,277,750
Discount to net present value at 2.63%		<u>(94,560)</u>
Contribution receivable, net	<u>\$ 4,301,268</u>	<u>\$ 8,183,190</u>

Contribution receivable at June 30, 2020 are expected to be collected as follows:

Receivable in less than one year	\$ 4,026,268
Receivable in one to five years	<u>275,000</u>
Total contribution receivable	<u>\$ 4,301,268</u>

At June 30, 2020 and 2019, \$3,690,000 and \$8,260,000 or 86% and 99% of total contributions receivable were from one donor, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Emerge Fund	\$ 3,967,865	\$ 8,254,425
Hurricane Harvey Relief	963,448	840,997
Personnel in HISD Community Relations	595,000	
Energy Institute High School	303,244	15,650
HISD Relief Fund	126,885	
Substance Use Diversion Program	100,000	100,000
Outdoor Education Center	70,435	70,435
HISD Nutrition Services Food Literacy	60,500	85,500
Advanced Placement Initiative	55,266	55,266
Braesburn Elementary School	50,000	50,000
Monarch Heroes Program	23,801	11,383
Homeless & Refugee Students	22,243	
Las Americas	21,751	4,994
Designated for Schools	21,066	52,508
Mental Health Initiative	20,000	55,000
Fine Arts Department	17,888	22,185
Career Day	17,551	11,431
YWCPA	15,738	14,830
Powell – College & Career Readiness	15,484	50,000
HISD Student Congress	14,237	16,807
Chavez High School	13,603	11,654
Scholarships	12,292	11,417
Gregory Lincoln	10,000	2,500
Junior Fire Marshall Program	10,000	10,000
Arts Connect	8,350	9,850
Austin High School	7,073	12,279
Booker T. Washington High School	6,500	6,500
Lamar High School	5,500	17,750
Together with Tech	4,813	
Asian Advisory Committee	4,772	4,852
Wisdom High School	3,236	
Washington BT High School	2,386	
Student Resilience Ambassadors	2,100	5,200
STEM Program		60,000
HISD Ascending to Men		8,097
Other	<u>7,150</u>	<u>7,752</u>
Total subject to expenditure for specified purpose	<u>\$ 6,580,177</u>	<u>\$ 9,879,262</u>

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 11, 2021, 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.