

Houston Independent School District Foundation

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2021 and 2020

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, 2021 and 2020 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.

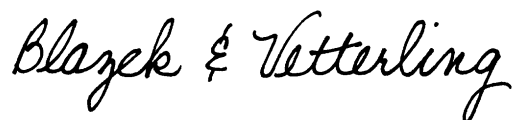
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2021 and 2020 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.



February 25, 2022

Houston Independent School District Foundation

Statements of Financial Position as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 3,571,727	\$ 2,358,558
Prepaid expenses	46,337	17,347
Contributions receivable, net (<i>Note 4</i>)	<u>3,505,000</u>	<u>4,301,268</u>
TOTAL ASSETS	<u>\$ 7,123,064</u>	<u>\$ 6,677,173</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 84,486	\$ 40,993
Deferred revenue	25,000	
Refundable advance (<i>Note 2</i>)	<u>51,668</u>	<u> </u>
Total liabilities	<u>161,154</u>	<u>40,993</u>
Net assets:		
Without donor restrictions	274,551	56,003
With donor restrictions (<i>Note 5</i>)	<u>6,687,359</u>	<u>6,580,177</u>
Total net assets	<u>6,961,910</u>	<u>6,636,180</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,123,064</u>	<u>\$ 6,677,173</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions (<i>Note 3</i>)	\$ 201,854	\$ 4,759,250	\$ 4,961,104
Gifts in kind	454,783		454,783
Special events revenue	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
HISD Relief Fund	885,883		885,883
Community Relations	313,700		313,700
School Designated	178,190		178,190
HISD Nutrition Services	135,422		135,422
Homeless & Refugee Students	76,061		76,061
Braeburn Elementary School	50,000		50,000
Yates High School	50,000		50,000
Mental Health Initiative	33,525		33,525
College & Career Readiness	27,308		27,308
Blackshear Elementary School	25,000		25,000
Energy Institute High School	20,804		20,804
Win for Kids	20,000		20,000
Las Americas	19,939		19,939
Wisdom High School	19,297		19,297
Chavez High School	13,284		13,284
Innovation Fund	12,493		12,493
Deady Middle School	11,541		11,541
Super Bowl	11,067		11,067
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	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

Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions (<i>Note 3</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
HISD Relief Fund	24,167		24,167
School Designated	236,456		236,456
HISD Nutrition Services	25,000		25,000
Homeless & Refugee Students	50,107		50,107
Mental Health Initiative	35,000		35,000
College & Career Readiness	132,720		132,720
Energy Institute High School	12,406		12,406
Win for Kids	30,000		30,000
Las Americas	49,973		49,973
Innovation Fund	32,190		32,190
Hurricane Harvey Relief	236,703		236,703
STEM Program	60,000		60,000
Teachers of the Year	22,708		22,708
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

Statements of Functional Expenses for the years ended June 30, 2021 and 2020

	<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
Salaries and related benefits	76,666	123,443	69,950	270,059
Technology and related support	268,249			268,249
Sponsorships	94,909			94,909
Occupancy		22,755		22,755
Dues and subscriptions		9,756	850	10,606
Travel and meetings	8,339	1,190		9,529
Bank service fees		5,111		5,111
Marketing and advertising	678			678
Other		19,208	1,491	20,699
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>

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2020 TOTAL</u>
Grants	\$ 5,227,613			\$ 5,227,613
Professional fees	53,175	\$ 72,933	\$ 43,940	170,048
Supplies and materials			2,497	2,497
Salaries and related benefits	38,808	21,515	31,046	91,369
Technology and related support	16,476			16,476
Sponsorships	129,854			129,854
Occupancy		22,755		22,755
Dues and subscriptions		11,401		11,401
Travel and meetings	29,523	1,226		30,749
Bank service fees		10,962		10,962
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>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Statements of Cash Flows for the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 325,730	\$ (3,331,496)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	(28,990)	(497)
Contributions receivable	796,268	3,881,922
Accounts payable and accrued expenses	43,493	(237,217)
Deferred revenue	25,000	
Refundable advance	<u>51,668</u>	<u> </u>
Net cash provided by operating activities	<u>1,213,169</u>	<u>312,712</u>
NET CHANGE IN CASH	1,213,169	312,712
Cash, beginning of year	<u>2,358,558</u>	<u>2,045,846</u>
Cash, end of year	<u>\$ 3,571,727</u>	<u>\$ 2,358,558</u>

See accompanying notes to financial statements.

Houston Independent School District Foundation

Notes to Financial Statements for the years ended June 30, 2021 and 2020

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 considered 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 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 – 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>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 3,571,727	\$ 2,358,558
Contributions receivable, net	<u>3,505,000</u>	<u>4,301,268</u>
Total financial assets	7,076,727	6,659,826
Less financial assets not available for general expenditure:		
Donor-restricted assets not expected to be satisfied in coming year	<u>(3,550,000)</u>	<u>(275,000)</u>
Total financial assets available for general expenditure	<u>\$ 3,526,727</u>	<u>\$ 6,384,826</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). PPP loan principal and interest (1% annual interest rate) may be forgiven in whole or in part if funds are used within a specified period for the intended purposes. 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 is considered to be a conditional contribution and is reflected as a refundable advance at June 30, 2021. It will be recognized as contribution revenue upon forgiveness by the SBA. Any amount not forgiven will be repaid over 2 years. Management expects the loan to be forgiven as the funds were used for payment of eligible costs.

NOTE 3 – RELATED PARTY TRANSACTIONS

Program support – The Foundation provided direct support to HISD for projects and grants totaling \$2,998,542 in 2021 and \$5,227,613 in 2020. The program support given in direct and indirect projects and programs for the benefit of HISD in 2021 was \$5,161,327 and \$5,499,829 in 2020.

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>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>

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2020 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 consist of the following:

	<u>2021</u>	<u>2020</u>
Total contributions receivable	<u>\$ 3,505,000</u>	<u>\$ 4,301,268</u>
Contributions receivable, net	<u>\$ 3,505,000</u>	<u>\$ 4,301,268</u>

Contributions receivable at June 30, 2021 are expected to be collected as follows:

Receivable in less than one year	<u>\$ 2,955,000</u>
Receivable in one to five years	<u>550,000</u>
Total contributions receivable	<u>\$ 3,505,000</u>

At June 30, 2021 and 2020, \$3,275,000 and \$3,690,000 or 93% and 86% of total contributions receivable were from one donor, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Emerge Fund	\$ 3,640,736	\$ 3,967,865
Hurricane Harvey Relief	964,948	963,448
Personnel in HISD Community Relations	282,500	595,000
Energy Institute High School	282,439	303,244
Innovation Fund	234,851	
Yates High School	200,000	
HISD Relief Fund	165,389	126,885
Substance Use Diversion Program	100,000	100,000
HISD By Design	87,189	
Scholarships	84,292	12,292
Designated for Schools	81,216	21,066
Outdoor Education Center	70,435	70,435
Superbowl	62,220	
Advanced Placement Initiative	55,266	55,266
HISD Nutrition Services Food Literacy	43,878	60,500
Sterling	43,510	
Monarch Heroes Program	38,014	23,801
Homeless & Refugee Students	30,474	22,243
Las Americas	28,911	21,751
Fine Arts Department	26,134	17,888
Chavez High School	25,319	13,603
YWCPA	19,482	15,738
EOTY	16,757	
Wisdom High School	14,689	3,236
Career Day	13,051	17,551
Mental Health Initiative	11,475	20,000
Gregory Lincoln	10,000	10,000
Arts Connect	8,350	8,350
Austin High School	7,073	7,073
Student Resilience Ambassadors	6,686	2,100
Booker T. Washington High School	6,500	6,500
Lamar High School	5,500	5,500
Asian Advisory Committee	3,676	4,772
HISD Student Congress	3,248	14,237
Together with Tech	2,769	4,813
Washington BT High School	2,386	2,386
Junior Fire Marshall Program	572	10,000
Powell – College & Career Readiness	176	15,484
Braeburn Elementary School		50,000
Other	<u>7,248</u>	<u>7,150</u>
Total subject to expenditure for specified purpose	<u>\$ 6,687,359</u>	<u>\$ 6,580,177</u>

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 25, 2022, 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.
