

Fort Bend I.S.D. Education Foundation

Financial Statements – Modified Cash Basis
and Independent Auditors' Report
for the year ended June 30, 2021

Fort Bend I.S.D. Education Foundation

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Independent Auditors' Report

To the Board of Directors of
Fort Bend I.S.D. Education Foundation:

We have audited the accompanying financial statements of Fort Bend I.S.D. Education Foundation, which comprise the statement of assets, liabilities and net assets – modified cash basis as of June 30, 2021 and the related statements of revenues, expenses and other changes in net assets – modified cash basis, of functional expenses – modified cash basis, and of cash flows – modified cash basis for the year 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management also is responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit 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 assets, liabilities and net assets of Fort Bend I.S.D. Education Foundation as of June 30, 2021 and the revenue, expenses, and other changes in net assets, and cash flows for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

As described in Note 1, these financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Blazek & Vetterling

November 4, 2021

Fort Bend I.S.D. Education Foundation

Statement of Assets, Liabilities and Net Assets – Modified Cash Basis as of June 30, 2021

ASSETS

Cash	\$ 106,308
Other assets	9,495
Investments (<i>Note 3</i>)	<u>4,748,430</u>
TOTAL ASSETS	<u>\$ 4,864,233</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Refundable advances from events and grants	\$ 89,196
Net assets without donor restrictions	<u>4,775,037</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,864,233</u>

See accompanying notes to financial statements.

Fort Bend I.S.D. Education Foundation

Statement of Revenues, Expenses and Other Changes in Net Assets – Modified Cash Basis
for the year ended June 30, 2021

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 176,509	\$ 140,400	\$ 316,909
Special events	522,682		522,682
Cost of direct donor benefit – special events	(69,007)		(69,007)
Net investment return	739,243		739,243
Forgiveness of Paycheck Protection Program loan		<u>85,377</u>	<u>85,377</u>
Total revenue	1,369,427	225,777	1,595,204
Net assets released from restrictions:			
Program expenditures	<u>225,777</u>	<u>(225,777)</u>	
Total	<u>1,595,204</u>	<u>0</u>	<u>1,595,204</u>
EXPENSES:			
Program services	585,104		585,104
Management and general	61,537		61,537
Fundraising	<u>201,056</u>		<u>201,056</u>
Total expenses	<u>847,697</u>		<u>847,697</u>
CHANGES IN NET ASSETS	747,507	0	747,507
Net assets, beginning of year	<u>4,027,530</u>	<u>0</u>	<u>4,027,530</u>
Net assets, end of year	<u>\$ 4,775,037</u>	<u>\$ 0</u>	<u>\$ 4,775,037</u>

See accompanying notes to financial statements.

Fort Bend I.S.D. Education Foundation

Statement of Functional Expenses – Modified Cash Basis for the year ended June 30, 2021

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 56,299	\$ 43,701	\$ 158,478	\$ 258,478
Grants to Fort Bend I.S.D.	473,076			473,076
Grants for emergency needs	47,880			47,880
Software		1,584	21,238	22,822
Supplies and printing	2,049	1,591	11,344	14,984
Donation payouts to other organizations	5,800			5,800
Credit card processing fees		4,269		4,269
Insurance		4,246		4,246
Security and signage			3,854	3,854
Professional fees		2,837		2,837
Other		3,309	6,142	9,451
Total expenses	<u>\$ 585,104</u>	<u>\$ 61,537</u>	<u>\$ 201,056</u>	847,697
Cost of direct donor benefit – special events				<u>69,007</u>
Total				<u>\$ 916,704</u>

See accompanying notes to financial statements.

Fort Bend I.S.D. Education Foundation

Statement of Cash Flows – Modified Cash Basis for the year ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ 747,507
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Net realized and unrealized gain on investments	(546,751)
Changes in operating assets and liabilities:	
Other assets	(3,495)
Refundable advances	47,569
Refundable advance – Paycheck Protection Program	<u>(41,285)</u>
Net cash provided by operating activities	<u>203,545</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(2,713,545)
Sales of investments	2,508,011
Change in cash held as investments	<u>13,043</u>
Net cash used by investing activities	<u>(192,491)</u>

NET CHANGE IN CASH	11,054
Cash, beginning of year	<u>95,254</u>
Cash, end of year	<u>\$ 106,308</u>

See accompanying notes to financial statements.

Fort Bend I.S.D. Education Foundation

Notes to Financial Statements for the year ended June 30, 2021

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Fort Bend I.S.D. Education Foundation (the Foundation), doing business as Fort Bend Education Foundation, is a Texas nonprofit corporation established in 1992 to enrich and enhance the quality of education for all Fort Bend Independent School District students through its grant programs.

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) and §170(b)(1)(A)(vi).

Basis of accounting – The financial statements are presented in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Generally, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. The Foundation's financial statements generally reflect cash transactions and the assets, liabilities and net assets arising from those transactions. The cash basis is modified to report investments at fair value.

Cash includes demand deposits except that cash held for long-term investment is grouped with investments and excluded from cash in the statement of cash flows.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses. Investment return is reported in the statement of revenues, expenses and other changes in net assets as a change in *net assets without donor restrictions* unless the use of the income is limited by donor-imposed restrictions. Net investment return whose use is restricted by the donor is reported as a change in *net assets with donor restrictions* until expended in accordance with donor-imposed restrictions.

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 at fair value when received. Non-cash contributions are not recognized in the financial statements of the Foundation.

Grants are recognized as expense when the Foundation pays the grant.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with the modified cash basis of accounting. 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, 2021 comprise the following:

Financial assets:	
Cash	\$ 106,308
Investments	<u>4,748,430</u>
Total financial assets available for general expenditure	<u>\$ 4,854,738</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its grant programs activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Foundation is substantially supported by contributions and special events, and regularly monitors liquidity required to meet its operating needs while striving to maximize the investment of available funds. Investments are primarily invested in mutual funds and exchange-traded funds for long-term appreciation, but remain available to be spent at the Board of Directors' discretion.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity mutual funds	\$ 2,027,452			\$ 2,027,452
Bond mutual funds	1,981,868			1,981,868
Exchange-traded funds	<u>733,467</u>			<u>733,467</u>
Total assets measured at fair value	<u>\$ 4,742,787</u>	<u>\$ 0</u>	<u>\$ 0</u>	4,742,787
Cash held as investments				<u>5,643</u>
Total investments				<u>\$ 4,748,430</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of assets, liabilities and net assets – modified cash basis and in the statement of revenues, expenses and other changes in net assets – modified cash basis.

NOTE 4 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 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.
