

**COLLEGE STATION ISD
EDUCATION FOUNDATION, INC.**

**INDEPENDENT AUDIT REPORT
AND
FINANCIAL STATEMENTS**

JUNE 30, 2021

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THOMPSON, DERRIG & CRAIG, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
College Station ISD Education Foundation, Inc.

We have audited the accompanying financial statements of College Station ISD Education Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows 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 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.

Auditor's 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 the 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 auditor's 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 College Station ISD Education Foundation, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Thompson, Derrig & Craig, PC

THOMPSON, DERRIG & CRAIG, PC
November 1, 2021

Woody Thompson, CPA | Ronnie Craig, CPA | Dillard Leverkuhn, CPA
Lyn Kuciamba, CPA | James Larkin, CPA | AJ Taylor, CPA | R. Logan Kendrick, CPA, ABV

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current assets:	
Cash and cash equivalents	\$ 112,370
Investments	292,001
Prepaid expenses	3,000
Total current assets	407,371
Other assets:	
Board designated	
Cash and cash equivalents	32,647
Investments	1,107,974
Total board designated	1,140,621
Donor restricted	
Cash and cash equivalents	64,588
Investments	705,050
Total donor restricted	769,638
Total other assets	1,910,259
Total Assets	\$ 2,317,630

LIABILITIES AND NET ASSETS

Current liabilities:	
Grants payable	\$ 55,988
Scholarship payable	5,500
Giving project payable	5,239
Other payables	2,301
Total current liabilities	69,028
Net assets:	
Without donor restrictions:	
Without board designation	338,343
Board designated	1,140,621
Total unrestricted net assets	1,478,964
With donor restrictions	769,638
Total net assets	2,248,602
Total Liabilities and Net Assets	\$ 2,317,630

See independent auditor's report and accompanying notes to the financial statements.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 367,403	\$ 286,642	\$ 654,045
Fundraising	13,750	-	13,750
Donated services	114,692	-	114,692
Investment income	287,727	138,923	426,650
PPP forgiveness	12,300	-	12,300
Net assets released from purpose restrictions	215,271	(215,271)	
Total support and revenues	<u>1,011,143</u>	<u>210,294</u>	<u>1,221,437</u>
EXPENSES			
Program services	613,518	-	613,518
Support services	64,217	-	64,217
Fundraising	66,776	-	66,776
Total expenses	<u>744,511</u>	<u>-</u>	<u>744,511</u>
Change in net assets	266,632	210,294	476,926
Net assets, beginning of year	<u>1,212,332</u>	<u>559,344</u>	<u>1,771,676</u>
Net assets, end of year	<u>\$ 1,478,964</u>	<u>\$ 769,638</u>	<u>\$ 2,248,602</u>

See independent auditor's report and accompanying notes to the financial statements.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program	Support Services	Fundraising	Total
Advertising & promotion	\$ -	\$ 1,245	\$ -	\$ 1,245
Campus grants	55,988	-	-	55,988
Chrissy's closet	21,868	-	-	21,868
Contract labor	6,355	-	25,419	31,774
Donor development	-	-	14,774	14,774
Event costs	-	-	3,151	3,151
Hall of fame banquet	18,690	-	-	18,690
Insurance	-	3,887	-	3,887
Meeting expense	-	4,615	-	4,615
Miscellaneous	-	2,496	149	2,645
Other program	31,839	-	-	31,839
Payroll deduction program	-	-	11,717	11,717
Processing fees	-	1,790	-	1,790
Professional fees	-	5,750	-	5,750
Rent	-	6,405	-	6,405
Salaries	107,010	32,536	11,566	151,112
Scholarships	128,200	-	-	128,200
Software	3,000	5,189	-	8,189
Summer day camp	29,380	-	-	29,380
Teacher grants	211,188	-	-	211,188
Travel	-	304	-	304
Total expenses	<u>\$ 613,518</u>	<u>\$ 64,217</u>	<u>\$ 66,776</u>	<u>\$ 744,511</u>

See independent auditor's report and accompanying notes to the financial statements.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash flows from operations:	
Change in net assets	\$ 476,926
Adjustments to reconcile change in net assets to net cash used in operations:	
Unrealized (gain) loss on investments	(404,842)
Changes in operating assets and liabilities:	
Contributions receivable	10,250
Prepaid expenses	255
Grants payable	(747)
Scholarship payable	500
Other payables	<u>(18,410)</u>
Net cash provided by operations	<u>63,932</u>
Cash flows from investing activities:	
Purchase and sale of investments, net	<u>(86,912)</u>
Net cash used in investing activities	<u>(86,912)</u>
Cash flows from financing activities:	
Paycheck Protection Program payable	<u>(12,300)</u>
Net cash provided (used) by financing activities	<u>(12,300)</u>
Change in cash	(35,280)
Cash and cash equivalents, beginning of year	<u>244,885</u>
Cash and cash equivalents, end of year	<u><u>\$ 209,605</u></u>

See independent auditor's report and accompanying notes to the financial statements.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – Overview of Foundation

College Station ISD Education Foundation, Inc. (the Foundation), is a not-for-profit corporation chartered in 1999 under the laws of the State of Texas. The corporation has no stockholders or equity members and is administered by a board of directors of concerned local citizens. The mission of the Foundation is to generate and distribute resources to College Station Independent School District (CSISD) to enrich and expand programs needed to meet CSISD's stated mission of excellence in education.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

See independent auditor's report.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Cash and cash equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of twelve months or less when purchased. The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the statement of financial position that sum to the totals of the same such amounts in the statement of cash flows.

Current	\$ 112,370
Board designated	32,647
Donor restricted	64,588
	<u>\$ 209,605</u>

Use of estimates

Management of the Foundation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Donated services

Donated services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

See independent auditor's report.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Tax status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been made in the accompanying financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Foundation other than a private foundation under Section 509(a)(2).

Investments

Investments in marketable and debt securities are stated at fair value, using quoted prices in active markets for identical assets, in the accompanying statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Revenue recognition

The Foundation receives special event revenues from fundraising events held during the year in the form of admission fees and auction proceeds. Special event revenue is earned from the transfer of goods or services to attendees at the event. For the year ended June 30, 2021, the Foundation had no special event revenues.

Fair value of financial instruments

The carrying amounts of cash equivalents, investments, contributions receivable, and current liabilities approximate fair value because of the short maturity of those instruments.

Expense Recognition and Allocation

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- All other expenses that cannot be directly identified are allocated using management's estimated percentage of the portions related to either program or supporting activity.

Every three years, or more often when new space or programs are added, the bases on which costs are allocated are evaluated.

Support services include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

See independent auditor's report.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 3 – Liquidity and Availability

Management and the Board of Directors have developed the following approach as it relates to the Foundation’s liquid assets available for use in future period operations:

All cash and cash equivalents, receivables and investments, less the amount of net assets with donor restrictions and board designated at year end, are available for use for operations in future periods. Therefore, the amount of financial assets available to meet cash needs in future period operations is \$404,371 at June 30, 2021, as shown in the table below. Management intends for these funds to be utilized as an operating reserve during the slower cycles typically experienced each year.

Cash and cash equivalents	\$ 209,605
Investments	2,105,025
Less board designated funds	(1,140,621)
Less funds with donor restrictions	(769,638)
Amount available for general expenditures within one year	<u><u>\$ 404,371</u></u>

The above table reflects board-designated and donor-restricted endowment funds as unavailable because it is the Foundation’s intention to invest those resources for the long-term support of the Foundation. However, in case of need, the Board of Directors could appropriate resources from its designated fund (\$1,140,621). Note 5 provides more information regarding those funds and the spending policies for all endowment funds.

As part of the liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments (Note 6).

Note 4 – Donated Services

The fair value of donated services included as contributions in the accompanying financial statements and the corresponding expenses for the year ended June 30, 2021 are as follows:

Salaries and benefits (Director)	\$ 62,229
Salaries and benefits (Admin Assistant)	28,508
Rent	6,405
Fundraising	3,000
Program	14,550
	<u><u>\$ 114,692</u></u>

See independent auditor’s report.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5 – Restrictions on Net Assets

Donor-Restricted Endowment

Donations that are designated by the donor for the establishment of an endowment are shown on the statement of financial position as net assets with donor restrictions. The corpus of these funds (\$610,900 at June 30, 2021) cannot be spent, and the board must spend the investment income from these funds as instructed by the donor, generally for scholarships and grants. The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions in accordance with the donor’s wishes, while growing the fund if possible. Changes in donor-restricted endowment net assets for the year ended June 30, 2021 are as follows:

Donor-restricted endowment, beginning of year	\$	504,455
Transfer		13,507
Contributions		82,483
Investment income		7,066
Net appreciation (depreciation)		131,858
Amounts appropriated for expenditure		(22,800)
Donor-restricted endowment, end of year	\$	716,569

Net Assets with Donor Restrictions

Net assets with donor restrictions are subject to expenditure for the following specific purposes as of June 30, 2021:

Donor-restricted endowment	\$	716,569
Recurring non-endowed scholarships		16,353
Other programs		36,716
	\$	769,638

Releases from net assets with donor restrictions presented on the Statement of Activities are due to the satisfaction of program restrictions.

See independent auditor’s report.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5 – Restrictions on Net Assets (continued)

Board-Designated Fund

The Foundation’s General Fund Management Policy provides guidance as to how funds received should be spent or allocated. This policy provides for a board-designated fund from which earnings can be generated annually to support the Foundation's mission. Consistent with this policy, the Board annually designates a portion of the available funds raised after expenses as permanently designated, and has shown this amount on the statement of financial position as board-designated. The goal of the board is that the corpus of these funds not be spent, but the investment income from these funds may be spent in whatever way the board deems appropriate. Since these amounts result from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restriction.

Composition of and changes in the board-designated fund for the year ended June 30, 2021 were as follows:

Board-designated fund net assets, beginning	\$	853,112
Investment income		23,512
Appreciation (depreciation) in value		263,997
Board-designated fund net assets, ending	\$	1,140,621

Note 6 – Investments

The Foundation’s investments consist of assets where the fair value can be determined using quoted prices in active markets for identical assets (Level 1). At June 30, 2021, investments totaling \$2,105,025 were held in mutual funds and are stated at fair market value in the accompanying statement of financial position. Investment income in the accompanying statement of activities is summarized as follows for year ending June 30, 2021:

Interest and dividends	\$	35,194
Unrealized gains (losses)		404,842
Investment fees		(13,386)
Net investment income	\$	426,650

See independent auditor’s report.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 7 – Paycheck Protection Program Proceeds

In response to the economic fallout caused by the COVID-19 pandemic, Congress passed the CARES Act in March 2020. The main stimulus for small businesses, including non-profits, in the CARES Act is the Paycheck Protection Program (PPP), which includes approximately \$659 billion of funding administered by the Small Business Administration (SBA) and distributed via primarily local banks and related institutions.

On April 13, 2020, the Foundation obtained a PPP loan in the amount of \$12,300. FASB ASC 470 allows for recognition of the loan proceeds as a financial liability until the loan is partially or wholly forgiven. On December 9, 2020, the Foundation was notified by its lender that the SBA had paid the loan in full. Therefore, the Foundation's PPP loan is considered fully forgiven and the full amount is included as revenue on the statement of activities for the year ended June 30, 2021.

Note 8 – Risks and Uncertainties

The Foundation's ongoing profitability may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. Additionally, the fair value of investments could have high levels of volatility due to current political and economic conditions as a result of the ongoing impacts from COVID-19. The duration and intensity of these impacts and resulting disruption to which these events affect the Foundation operations will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Note 9 – Subsequent Events

The Foundation has evaluated subsequent events through November 1, 2021 which is the date the financial statements were available to be issued.