

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

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of College Station ISD Education Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 College Station ISD Education Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 College Station ISD Education Foundation, Inc.'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 College Station ISD Education Foundation, Inc.'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.

Thompson, Derrig & Craig, PC

THOMPSON, DERRIG & CRAIG, PC

December 4, 2023

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

| | |
|---------------------------|--------------|
| Current assets: | |
| Cash and cash equivalents | \$ 115,813 |
| Contributions receivable | 10,500 |
| Investments | 277,000 |
| Prepaid expenses | 6,755 |
| Total current assets | 410,068 |
| Other assets: | |
| Board designated | |
| Cash and cash equivalents | 19,962 |
| Investments | 1,054,518 |
| Total board designated | 1,074,480 |
| Donor restricted | |
| Cash and cash equivalents | 77,184 |
| Investments | 837,296 |
| Total donor restricted | 914,480 |
| Total other assets | 1,988,960 |
| Total Assets | \$ 2,399,028 |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|--------------|
| Current liabilities: | |
| Grants payable | \$ 70,252 |
| Scholarship payable | 2,000 |
| Total current liabilities | 72,252 |
| Net assets: | |
| Without donor restrictions: | |
| Without board designation | 337,816 |
| Board designated | 1,074,480 |
| Total unrestricted net assets | 1,412,296 |
| With donor restrictions | 914,480 |
| Total net assets | 2,326,776 |
| Total Liabilities and Net Assets | \$ 2,399,028 |

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, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| SUPPORT AND REVENUES | | | |
| Contributions | \$ 577,940 | \$ 296,590 | \$ 874,530 |
| Fundraising | 197,540 | - | 197,540 |
| Donated goods and services | 174,041 | - | 174,041 |
| Investment income, net of fees | 125,846 | 68,757 | 194,603 |
| Net assets released from purpose restrictions | 230,191 | (230,191) | - |
| Total support and revenues | <u>1,305,558</u> | <u>135,156</u> | <u>1,440,714</u> |
| EXPENSES | | | |
| Program services | 874,257 | - | 874,257 |
| Support services | 71,108 | - | 71,108 |
| Fundraising | 222,793 | - | 222,793 |
| Total expenses | <u>1,168,158</u> | <u>-</u> | <u>1,168,158</u> |
| Change in net assets | 137,400 | 135,156 | 272,556 |
| Net assets, beginning of year | <u>1,274,896</u> | <u>779,324</u> | <u>2,054,220</u> |
| Net assets, end of year | <u>\$ 1,412,296</u> | <u>\$ 914,480</u> | <u>\$ 2,326,776</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, 2023

| | Program | Support Services | Fundraising | Total |
|-------------------------------|-------------------|---------------------|-------------------|---------------------|
| Advertising & promotion | \$ - | \$ 2,606 | \$ - | \$ 2,606 |
| Campus grants | 70,252 | - | - | 70,252 |
| Chrissy's closet | 39,763 | - | - | 39,763 |
| Contract labor | 3,793 | - | 15,171 | 18,964 |
| Donor development | - | - | 12,300 | 12,300 |
| Event costs | - | - | 66,630 | 66,630 |
| Hall of fame banquet | 23,458 | - | - | 23,458 |
| Insurance | - | 3,368 | - | 3,368 |
| Meeting expense | - | 4,015 | - | 4,015 |
| Miscellaneous | - | 3,112 | 150 | 3,262 |
| Other program | 101,613 | - | - | 101,613 |
| Payroll deduction program | - | - | 16,243 | 16,243 |
| Processing fees | - | 4,769 | - | 4,769 |
| Professional fees | - | 8,113 | - | 8,113 |
| Rent | - | 17,213 | - | 17,213 |
| Salaries and related expenses | 85,934 | 20,481 | 112,299 | 218,714 |
| Scholarships | 159,100 | - | - | 159,100 |
| Software | 3,000 | 5,166 | - | 8,166 |
| Summer day camp | 44,772 | - | - | 44,772 |
| Teacher grants | 342,572 | - | - | 342,572 |
| Travel | - | 2,265 | - | 2,265 |
| Total expenses | <u>\$ 874,257</u> | <u>\$ 71,108</u> | <u>\$ 222,793</u> | <u>\$ 1,168,158</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, 2023

| | |
|--|--------------------------|
| Cash flows from operations: | |
| Change in net assets | \$ 272,556 |
| Adjustments to reconcile change in net assets to net cash used in operations: | |
| Unrealized (gain) loss on investments | (158,005) |
| Changes in operating assets and liabilities: | |
| Contributions receivable | (10,500) |
| Prepaid expenses | (3,925) |
| Grants payable | 6,699 |
| Scholarship payable | (2,500) |
| Other payables | (9,359) |
| Net cash provided by operations | <u>94,966</u> |
| Cash flows from investing activities: | |
| Purchase and sale of investments, net | <u>(140,756)</u> |
| Net cash used in investing activities | <u>(140,756)</u> |
| Change in cash | (45,790) |
| Cash and cash equivalents, beginning of year | <u>258,749</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 212,959</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, 2023

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, 2023

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 | \$ 115,813 |
| Board designated | 19,962 |
| Donor restricted | 77,184 |
| | <u>\$ 212,959</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, 2023

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 a 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, 2023, the Foundation recognized \$74,076 in special event revenue, which is included in fundraising income on the statement of activities.

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, 2023

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:

As shown in the table below, 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. Management intends for these funds to be utilized as an operating reserve during the slower cycles typically experienced each year.

| | | |
|---|----|----------------|
| Cash and cash equivalents | \$ | 212,959 |
| Contributions receivable | | 10,500 |
| Investments | | 2,168,814 |
| Less board designated funds | | (1,074,480) |
| Less funds with donor restrictions | | (914,480) |
| Amount available for general expenditures within one year | \$ | <u>403,313</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. Note 5 provides more information regarding those funds and the spending policies for all endowment funds.

As part of its liquidity management, the Foundation structures its financial assets to be available as general expenditures, liabilities, and other obligations become due. Additionally, the Foundation invests cash in excess of daily requirements in short-term investments as described in Note 6.

Note 4 – Donated Goods and Services

The estimated fair value of donated goods and services included as contributions in the accompanying financial statements and the corresponding expenses for the year ended June 30, 2023 are as follows:

| | | |
|----------------------------------|----|----------------|
| Salaries and benefits (Director) | \$ | 67,127 |
| Salaries and benefits (Staff) | | 44,641 |
| Rent | | 17,213 |
| Fundraising | | 21,074 |
| Program | | 23,985 |
| | \$ | <u>174,041</u> |

Salaries and benefits for director and staff as well as rent, included in the table above, were contributed by CSISD, which is considered a related party entity.

See independent auditor’s report.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 (\$801,098 at June 30, 2023) 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, 2023 are as follows:

| | | |
|---|----|----------|
| Donor-restricted endowment, beginning of year | \$ | 715,779 |
| Contributions | | 68,228 |
| Interest & dividends, net of fees | | 13,163 |
| Net appreciation (depreciation) | | 55,594 |
| Amounts appropriated for expenditure | | (31,600) |
| Donor-restricted endowment, end of year | \$ | 821,164 |

Net Assets with Donor Restrictions

Net assets with donor restrictions are subject to expenditure for the following specific purposes as of June 30, 2023:

| | | |
|------------------------------------|----|---------|
| Donor-restricted endowment | \$ | 821,164 |
| Recurring non-endowed scholarships | | 13,039 |
| Other programs | | 80,277 |
| | \$ | 914,480 |

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

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.

See independent auditor’s report.

COLLEGE STATION ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5 – Restrictions on Net Assets (continued)

Board-Designated Fund (continued)

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, 2023 were as follows:

| | |
|---|---------------------|
| Board-designated fund net assets, beginning of year | \$ 957,339 |
| Interest & dividends, net of fees | 21,270 |
| Net appreciation (depreciation) | 95,871 |
| Board-designated fund net assets, end of year | <u>\$ 1,074,480</u> |

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, 2023, investments totaling \$2,168,814 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 the year ended June 30, 2023:

| | |
|---------------------------|-------------------|
| Interest and dividends | \$ 57,560 |
| Realized gains (losses) | (6,540) |
| Unrealized gains (losses) | 158,005 |
| Investment fees | (14,422) |
| Net investment income | <u>\$ 194,603</u> |

Note 7 – Concentrations

Investments are secured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. The amount in investments in excess of SIPC protection as of June 30, 2023 was \$1,668,814.

Note 8 – Subsequent Events

The Foundation has evaluated subsequent events through December 4, 2023 which is the date the financial statements were available to be issued.

See independent auditor’s report.