

**THE EDUCATION FOUNDATION  
OF HARRIS COUNTY  
FINANCIAL STATEMENTS**

**For The Fiscal Year Ended August 31, 2020**

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OF HARRIS COUNTY**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
The Education Foundation of Harris County

We have audited the accompanying financial statements of The Education Foundation of Harris County, a non-profit organization, which comprise the statement of financial position as of August 31, 2020, the related statements of activities, statement of functional expenses, and cash flows for the year end, 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 ("GAAP"); 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 organization'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.

To the Board of Directors of  
The Education Foundation of Harris County

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Education Foundation of Harris County for the fiscal year ended August 31, 2020, and the changes in its net assets and its cash flows for the year ended in conformity with GAAP.

*Whitley Penn LLP*

Houston, Texas  
March 30, 2021

# **FINANCIAL STATEMENTS**

**THE EDUCATION FOUNDATION OF HARRIS COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
*For The Fiscal Year Ended August 31, 2020*

	<u>August 31, 2020</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,081,473
<b>Total Current Assets</b>	<u>1,081,473</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,081,473</u>
<b>Net Assets:</b>	
Without donor restrictions:	
Undesignated	\$ 13,806
With donor restrictions	<u>1,067,667</u>
<b>Total Net Assets</b>	<u>1,081,473</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,081,473</u>

See accompanying notes to the financial statements

**THE EDUCATION FOUNDATION OF HARRIS COUNTY**  
**STATEMENT OF ACTIVITIES**  
*For The Fiscal Year Ended August 31, 2020*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>Revenue, gains, and other support:</b>			
Contributions	\$ 526	\$ 1,008,120	\$ 1,008,646
Ecobot	-	10,454	10,454
In-kind revenues	10,978	-	10,978
Net assets released from restrictions	90,740	(90,740)	-
<b>Total revenue, gains, and other support</b>	<u>102,244</u>	<u>927,834</u>	<u>1,030,078</u>
<b>Expenses:</b>			
Program expenses	90,740	-	90,740
Supporting services:			
Management and general	11,113	-	11,113
<b>Total expenses</b>	<u>101,853</u>	<u>-</u>	<u>101,853</u>
Changes in net assets	391	927,834	928,225
<b>Net assets at beginning of year (September 1)</b>	<u>13,415</u>	<u>139,833</u>	<u>153,248</u>
<b>Net assets at end of year (August 31)</b>	<u>\$ 13,806</u>	<u>\$ 1,067,667</u>	<u>\$ 1,081,473</u>

See accompanying notes to the financial statements

**THE EDUCATION FOUNDATION OF HARRIS COUNTY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
*For The Fiscal Year Ended August 31, 2020*

<b>Functional Expenses</b>	<b>Programs</b>				<b>Total Program Expenses</b>	<b>Support Services</b>	<b>Total Expenses</b>
	<b>HeadStart</b>	<b>After School Initiative</b>	<b>EcoBot</b>	<b>Other Grants</b>		<b>Management And General</b>	
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	-	-	-	-	-	-	-
Grants	\$ 7,020	\$ 74,250	\$ 7,970	\$ 1,500	\$ 90,740	\$ -	\$ 90,740
Bad debt expense	-	-	-	-	-	-	-
Memberships and Supplies	-	-	-	-	-	-	-
Special Event Expenses	-	-	-	-	-	-	-
In-kind support services	-	-	-	-	-	10,978	10,978
Other operating expenses	-	-	-	-	-	135	135
	<u>\$ 7,020</u>	<u>\$ 74,250</u>	<u>\$ 7,970</u>	<u>\$ 1,500</u>	<u>\$ 90,740</u>	<u>\$ 11,113</u>	<u>\$ 101,853</u>

See accompanying notes to the financial statements



**THE EDUCATION FOUNDATION OF HARRIS COUNTY**

**STATEMENT OF CASH FLOWS**

*For The Fiscal Year Ended August 31, 2020*

<b>Cash Flows From Operating Activities</b>	
Cash received from contributions	\$ 1,030,078
Cash paid for other program expenses	(90,740)
Cash paid for management and general expenses	(11,113)
<b>Net Cash Provided by Operating Activities</b>	<u>928,225</u>
<b>Net increase in Cash and Cash Equivalents</b>	928,225
<b>Cash and Cash Equivalents, beginning of year</b>	<u>153,248</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 1,081,473</u>

See accompanying notes to the financial statements

**THE EDUCATION FOUNDATION OF HARRIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 - Description of the Organization**

The Education Foundation of Harris County (the “Foundation”) was incorporated in 1993 as a nonprofit organization (as described in 501(c)(3) of the Internal Revenue Code), for the purpose of creating opportunities for all Harris County children by improving public education through various contributions from donors. Working in partnership with the Harris County Department of Education (HCDE) and organizations throughout the community, the Foundation provides grants and program development for programs that improve academic achievement and collaborates with local organizations to provide hands on, experiential learning in the afterschool setting through arts, math, science, and leadership. The Foundation’s corporate office is located in Houston, Texas.

**Note 2 - Summary of Significant Accounting Policies**

A summary of the Foundation's significant accounting policies follows:

**Basis of Accounting**

The accounts are maintained and the financial statements have been prepared using the accrual basis of accounting in accordance with the United States generally accepted accounting principles (“GAAP”).

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in demand deposits and money market deposits. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Note 2 - Summary of Significant Accounting Policies**

**New Accounting Pronouncements**

On June 3, 2020, the Financial Accounting Standards Board (“FASB”) issued guidance (ASU 2020-05) that defers the effective dates of the revenue recognition and lease standards (ASC 606 and ASC 842, respectively) for entities that have not yet issued financial statements adopting the standards. The revenue standard deferral is available to all nonpublic companies. Early adoption is permitted. The deferrals of both standards are intended to provide relief to nonpublic companies that have had their implementation efforts delayed by the COVID-19 pandemic. The Organization elected to defer implementation of ASC 606.

During the year ended August 30, 2020, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The update addresses (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

**THE EDUCATION FOUNDATION OF HARRIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

The Organization has adopted the ASU on August 1, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively; however, there is no adjustment necessary to prior year reported total net assets as a result of the adoption.

During the year ended August 31, 2019, the Organization adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*.

The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

The Organization has adopted the ASU on September 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively; however, there is no adjustment necessary to prior year reported total net assets as a result of the adoption.

In 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), (commonly referred to as ASC 606) which requires an entity to recognize revenue when (or as) goods are transferred or services are provided to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The ASU is effective for the Organization for the fiscal year ending August 31, 2020. Management is currently evaluating the impact of the adoption on its net assets and changes in net assets.

**In-Kind Contributions and Contributed Services**

In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Foundation recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Foundation did not receive any contributed services for the year ended August 31, 2019. The value of other contributed time is not reflected in the accompanying financial statements, as the nature of the services do not meet the guidelines for recognition established by generally accepted accounting principles. The value of donated materials is recorded based on the estimated value at the time of the gift. In-kind contributions of indirect public support by the HCDE, an organization closely associated with the Foundation, are reported as unrestricted support. In-kind contributions could consist of occupancy costs. During fiscal year 2020, HCDE contributed \$10,978 for supporting services costs.

**Functional Allocation of Expenses**

Functional expenses for management, general, and other fundraising are not allocated to program services.

**Income Tax Status**

The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation has no unrelated business activities and does not owe income taxes. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**THE EDUCATION FOUNDATION OF HARRIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 3 - Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents are comprised of cash on hand and in banks. The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less at date of purchase to be cash equivalents.

**Note 4 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are for contributions received that are donated for a specific purpose but have not yet been paid to the recipient. Net assets with donor restrictions at August 31, 2020 totaled \$1,067,067. The details of each donor restricted component is listed below:

<b>With Donor Restrictions</b>	<b>Balance 8/31/19</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 8/31/20</b>
HeadStart	\$ -	\$ 7,020	\$ (7,020)	\$ -
After School Initiative	65,191	500,000	(74,250)	490,941
EcoBot	56,843	10,454	(7,970)	59,327
Adult Education	5,000	-	-	5,000
Instructional Support Services	6,737	-	-	6,737
Energy City of the Future	1,732	-	-	1,732
Partners in Education Project	-	500,000	-	500,000
Other	4,330	1,100	(1,500)	3,930
<b>Total With Donor Restrictions</b>	<b>\$ 139,833</b>	<b>\$ 1,018,574</b>	<b>\$ (90,740)</b>	<b>\$ 1,067,667</b>

The Foundation received \$500,000 from the Harris County Department of Education for the Partners in Education Project. This project consists of three programs including grants, scholarships and sponsorships. The three programs are designed to benefit the students and educators across the 25 independent school districts of Harris County. The term for the project ends April 30, 2021.

**Note 5 - Concentrations of Credit Risk**

The Foundation places its cash and cash equivalents with high credit quality financial institutions. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits during and as of the year ended August 31, 2020. As of August 31, 2020, the Foundation's deposits exceeded Federal Deposit Insurance Corporation insurance.

**Note 6 - Special Events**

There were no special events held during fiscal year 2020.

**Note 7- Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position amounted to \$13,806 at year end and was comprised primarily of cash.

As part of its liquidity management plan, the Foundation invests cash in excess of daily requirements, where applicable, in certificates of deposit.

**THE EDUCATION FOUNDATION OF HARRIS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 8 - Related Party Transactions**

There were no board member contributions during fiscal year 2020, as such there were no related party transactions.

**Note 9 - Subsequent Events**

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 30, 2021, the date on which the financial statements were available to be issued. There were no subsequent events that were required to be recognized or disclosed in the financial statements through that date.