

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

For The Fiscal Year Ended August 31, 2019

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OF HARRIS COUNTY**

FINANCIAL STATEMENTS

For The Fiscal Year Ended August 31, 2019

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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, 2019, 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, 2019, 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 13, 2020

FINANCIAL STATEMENTS

THE EDUCATION FOUNDATION OF HARRIS COUNTY
STATEMENT OF FINANCIAL POSITION
For The Fiscal Year Ended August 31, 2019

	August 31, 2019
Assets	
Current Assets	
Cash and cash equivalents	\$ 153,248
Total Current Assets	<u>153,248</u>
Total Assets	<u><u>\$ 153,248</u></u>
Liabilities and Net Assets	
Net Assets:	
Without donor restrictions:	
Undesignated	\$ 13,415
With donor restrictions	<u>139,833</u>
Total Net Assets	<u>153,248</u>
Total Liabilities and Net Assets	<u><u>\$ 153,248</u></u>

See accompanying notes to the financial statements

THE EDUCATION FOUNDATION OF HARRIS COUNTY
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue, gains, and other support:			
Contributions	\$ 45	\$ 199,633	\$ 199,678
Ecobot	190	13,527	13,717
In-kind revenues	7,683	-	7,683
Net assets released from restrictions	141,223	(141,223)	-
Total revenue, gains, and other support	<u>149,141</u>	<u>71,937</u>	<u>221,078</u>
Expenses:			
Program expenses	141,219	-	141,219
Supporting services:			
Management and general	8,241	-	8,241
Total expenses	<u>149,460</u>	<u>-</u>	<u>149,460</u>
Changes in net assets	(319)	71,937	71,618
Net assets at beginning of year (September 1)	<u>13,734</u>	<u>67,896</u>	<u>81,630</u>
Net assets at end of year (August 31)	<u>\$ 13,415</u>	<u>\$ 139,833</u>	<u>\$ 153,248</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, 2019

Functional Expenses	Programs				Total Program Expenses	Support Services	Total Expenses
	HeadStart	After School Initiative	EcoBot	Other Grants		Management And General	
Grants	\$ 11,000	\$ 110,376	\$ 10,601	\$ 1,500	\$ 133,477	\$ -	\$ 133,477
Bad debt expense		7,742	-		7,742		7,742
In-kind support services	-	-	-			7,683	7,683
Other operating expenses	-	-	-			558	558
	<u>\$ 11,000</u>	<u>\$ 118,118</u>	<u>\$ 10,601</u>	<u>\$ 1,500</u>	<u>\$ 141,219</u>	<u>\$ 8,241</u>	<u>\$ 149,460</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, 2019

	<u>August 31, 2019</u>
Cash Flows From Operating Activities	
Cash received from contributions	\$ 221,078
Cash paid for other program expenses	(144,410)
Cash paid for management and general expenses	(8,241)
Net Cash Provided by Operating Activities	<u>68,427</u>
Net increase in Cash and Cash Equivalents	68,427
Cash and Cash Equivalents, beginning of year	<u>84,821</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 153,248</u></u>
Reconciliation of Increase in Net Assets to	
Cash Flows from Operating Activities	
Increase in net assets	\$ 71,618
Adjustments to reconcile increase in net assets to net cash provided by:	
Bad debt expense	7,742
Change in operating assets and liabilities:	
Accounts payable	<u>(10,933)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 68,427</u></u>

See accompanying notes to the financial statements

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:

New Accounting Pronouncements

On August 18, 2016 FASB issued Accounting Standards Update (ASU) 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.

As of September 1, 2018, the Foundation’s financial statements are prepared in accordance with ASU 2016-14 Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. Under ASC 958, the Foundation has reported its net assets with and without donor restrictions.

In addition, the Foundation is required by FASB ASC 958-205-45-4 to present a statement of cash flows.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies

Contributions

Under FASB ACS 958-605-15 *Revenue Recognition - Contributions Received*, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions restricted by the donor as to time or purpose are reported as net assets with donor restrictions and reclassified to net assets without donor restrictions upon expiration of the time restriction or satisfaction of the specific purpose. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as net assets with donor restrictions.

Contributions are recorded as without donor restriction revenue if any restrictions are met in the same period. Pass-through grants are treated as with donor restriction until approved by the Board for payment at which time the payable is recorded and the restrictions are met.

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 2019, HCDE contributed \$7,683 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.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

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, 2019 totaled \$139,833. The details of each donor restricted component is listed below:

With Donor Restrictions	Balance 8/31/18	Additions	Deductions	Balance 8/31/19
HeadStart	\$ -	\$ 11,000	\$ (11,000)	\$ -
After School Initiative	567	175,000	(110,376)	65,191
EcoBot	55,217	12,227	(10,601)	56,843
Adult Education	5,000	-	-	5,000
Instructional Support Services	6,737	-	-	6,737
Energy City of the Future	1,732	-	-	1,732
Other	(1,357)	14,933	(9,246)	4,330
Total With Donor Restrictions	\$ 67,896	\$ 213,160	\$ (141,223)	\$ 139,833

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, 2019. As of August 31, 2019, 100% of the Foundation's deposits were Federal Deposit Insurance Corporation insured.

Note 6 - Special Events

There were no special events held during fiscal year 2019.

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 \$13,415 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.

Note 8 Related Party Transactions

There were no board member contributions during fiscal year 2019, as such there were no related party transactions.

Note 8 - Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 13, 2020, 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.