

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

For The Year Ended August 31, 2021

THE EDUCATION FOUNDATION OF HARRIS COUNTY
TABLE OF CONTENT

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

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, 2021, the related statements of activities, statement of functional expenses, and cash flows as of and 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 ("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.

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 as of August 31, 2021, and the changes in its net assets and its cash flows for the year ended in conformity with GAAP.

A handwritten signature in black ink that reads "Whitley Penn LLP".

Houston, Texas
April 6, 2022

FINANCIAL STATEMENTS

THE EDUCATION FOUNDATION OF HARRIS COUNTY

STATEMENT OF FINANCIAL POSITION

As of August 31, 2021

Assets

Current Assets

Cash and cash equivalents \$ 460,524

Total Current Assets 460,524

Total Assets \$ 460,524

Net Assets

Without donor restrictions:

Undesignated \$ 13,459

With donor restrictions 447,065

Total Net Assets 460,524

THE EDUCATION FOUNDATION OF HARRIS COUNTY

STATEMENT OF ACTIVITIES

For The Year Ended August 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenue, Gains, and Other Support:			
Contributions	\$ -	\$ 14,868	\$ 14,868
Ecobot	-	1,000	1,000
In-kind revenues	11,346	-	11,346
Net assets released from restrictions	<u>636,470</u>	<u>(636,470)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>647,816</u>	<u>(620,602)</u>	<u>27,214</u>
Expenses:			
Program expenses	636,470	-	636,470
Supporting services:			
Management and general	<u>11,693</u>	<u>-</u>	<u>11,693</u>
Total Expenses	<u>648,163</u>	<u>-</u>	<u>648,163</u>
Changes in net assets	(347)	(620,602)	(620,949)
Net Assets at Beginning of Year (September 1)	<u>13,806</u>	<u>1,067,667</u>	<u>1,081,473</u>
Net Assets at End of Year (August 31)	<u>\$ 13,459</u>	<u>\$ 447,065</u>	<u>\$ 460,524</u>

THE EDUCATION FOUNDATION OF HARRIS COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended August 31, 2021

<u>Functional Expenses</u>	<u>Programs</u>				<u>Support Services</u>		<u>Total Expenses</u>
	<u>Partners in Education</u>	<u>After School Initiative</u>	<u>Head Start</u>	<u>Other Grants</u>	<u>Total Program Expenses</u>	<u>Management And General</u>	
Grants	\$ 454,400	\$ 173,250	\$ 7,020	\$ 1,800	\$ 636,470	\$ -	\$ 636,470
In-kind support services	-	-	-	-	-	11,346	11,346
Other operating expenses	-	-	-	-	-	347	347
	<u>\$ 454,400</u>	<u>\$ 173,250</u>	<u>\$ 7,020</u>	<u>\$ 1,800</u>	<u>\$ 636,470</u>	<u>\$ 11,693</u>	<u>\$ 648,163</u>

THE EDUCATION FOUNDATION OF HARRIS COUNTY

STATEMENT OF CASH FLOWS

For The Year Ended August 31, 2021

Cash Flows From Operating Activities

Cash received from contributions	\$	27,214
Cash paid for other program expenses		(636,470)
Cash paid for management and general expenses		<u>(11,693)</u>
Net Cash Used by Operating Activities		<u>(620,949)</u>

Net decrease in Cash and Cash Equivalents (620,949)

Cash and Cash Equivalents, beginning of year 1,081,473

Cash and Cash Equivalents, end of year \$ 460,524

Reconciliation of Increase in Net Assets to

Cash Flows from Operating Activities

Decrease in net assets \$ (620,949)

Net Cash Provided by Operating Activities \$ (620,949)

THE EDUCATION FOUNDATION OF HARRIS COUNTY

NOTES TO FINANCIAL STATEMENTS

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.

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, 2021. 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 2021, HCDE contributed \$11,346 for supporting services costs.

Functional Allocation of Expenses

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

THE EDUCATION FOUNDATION OF HARRIS COUNTY

NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, 2021 totaled \$447,065 . The details of each donor restricted component is listed below:

	Balance 8/31/20	Additions	Deductions	Balance 8/31/21
With Donor Restrictions				
HeadStart	\$ -	\$ 14,040	\$ (7,020)	\$ 7,020
After School Initiative	490,941	-	(173,250)	317,691
EcoBot	59,327	1,000	(1,000)	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	-	(454,400)	45,600
Other	3,930	828	(800)	3,958
Total With Donor Restrictions	<u>\$ 1,067,667</u>	<u>\$ 15,868</u>	<u>\$ (636,470)</u>	<u>\$ 447,065</u>

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, 2021. As of August 31, 2021, the Foundation's deposits exceeded Federal Deposit Insurance Corporation insurance.

Note 6 - Special Events

There were no special events held during fiscal year 2021.

THE EDUCATION FOUNDATION OF HARRIS COUNTY

NOTES TO FINANCIAL STATEMENTS (continued)

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 \$13,459 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 2021, 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 April 6, 2022, 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.