



# **Spring Branch Education Foundation**

## **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**June 30, 2021 and 2020**



---



	Page
<b>REPORT</b>	
Independent Auditors' Report .....	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	9
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Contributions, Special Events and Public Relations .....	22
Schedule of Grants Paid – With and Without Donor Restrictions .....	23

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Spring Branch Education Foundation  
Houston, Texas

### **Opinion**

We have audited the accompanying financial statements of Spring Branch Education Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 the Foundation, as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

## Auditors' 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 auditors' 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, including omissions, 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 the Foundation'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 the Foundation'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.

### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of contributions, special events, and public relations and grants paid on pages 22 to 25 is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Carri Riggs & Ingram, L.L.C.*

Houston, Texas  
December 9, 2021



**Spring Branch Education Foundation**  
**Statements of Financial Position**

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,471,779	\$ 1,416,304
Restricted cash and cash equivalents	119,420	17,577
Promises to give and other receivables	67,670	82,227
Deferred expenses	12,700	25,730
Greater Houston Community Foundation - endowment funds	2,134,546	1,669,502
<b>Total assets</b>	<b>\$ 3,806,115</b>	<b>\$ 3,211,340</b>
<b>Liabilities and net assets</b>		
Grants payable	\$ 318,100	\$ 232,751
Accrued liabilities	2,712	2,712
Refundable advance - PPP	19,720	17,700
Refundable advances	-	35,000
Deferred revenue	3,000	26,004
<b>Total liabilities</b>	<b>343,532</b>	<b>314,167</b>
Commitments and contingencies		
Net assets		
Without donor restrictions		
Designated by the Board for endowment purposes	357,833	253,125
Undesignated	111,980	27,687
<b>Total net assets without donor restrictions</b>	<b>469,813</b>	<b>280,812</b>
With donor restrictions		
Time and purpose restricted	1,703,019	1,365,544
Perpetual in nature	1,289,751	1,250,817
<b>Net assets with donor restrictions</b>	<b>2,992,770</b>	<b>2,616,361</b>
<b>Total net assets</b>	<b>3,462,583</b>	<b>2,897,173</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,806,115</b>	<b>\$ 3,211,340</b>

*The accompanying notes are an integral part of these financial statements.*

**Spring Branch Education Foundation**  
**Statement of Activities**

<i>For the year ended June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and other support</b>			
Contributions and grants	\$ 151,652	\$ 1,686,459	\$ 1,838,111
Special events, net of direct donor benefit costs of \$199,724	437,347	-	437,347
In-kind contributions	115,551	-	115,551
Interest and investment income, net	68,172	402,985	471,157
Miscellaneous income	33,765	-	33,765
Net assets released from restrictions	1,713,035	(1,713,035)	-
<b>Total revenue and other support</b>	<b>2,519,522</b>	<b>376,409</b>	<b>2,895,931</b>
<b>Expenses</b>			
Program expense			
Grants and awards	1,913,506	-	1,913,506
Support services			
Management and general	219,793	-	219,793
Fundraising	197,222	-	197,222
<b>Total support services</b>	<b>417,015</b>	<b>-</b>	<b>417,015</b>
<b>Total expenses</b>	<b>2,330,521</b>	<b>-</b>	<b>2,330,521</b>
<b>Change in net assets</b>	<b>189,001</b>	<b>376,409</b>	<b>565,410</b>
<b>Net assets, beginning of year</b>	<b>280,812</b>	<b>2,616,361</b>	<b>2,897,173</b>
<b>Net assets, end of year</b>	<b>\$ 469,813</b>	<b>\$ 2,992,770</b>	<b>\$ 3,462,583</b>

*The accompanying notes are an integral part of these financial statements.*

**Spring Branch Education Foundation**  
**Statement of Activities**

<i>For the year ended June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and other support</b>			
Contributions and grants	\$ 92,486	\$ 1,718,143	\$ 1,810,629
Special events, net of direct donor benefit costs of \$168,925	312,580	-	312,580
In-kind contributions	110,347	-	110,347
Interest and investment income, net	11,084	64,893	75,977
Miscellaneous income	7,625	-	7,625
Net assets released from restrictions	1,195,071	(1,195,071)	-
<b>Total revenue and other support</b>	<b>1,729,193</b>	<b>587,965</b>	<b>2,317,158</b>
<b>Expenses</b>			
Program expense			
Grants and awards	1,316,655	-	1,316,655
Support services			
Management and general	215,364	-	215,364
Fundraising	173,510	-	173,510
<b>Total support services</b>	<b>388,874</b>	<b>-</b>	<b>388,874</b>
<b>Total expenses</b>	<b>1,705,529</b>	<b>-</b>	<b>1,705,529</b>
<b>Change in net assets</b>	<b>23,664</b>	<b>587,965</b>	<b>611,629</b>
<b>Net assets, beginning of year</b>	<b>257,148</b>	<b>2,028,396</b>	<b>2,285,544</b>
<b>Net assets, end of year</b>	<b>\$ 280,812</b>	<b>\$ 2,616,361</b>	<b>\$ 2,897,173</b>

*The accompanying notes are an integral part of these financial statements.*

# Spring Branch Education Foundation

## Statements of Functional Expenses

For the years ended June 30,

	2021				2020			
	Program Services		Supporting Services		Program Services		Supporting Services	
	Programs	Management and General	Fundraising	Total	Programs	Management and General	Fundraising	Total
Salaries, taxes and related benefits	\$ 11,536	\$ 125,648	\$ 92,665	\$ 229,849	\$ 11,115	\$ 120,697	\$ 88,641	\$ 220,453
Grants and awards	1,901,917	-	-	1,901,917	1,305,488	-	-	1,305,488
Special events	-	-	276,777	276,777	-	-	223,364	223,364
Occupancy expenses	53	530	477	1,060	52	523	470	1,045
Public relations	-	32,014	-	32,014	-	26,129	-	26,129
Credit card fees	-	-	27,027	27,027	-	-	29,960	29,960
Meeting expenses	-	2,685	-	2,685	-	12,960	-	12,960
Supplies	-	5,148	-	5,148	-	6,113	-	6,113
Other management and general	-	53,768	-	53,768	-	48,942	-	48,942
Total expenses	1,913,506	219,793	396,946	2,530,245	1,316,655	215,364	342,435	1,874,454
Less direct donor benefit expenses	-	-	(199,724)	(199,724)	-	-	(168,925)	(168,925)
Total	\$ 1,913,506	\$ 219,793	\$ 197,222	\$ 2,330,521	\$ 1,316,655	\$ 215,364	\$ 173,510	\$ 1,705,529

The accompanying notes are an integral part of these financial statements.



**Spring Branch Education Foundation**  
**Statements of Cash Flows**

<i>For the years ended June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Cash received from contributions, grants and events	\$ 2,392,801	\$ 2,315,916
Cash received from interest earnings	392	286
Cash received from miscellaneous sources	16,065	7,625
Cash received from refundable advance - PPP	19,720	17,700
Cash paid for grants and awards	(1,820,153)	(1,349,513)
Cash paid for special events	(336,917)	(314,015)
Cash paid for management and general expenses	(159,245)	(177,603)
Net cash provided by operating activities	<b>112,663</b>	<b>500,396</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	-	(70,000)
Sales of investments	5,721	4,671
Net cash provided by (used in) investing activities	<b>5,721</b>	<b>(65,329)</b>
<b>Cash flows from financing activities</b>		
Proceeds from contributions restricted for investment in perpetual endowment	<b>38,934</b>	<b>115,930</b>
Change in cash and cash equivalents	<b>157,318</b>	<b>550,997</b>
Cash, cash equivalents, and restricted cash, beginning of year	<b>1,433,881</b>	<b>882,884</b>
Cash, cash equivalents, and restricted cash, end of year	\$ <b>1,591,199</b>	\$ <b>1,433,881</b>
<b>Reconciliation of cash, cash equivalents, and restricted cash</b>		
Cash and cash equivalents	\$ <b>1,471,779</b>	\$ 1,416,304
Restricted cash and cash equivalents	<b>119,420</b>	17,577
	\$ <b>1,591,199</b>	\$ <b>1,433,881</b>

(Continued)

*The accompanying notes are an integral part of these financial statements.*

**Spring Branch Education Foundation**  
**Statements of Cash Flows (Continued)**

<i>For the years ended June 30,</i>	<b>2021</b>	<b>2020</b>
Reconciliation of change in net assets to cash flows from operating activities		
Change in net assets	\$ 565,410	\$ 611,629
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized/unrealized gain on investments	(456,421)	(64,054)
Reinvestment of interest and dividends	(14,344)	(11,637)
Contributions for long-term investments	(38,934)	(115,930)
Bad debt expense	7,500	7,030
Decrease (increase) in promises to give	14,027	(57,664)
Decrease (increase) in other receivables	(6,970)	131,800
Decrease (increase) in deferred expenses	13,030	(16,230)
Decrease in accounts payable	-	(33,222)
Increase (decrease) in grants payable	85,349	(27,572)
Decrease in accrued liabilities	-	(458)
Increase in refundable advance - PPP	2,020	17,700
Increase (decrease) in refundable advances	(35,000)	35,000
Increase (decrease) in deferred revenue	(23,004)	24,004
Net cash provided by operating activities	\$ 112,663	\$ 500,396

*The accompanying notes are an integral part of these financial statements.*

## Spring Branch Education Foundation Notes to Financial Statements

### **Note 1: DESCRIPTION OF THE ORGANIZATION**

Spring Branch Education Foundation (the Foundation) was established on January 20, 1993, for the purpose of receiving and disbursing funds, property and gifts exclusively for the benefit of the Spring Branch Independent School District (the District).

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

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

#### ***Restricted Cash***

The Foundation has restricted cash primarily related to the amount to be deposited to the endowment.

#### ***Promises to Give***

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. At June 30, 2021 and 2020, management believes that, based on individuals and their payment history, the promises to give are fully collectible, and no allowance for doubtful accounts is required.



## Spring Branch Education Foundation

### Notes to Financial Statements

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Other Receivables***

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to the valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. Changes in the valuation allowance have not been material to the financial statements. At June 30, 2021 and 2020, management believes that, based on individuals and their payment history, the receivables are fully collectible, and no allowance for doubtful accounts is required.

##### ***Investments and Investment Income and Expense***

The Foundation carries investments in marketable securities at fair value in the statements of financial position. Investment return includes interest, dividends, and realized and unrealized gains and losses.

Investment return is reported in the statements of activities as an increase in net assets without donor restrictions unless otherwise specified by donor restrictions. Expenses relating to investment revenues of the Endowment funds, including custodial fees and investment advisory fees, for the years ended June 30, 2021 and 2020 totaled \$5,721 and \$4,671, respectively.

##### ***Grants Payable***

Grants payable consist of amounts awarded to specific payees, but not paid as of year-end to the District and others for the specific purpose of the award. Grants payable totaled \$318,100 and \$232,751, as of June 30, 2021 and 2020, respectively, and are payable within one year and are considered at fair value of the amount to be paid.

##### ***Refundable Advance – PPP Loans***

The Foundation received loans under the Paycheck Protection Program (PPP) pursuant to the CARES ACT and administered by the U.S. Small Business Administration (the SBA) (See Note 7).

The Foundation is recognizing revenue from the PPP loans following the guidance under FASB ASC 958-605, government grant model. PPP loan funds are considered a conditional contribution and recorded as a refundable advance on the statements of financial position until all barriers are met. The Foundation considers the barrier to be the approval of the Foundation's application for loan forgiveness. Revenue is recognized once the condition has been substantially met or explicitly waived.

##### ***Net Assets***

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.



## Spring Branch Education Foundation

### Notes to Financial Statements

#### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions 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 are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

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.

#### *Revenue Recognition*

The Foundation recognizes contributions, including special events, when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Special events revenue represents the amounts paid by donors, sponsors, and attendees of fundraising events. Ticket sales include elements of both contributions and exchange transactions and are recognized when an event occurs. Cost of direct donor benefits provided represents the costs of goods and services provided in exchange for the amount paid by event attendees. Due to the COVID-19 pandemic, several 2020 events were postponed and the amounts received for future events for the contribution and exchange portion are reported in the statements of financial position as deferred revenue. Contributions included in refundable advances at June 30, 2020 are considered conditional as a barrier and right of return exist.

Contract balances consist of the following:

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
Deferred revenue, beginning of year	\$ 26,004	\$ 2,000
Deferred revenue, end of year	\$ 3,000	\$ 26,004

## Spring Branch Education Foundation

### Notes to Financial Statements

#### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***In-Kind Contributions***

The Foundation receives donated services from a variety of sources. Services that create non-financial assets or that would typically need to be purchased by the Foundation, or services that require specialized skills which are provided by individuals with those service skills are recognized as contributions and are either capitalized or expensed depending on the nature of the services provided. 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 and facilities is recorded based on the estimated value at the time of the gift.

##### ***Functional Allocation of Expenses***

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, costs have been allocated among the program and supporting service benefited. The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. The expenses that are allocated are personnel and related expenses and occupancy costs, which are allocated on the basis of estimates of time and effort. Management reviews reasonableness of allocation methods on an annual basis.

##### ***Income Taxes***

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code except to the extent that it generates unrelated business income. As of June 30, 2021 and 2020, the Foundation had no unrelated business income.

The Foundation accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of June 30, 2021 and 2020, management believes there were no uncertain tax positions.

##### ***Fair Value Considerations***

The Foundation uses fair value to measure financial and certain nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Foundation did not elect the fair value option for the measurement of any eligible assets or liabilities.



**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Foundation's financial instruments consist of cash and cash equivalents, receivables, and other short term assets and liabilities. Management believes the carrying amounts of these financial instruments approximate their fair values.

***Subsequent Events***

The Foundation has evaluated subsequent events through the date the financial statements were available for issuance on December 9, 2021. No matters were identified affecting the accompanying financial statements or related disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Future Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

**Note 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Foundation regularly monitors liquidity required to meet its operating needs. The Foundation has an informal policy to maintain cash funds to meet six months of operating needs after considering grants and awards that have already been awarded to recipients but not yet paid. The Foundation disburses grants and awards after the corresponding funds are raised and payment is received. As of June 30, 2021, financial assets available within one year total \$486,011 and consist of cash and cash equivalents totaling \$485,041 and promises to give and other receivables totaling \$970. As of June 30, 2020, financial assets available within one year total \$380,857 and consist of cash and cash equivalents totaling \$370,364 and promises to give and other receivables totaling \$10,493.

## Spring Branch Education Foundation

### Notes to Financial Statements

#### Note 4: CONCENTRATION OF CREDIT RISK

Cash and cash equivalents are maintained at financial institutions in Houston, Texas. The balances, at times, may exceed federally insured limits during the year. The Foundation maintains its accounts with high quality financial institutions which the Foundation believes limits the risk of loss of funds over the insurance limit.

The Foundation recognizes that the endowment fund investments will have credit risk (the risk that the institution holding the funds cannot pay the funds back) and market risk (the risk that the value will decline) wherever the endowment funds are invested. The Foundation has an Endowment Committee that monitors the endowment funds and assesses the credit risk and market risk of the investment of these funds. To minimize the potential risk of loss of funds, the Foundation has deposited the endowment funds with Greater Houston Community Foundation (GHCF), which has handled endowment funds for other organizations and is a highly reputable organization in the community. GHCF offers different investment options that can be selected by participants investing with GHCF and the investment strategy chosen by the Foundation was a conservative one.

For the year ended June 30, 2021, one donor represented 16% of the total contributions received by the Foundation. At June 30, 2021, five donors represented 64% of outstanding promises to give and other receivables.

For the year ended June 30, 2020, one donor represented 13% of the total contributions received by the Foundation. At June 30, 2020, one donor represented 15% of outstanding promises to give and other receivables.

#### Note 5: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
Demand deposits	\$ 1,267,056	\$ 1,209,988
Money market account	119,420	17,577
High yield saving	100,155	101,957
Certificate of deposit	104,568	104,359
	<b>\$ 1,591,199</b>	<b>\$ 1,433,881</b>

The certificate of deposit matures in three month increments and earns interest at a rate of 0.10% and 0.25% as of June 30, 2021 and 2020, respectively. The certificate of deposit has early withdrawal penalties. Any penalties for early withdrawal would not have a material effect on the financial statements.



**Spring Branch Education Foundation**  
**Notes to Financial Statements**

**Note 6: PROMISES TO GIVE AND OTHER RECEIVABLES**

Promises to give and other receivables consist of the following:

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
Promises to give	\$ 44,200	\$ 65,727
Other receivables	23,470	16,500
	<b>\$ 67,670</b>	<b>\$ 82,227</b>

Bad debt expense totaled \$7,500 and \$7,030 for the years ended June 30, 2021 and 2020, respectively.

**Note 7: REFUNDABLE ADVANCE – PPP LOAN**

In April 2020, the Foundation received a loan in the amount of \$17,700 under the PPP pursuant to the CARES Act and administered by the SBA. The PPP provides for forgivable loans to qualifying businesses. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower maintains specified levels of payroll and employment. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%.

In March 2021, the lender informed the Foundation that the Small Business Administration (SBA) approved forgiveness of the full principal and accrued interest amounts, and \$17,700 has been recognized as revenue in the accompanying statements of activities for the year ended June 30, 2021.

In January 2021, the Foundation received a loan in the amount of \$19,720 under the Second Draw of the Paycheck Protection Program (Second Draw PPP) with the same general terms as the first draw of the PPP loan. The interest rate on the loan is fixed at 1% per annum and accrues from the date the proceeds are received and mature in January 2026. The loan and accrued interest are forgivable after the loan forgiveness covered period in the CARES Act as long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, and utilities, and maintains its payroll level.

The Foundation is using the Second Draw PPP loan funds for its payroll and benefits costs, rent, and utilities, purposes consistent with the PPP. While the Foundation currently believes that its use of the PPP funds are meeting the conditions for forgiveness of the PPP loan and is in the process of preparing the Foundation's forgiveness application, no assurance can be provided that the Foundation will obtain forgiveness of the loan, in whole or in part.

As of June 30, 2021, the Second Draw PPP loan funds are recorded as a refundable advance on the statements of financial position until the Foundation obtains forgiveness of the loan.

Subsequent to June 30, 2021, the lender informed the Foundation that the SBA approved forgiveness of the full principal and accrued interest amounts for the Second Draw PPP loan.

**Note 8: INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs, other than quoted prices, that are observables; or can be corroborated by observable market data. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Foundation has an agreement with GHCF, to maintain and invest the endowment funds on behalf of the Foundation. GHCF will maintain funds and handle the day-to-day investments and administration activities. GHCF will use its own staff, independent investment advisors, managers and other third – party contractors in the same manner as GHCF does with its own funds. The Foundation accumulates the funds collected from endowment pledges and remits the amount to GHCF every six months. Changes in the mixture of the portfolio can be made every six months by the Foundation. The Foundation retains all rights to these funds and pays an administrative fee each quarter.

Since the investments are maintained in a pooled fund by GHCF, the individual fair value amounts included in the pooled funds are not available for disclosure in the financial statements. The fair value is based on the values provided by GHCF and is determined as Level 3 inputs, which are defined as fair value amounts based on unobservable inputs that cannot be verified in the market place.

Investments are exposed to various risks such as interest rate risk, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position and the statements of activities.

The Foundation's Level 3 investments have been valued using unadjusted third-party transactions and quotations. No unobservable inputs internally developed by management have been applied to these investments.



**Spring Branch Education Foundation**  
**Notes to Financial Statements**

**Note 8: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

The value of assets measured at fair value on a recurring basis is as follows:

	Level 1	Level 2	Level 3	Total
<i>June 30, 2021:</i>				
Global equity	\$ -	\$ -	\$ 1,225,272	\$ 1,225,272
Global fixed income	-	-	454,227	454,227
Alternative assets	-	-	444,425	444,425
Money market	-	-	10,622	10,622
	\$ -	\$ -	\$ 2,134,546	\$ 2,134,546
<i>June 30, 2020:</i>				
Global equity	\$ -	\$ -	\$ 1,032,420	\$ 1,032,420
Global fixed income	-	-	335,403	335,403
Alternative assets	-	-	261,444	261,444
Money market	-	-	40,235	40,235
	\$ -	\$ -	\$ 1,669,502	\$ 1,669,502

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 investments:

Balance at June 30, 2019	\$ 1,528,482
Purchases	70,000
Net investment income	71,020
Balance at June 30, 2020	1,669,502
Purchases	-
Net investment income	465,044
Balance at June 30, 2021	\$ 2,134,546

## Spring Branch Education Foundation Notes to Financial Statements

### Note 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions perpetual in nature consist of endowment fund assets to be held indefinitely. The income from the assets can be used to provide new opportunities for District students and teachers to enhance the quality of the educational experience.

Net assets with donor restrictions are available for the following purposes:

June 30,	2021	2020
Subject to expenditure for specific purpose		
Scholarships	\$ 127,246	\$ 246,057
School supply project	117,530	86,457
Grants to schools	712,774	713,262
Athletic services	4,800	14,000
Grants to District departments	7,739	16,692
Other	80,707	34,939
	1,050,796	1,111,407
Subject to spending policy and appropriation		
Accumulated earnings on endowment	652,223	254,137
Perpetual-in-nature	1,289,751	1,250,817
Total net assets with donor restrictions	\$ 2,992,770	\$ 2,616,361

### Note 10: ENDOWMENTS

The Foundation has established the Fund for the Future Endowment to be used to benefit the District for years in the future. This fund was established to build an investment portfolio of at least \$1 million. The Foundation's endowment consists of one individual fund established for the Fund for the Future Endowment and includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments.

#### *Interpretation of Relevant Law*

The Foundation is subject to the *Texas Uniform Prudent Management of Institutional Funds Act* (the Act). The Fund for Future Endowment of the Foundation have interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets in perpetual in nature: (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts donated to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act.



**Note 10: ENDOWMENTS (Continued)**

To help achieve the \$1 million goal, investment income was added to the corpus with donor restrictions – funds held in perpetuity. Beginning July 1, 2014, upon reaching the \$1 million corpus, investment income on endowment in perpetuity funds began to accumulate in net assets with donor restrictions. In 2020, the Board of Directors voted to increase the goal of the endowment to \$2 million.

In accordance with the Act, the Foundation considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the funds
- Purposes of the Foundation and the donor restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Foundation
- Investment policies of the Endowment Fund

***Return Objectives and Risk Parameters***

The Foundation's Endowment is held with the GHCF and a financial institution. It was the Board of Directors' objective not to be involved in the day-to-day investing of funds and to rely on the expertise of the GHCF and their investment policy, objectives and guidelines. Under this policy, the endowment assets are invested in a manner to provide long-term growth of the assets for future needs without exposure to undue risk.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term growth objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment fund consists of contributions to the Foundation designated by the donors of the fund and Board designated unrestricted funds plus appreciation and income. The Foundation targets an asset allocation that will achieve its long-term return objectives within prudent risk constraints and targets an annual rate of return of at least 5%.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Foundation has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value of the three preceding fiscal year-end dates (a three year rolling average). In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds (many of which must be maintained in perpetuity because of donor-restrictions), and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional growth through new gifts and investment return.

The following tables describe the Foundation's endowment net asset composition by type of fund and the changes in endowment net assets as of and for the years ended June 30, 2021 and 2020.

**Spring Branch Education Foundation**  
**Notes to Financial Statements**

**Note 10: ENDOWMENTS (Continued)**

Endowment net asset composition by type is as follows:

	Without donor restrictions	With donor restrictions	Total
As of June 30, 2021			
Donor restricted	\$ -	\$ 1,898,775	\$ 1,898,775
Board designated	357,833	-	357,833
<b>Total endowment funds</b>	<b>\$ 357,833</b>	<b>\$ 1,898,775</b>	<b>\$ 2,256,608</b>
As of June 30, 2020			
Donor restricted	\$ -	\$ 1,440,220	\$ 1,440,220
Board designated	253,125	-	253,125
<b>Total endowment funds</b>	<b>\$ 253,125</b>	<b>\$ 1,440,220</b>	<b>\$ 1,693,345</b>

Changes in endowment net assets are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2019	\$ 220,987	\$ 1,317,435	\$ 1,538,422
Investment return	10,798	64,893	75,691
Contributions	22,006	61,896	83,902
Advisor fees	(666)	(4,004)	(4,670)
Endowment net assets, June 30, 2020	253,125	1,440,220	1,693,345
Investment return	67,780	402,984	470,764
Contributions	37,752	60,468	98,220
Advisor fees	(824)	(4,897)	(5,721)
<b>Endowment net assets, June 30, 2021</b>	<b>\$ 357,833</b>	<b>\$ 1,898,775</b>	<b>\$ 2,256,608</b>

## Spring Branch Education Foundation

### Notes to Financial Statements

#### Note 11: RELATED PARTIES

The Foundation receives support from the District. The District provides office space, furniture, computer equipment and certain personnel. The Foundation's Board members also contribute to the Foundation.

The Foundation has recorded in-kind contributions and corresponding facilities and equipment costs and Board member contributions for the year ended June 30:

	2021	2020
District		
Facilities, equipment and personnel	\$ 115,551	\$ 110,347
Board member contributions	72,000	67,000
Total	\$ 187,551	\$ 177,347

#### Note 12: UNCERTAINTY

The continued spread of the COVID-19 pandemic has given rise to uncertainties that may have a significant negative impact on the operating activities and results of the Foundation. The occurrence and extent of such impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel of meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.



## **SUPPLEMENTARY INFORMATION**

**Spring Branch Education Foundation**  
**Schedule of Contributions, Special Events and Public Relations**

*For the year ended June 30,*

2021

<b>Contributions and grants revenue without donor restrictions</b>	
Community and businesses	\$ 56,498
Director's commitment	72,000
Director's other donations	344
Community relations	1,820
Calendar campaign	20,000
In memory and honor of	990
<b>Total contributions and grants revenue without donor restrictions</b>	<b>\$ 151,652</b>

**Contributions and grants revenue with donor restrictions**

**Purpose and time restrictions**

Restricted grants- flow-thru grants	\$ 1,373,244
Employee appeal	40,889
Scholarships	233,392
<b>Total contributions and grants revenue with purpose and time restrictions</b>	<b>1,647,525</b>

**Perpetual-in-nature**

Contributions for Fund for the Future Endowment	38,934
<b>Total contributions and grants revenue with donor restrictions</b>	<b>\$ 1,686,459</b>

	Revenues	Expenses	Net Revenues (Loss)
<b>Special events-fundraising</b>			
Golf Tournament	\$ 262,841	\$ 84,568	\$ 178,273
Style Show and Luncheon	56,896	39,046	17,850
Sporting Clay Tournament	124,140	67,453	56,687
Legacy Gala	188,694	63,986	124,708
Bright Stars of SBISD **	4,500	21,724	(17,224)
<b>Total special events-fundraising</b>	<b>\$ 637,071</b>	<b>\$ 276,777</b>	<b>\$ 360,294</b>

\*\* This event is a teacher and student recognition event and not an income generating event for programs.

<b>Public relations</b>	<b>Expenses</b>
First day packets	\$ 6,507
Annual report to the public	8,027
Promotional items	5,699
Other	11,781
<b>Total public relations expense</b>	<b>\$ 32,014</b>

**Spring Branch Education Foundation**  
**Schedule of Grants Paid – With and Without Donor Restrictions**

<i>For the year ended June 30,</i>	2021
1978 Stratford Alum Scholarship	\$ 1,500
Academy of Finance	583
Andres Bautista Scholarship	1,000
AYAM	14,423
Bendwood ES.	4,000
Benjamin Cuellar "PATRON OF STO	2,000
BHE Leave a Legacy Scholarship	1,000
BridgeUp Magic Grant	47,689
Bunker Hill Rebuild	286,381
Cedar Brook ES Scholarship.	1,000
Child Nutrition Services	3,564
Chris Gilbert Scholarship	1,000
CITGO Distinguished Scholar Pro	82,500
Community Relations	6,185
Community Relations Xtra Credit	1,802
Council of PTA - Rachel Pendray	3,000
Dictionary Project	7,492
Don Coleman Scholarship Fund	7,000
Dylan Davis Musical Theatre	1,000
Employee Campaign Scholarships	41,250
Ferworn Scholarship Fund	2,500
Flight XXV Scholarship -Suzanne	1,000
Flow Thru - Spring Woods Theatre	1,335
Flow-Thru Projects Other	102,816
Foundation Grants	1,225
Goldstein-Altman Scholarship	4,500
Grants	215,191
Hollibrook Elementary	1,000
Hooves for Hope.	3,840
Housman PTA Scholarship	1,000
Hunters Creek	600
J. Landon Short Mini Grants	14,252
John Thompson Memorial Scholars	1,000
Jone Stratford Scholarship	25,000
Judy Weisend Scholarship	2,000
Lions Club Scholarship	1,000
Luis Jamie Rosales Scholarship	17,500
MDE PTA Scholarship	1,000
Meadow Wood ES Scholarship	3,000
Melvin Eldridge Scholarship	841
Memorial MS PTA	7,335
MHS PTA Scholarship	3,000
	(Continued)



**Spring Branch Education Foundation**  
**Schedule of Grants Paid – With and Without Donor Restrictions (Continued)**

<i>For the year ended June 30,</i>	<i>2021</i>
MMS Scholarship	\$ 3,000
Moms of Boys Scholarship Fund	2,000
Monica Neubauer Scholarship	1,000
Northbrook High Scholarship	1,000
Northbrook MS - Spark Park	5,999
Panda Path	3,029
Prosperity Bank Scholarship	1,000
Rebuild HCE.	559,923
Royal Oaks Garden Club Scholarships	1,000
Rummel Creek Elementary School	950
Rummel Creek ES PTA Scholarship	5,000
Rummel Creek Mens Club Scholars	2,000
Sarah Chidgey Scholarship	4,000
SBAI	13,178
SBEF - Golf Tournament Scholarship	2,500
SBEF School Supply Project	64,015
SBISD - Athletics	41,500
SBISD - Bunker Hill	1,500
SBISD - Cornerstone Academy	1,008
SBISD - Edgewood Elementary	3,500
SBISD - Frostwood ES	6,285
SBISD - Meadow Wood ES	2,385
SBISD - Memorial Drive ES	100
SBISD - Memorial HS	2,500
SBISD - Mentoring Program	100
SBISD - Northbrook High School	600
SBISD - Nottingham Elementary	299
SBISD - Spring Branch MS	1,000
SBISD - Spring Forest MS	7,300
SBISD - Spring Woods HS	500
SBISD - Stratford HS	9,781
SBISD - The Tiger Trail School	2,500
Scholarships	1,500
Scholarships - Unrestricted	1,598
Scholarships, Mini Grants	1,000
Sean Giroir Scholarship Fund	2,000
Sherwood PTA Scholarship	1,000
SHS PTSA Scholarship	1,000
Spelling Bee Project	500
Spring Board Mentoring Program	500

(Continued)

**Spring Branch Education Foundation**

**Schedule of Grants Paid – With and Without Donor Restrictions (Continued)**

<i>For the year ended June 30,</i>	2021
Spring Branch Elementary School	\$ 1,050
Spring Forest Middle Scholarship	1,000
Spring Shadow Elementary	3,500
Spring Woods High School Scholarships	500
Spring woods -HS Debate Team	13,691
Spring Woods Mentoring Program	31,931
Stratford HS Project Prom 2020	12,775
Stratford HS PTA	582
SWHS Alumni Scholarship	500
SWHS Class of 69 Scholarship Fund	17,000
Teacher Appreciation Lunch	6,099
Terri Sharp Scholarship	1,000
Treasure Forest Elementary	600
WAIS PTA Scholarship-Bright Star	1,000
Warren Barfield Scholarship	2,400
Wells Fargo Scholarship	1,000
West Fund	2,500
Westchester Alumni - Scholarship	12,171
Wilchester Men Club Scholarship	25,000
Wildcat Way	1,000
<i>Total</i>	<i>\$ 1,820,153</i>