# Spring Branch Education Foundation

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2022 and 2021

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#### **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, 2022 and 2021, 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, 2022 and 2021, 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 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.

#### **Report on Supplementary Information**

Carr, Riggs & Ungram, L.L.C.

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 23 to 26 are 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.

Houston, Texas December 8, 2022

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

June 30,	·	2022	2021
Assets			
Cash and cash equivalents	\$	2,578,612	\$ 1,471,779
Restricted cash and cash equivalents		85,985	119,420
Promises to give and other receivables		68,397	67,670
Deferred expenses		12,550	12,700
Greater Houston Community Foundation - endowment funds		1,966,746	2,134,546
Total assets	\$	4,712,290	\$ 3,806,115
Liabilities and net assets			
Grants payable	\$	404,000	\$ 318,100
Accrued liabilities		2,712	2,712
Refundable advance - PPP		-	19,720
Deferred revenue		8,868	3,000
Total liabilities		415,580	343,532
Net assets			
Without donor restrictions			
Designated by the Board for endowment purposes		356,446	357,833
Undesignated		138,949	111,980
Total net assets without donor restrictions		495,395	469,813
With donor restrictions			
Time and purpose restricted		2,497,039	1,703,019
Perpetual in nature		1,304,276	1,289,753
Net assets with donor restrictions		3,801,315	2,992,770
Total net assets		4,296,710	3,462,583
Total liabilities and net assets	\$	4,712,290	\$ 3,806,11

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

	Wit	hout Donor	V	ith Donor		
For the year ended June 30, 2022	Re	estrictions	R	estrictions		Total
Revenue and other support						
Contributions and grants	\$	121,466	\$	2,539,027	\$	2,660,493
Special events, net of direct donor						
benefit costs of \$264,456		507,800		-		507,800
Contributions of nonfinancial assets		124,238		-		124,238
Interest and investment return, net		(40,426)		(220,585)		(261,011)
Miscellaneous income		42,218		-		42,218
Net assets released from restrictions		1,509,897		(1,509,897)		-
Total revenue and other support		2,265,193		808,545		3,073,738
Total revenue and other support		2,203,133		000,545		3,073,730
Expenses						
Program expense						
Grants and awards		1,725,833		-		1,725,833
Support services						
Management and general		233,442		<u>-</u>		233,442
Fundraising		280,336		_		280,336
Tatalanana		F42 770				E40 770
Total support services		513,778		-		513,778
Total expenses		2,239,611		_		2,239,611
Change in net assets		25,582		808,545		834,127
Change in het assets		23,382		000,343		034,12/
Net assets, beginning of year		469,813		2,992,770		3,462,583
Net assets, end of year	\$	495,395	\$	3,801,315	\$	4,296,710
					-	

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

Witl	hout Donor	V	ith Donor/		
Re	estrictions	R	estrictions		Total
\$	151,652	\$	1,686,459	Ş	1,838,111
	437,347		-		437,347
	115,551				115,551
	68,172		402,985		471,157
	33,765		-		33,765
	1,713,035		(1,713,035)		_
	2 519 522		376.409		2,895,931
	2,313,322		370,103		_,000,00_
	1,913,506				1,913,506
	219,793				219,793
	197,222		_		197,222
	417,015		_		417,015
	2.330.521		_		2,330,521
	2,000,022				
	189,001		376,409		565,410
	280,812		2,616,361		2,897,173
\$	469,813	\$	2,992,770	\$	3,462,583
		437,347 115,551 68,172 33,765 1,713,035 2,519,522 1,913,506 219,793 197,222 417,015 2,330,521 189,001 280,812	\$ 151,652 \$ 437,347 115,551 68,172 33,765 1,713,035 2,519,522 1,913,506 219,793 197,222 417,015 2,330,521 189,001 280,812	Restrictions       Restrictions         \$ 151,652       \$ 1,686,459         437,347       -         115,551       -         68,172       402,985         33,765       -         1,713,035       (1,713,035)         2,519,522       376,409         1,913,506       -         219,793       -         197,222       -         417,015       -         2,330,521       -         189,001       376,409         280,812       2,616,361	Restrictions       Restrictions         \$ 151,652       \$ 1,686,459       \$         437,347       -       -         115,551       -       -         68,172       402,985       -         33,765       -       -         1,713,035       (1,713,035)         2,519,522       376,409         1,913,506       -         219,793       -         197,222       -         417,015       -         2,330,521       -         189,001       376,409         280,812       2,616,361

# Spring Branch Education Foundation Statements of Functional Expenses

For the years ended June 30,				2022							2021	Σ.		
	Program Services	ervices	S	Supporting Services	Servi	ces			Program Services	SS	Supporting Services	ıg Servi	ces	
			Mana	Management				1		2	Management			
	Programs	ıms	and G	and General	Func	Fundraising	Total		Programs	8	and General	Func	Fundraising	Total
Salaries, taxes and														
related benefits	ş	12,940	S	137,678	\$	101,751	\$ 252,369	698	11,536	\$ 9	125,648 \$	\$	\$ 599'76	229,849
Grants and awards	1,7	1,712,830				٠	1,712,830	330	1,901,917	7			r	1,901,917
Special events				٠		398,880	398,880	880			1		276,777	276,777
Occupancy expenses		63		633		269	1,7	1,265	5	53	530		477	1,060
Public relations		٠		26,289			26,289	68			32,014		•	32,014
Credit card fees		٠		٠		43,592	43,592	92		,	1		27,027	27,027
Meeting expenses		٠		15,888			15,888	88			2,685		í	2,685
Supplies		•		8,428		•	8,4	8,428			5,148		ī	5,148
Other management														
and general		•		44,526			44,526	979		,	53,768		1	53,768
Total expenses	1,7	1,725,833		233,442		544,792	2,504,067	290	1,913,506	9	219,793		396,946	2,530,245
Less direct donor benefit expenses						(264,456)	(264,456)	(99	1		-		(199,724)	(199,724)
Total	\$ 1,7	1,725,833 \$		233,442 \$	\$	\$ 986,386	\$ 2,239,611 \$	511	\$ 1,913,506 \$	\$ 9	219,793 \$	٠	197,222 \$	2,330,521

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

For the years ended June 30,		2022		2021
Cash flows from operating activities				
Cash received from contributions, grants and events	\$	3,423,365	\$	2,392,801
Cash received from interest earnings	•	220		392
Cash received from miscellaneous sources		22,498		16,065
Cash received from refundable advance - PPP		-		19,720
Cash paid for grants and awards		(1,619,697)		(1,820,153)
Cash paid for special events		(494,080)		(336,917)
Cash paid for management and general expenses		(180,003)		(159,245)
Net cash provided by operating activities		1,152,303		112,663
Cash flows from investing activities				
Purchase of investments		(100,000)		-
Sales of investments		6,570		5,721
Net cash provided by (used in) investing activities		(93,430)		5,721
Cash flows from financing activities				
Proceeds from contributions restricted for				
investment in perpetual endowment		14,525		38,934
Change in cash and cash equivalents		1,073,398		157,318
Cash, cash equivalents, and restricted cash, beginning of year		1,591,199	,	1,433,881
Cash, cash equivalents, and restricted cash, end of year	\$	2,664,597	\$	1,591,199
Reconciliation of cash, cash equivalents, and restricted cash				
Cash and cash equivalents	\$	2,578,612	\$	1,471,779
Restricted cash and cash equivalents		85,985		119,420
	\$	2,664,597	\$	1,591,199

(Continued)

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

For the years ended June 30,		2022	2021
Reconciliation of change in net assets to			
cash flows from operating activities			
Change in net assets	\$	<b>834,127</b> \$	565,410
Adjustments to reconcile change in net assets	Ψ	00-1,227	303) 120
to net cash provided by operating activities			
Net realized/unrealized (gain)/loss on investments		269,424	(456,421)
Reinvestment of interest and dividends		(8,194)	(14,344)
Contributions for long-term investments		(14,525)	(38,934)
Bad debt expense		2,090	7,500
Decrease (increase) in promises to give		9,788	14,027
Decrease (increase) in other receivables		(12,605)	(6,970)
Decrease (increase) in deferred expenses		150	13,030
Increase (decrease) in grants payable		85,900	85,349
Increase in refundable advance - PPP		(19,720)	2,020
Increase (decrease) in refundable advances		-	(35,000)
Increase (decrease) in deferred revenue		5,868	(23,004)
Net cash provided by operating activites	\$	<b>1,152,303</b> \$	112,663

#### 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, 2022 and 2021, 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.

#### 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, 2022 and 2021, 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 Return 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, 2022 and 2021 totaled \$6,570 and \$5,721, 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 \$404,000 and \$318,100, as of June 30, 2022 and 2021, 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.

#### 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 it 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.

Contract balances consist of the following:

June 30,	2022	2021
Deferred revenue, beginning of year	\$ <b>3,000</b> \$	26,004
Deferred revenue, end of year	\$ <b>8,868</b> \$	3,000

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

#### **Contributions of Nonfinancial Assets**

The Foundation's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Foundation. If an asset is donated that does not allow the Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. Donated services and materials are recognized at their estimated fair values at the date of receipt, if an objective basis is available to measure the value of such services and materials. The related expense is recognized as the item donated is used. Contributed services are recorded if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During the years ended June 30, 2022 and 2021, the Foundation received the following in-kind contributions:

	2022	 2021
Salaries	\$ 122,973	\$ 114,492
Utilities	1,265	1,059
Total	\$ 124,238	\$ 115,551

There were no donor-imposed restrictions associated with the in-kind contributions.

Donated salaries were valued based on the wages paid by the District for district employees utilized by the Foundation to carry out its mission, while donated utilities were valued based on the market value paid by the District for the respective time period. See Note 11 for additional information regarding in-kind contributions from the District.

A substantial number of unpaid volunteers make significant contributions of their time to the Foundation's programs and administration. The value of the contributed time is not reflected in these statements because it does not require a specialized skill or create or enhance a nonfinancial asset.

#### **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.

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

#### **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, 2022 and 2021, 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, 2022 and 2021, 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.

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 8, 2022. 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.

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

#### **Newly Adopted Accounting Pronouncements**

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on the Foundation's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021. The Foundation adopted the standard on July 1, 2021. The standard did not have a material impact on the 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 statement 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 statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, amended the effective date of ASU 2016-02 for certain organizations. Specifically, private companies and private not-for-profit organizations may apply the new lease standard for fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022.

#### 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, 2022, financial assets available within one year total \$581,009 and consist of cash and cash equivalents totaling \$572,510 and promises to give and other receivables totaling \$8,499. 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.

#### 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.

#### Note 4: CONCENTRATION OF CREDIT RISK (Continued)

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.

At June 30, 2022, three donors represented 69% of outstanding promises to give and other receivables.

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.

#### **Note 5: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

June 30,	2022	2021
Demand deposits	\$ 2,373,839	\$ 1,267,056
Money market account	85,985	119,420
High yield saving	100,165	100,155
Certificate of deposit	104,608	104,568
	\$ 2,664,597	\$ 1,591,199

The certificate of deposit matures in three month increments and earns interest at a rate of 0.10% as of both June 30, 2022 and 2021. The certificate of deposit has early withdrawal penalties. Any penalties for early withdrawal would not have a material effect on the financial statements.

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

Promises to give and other receivables consist of the following:

June 30,	2022	2021
Promises to give	\$ 32,322	\$ 44,200
Other receivables	36,075	23,470
	\$ 68,397	\$ 67,670

Bad debt expense totaled \$2,090 and \$7,500 for the years ended June 30, 2022 and 2021, respectively.

#### Note 7: REFUNDABLE ADVANCE - PPP LOANS

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. 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 miscellaneous income 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. In August 2021, the lender informed the Foundation that the Small Business Administration (SBA) approved forgiveness of the full principal and accrued interest amounts, and \$19,720 has been recognized as miscellaneous income in the accompanying statements of activities for the year ended June 30, 2022.

#### **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.

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

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.

#### 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
June 30, 2022:								
Global equity	\$		-	\$	-	\$ 1,137,780	\$	1,137,780
Global fixed income			-		-	575,903		575,903
Alternative assets			-		-	249,493		249,493
Money market			_		-	3,570		3,570
						1.000.740	ć	1 000 746
	\$			\$	_	\$ 1,966,746	\$	1,966,746
June 30, 2021:								
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

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

Balance at June 30, 2020	\$ 1,669,502
Purchases	-
Net investment income	465,044
Balance at June 30, 2021	2,134,546
Purchases	100,000
Net investment loss	(267,800)
Balance at June 30, 2022	\$ 1,966,746

#### **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.

#### Note 9: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

June 30,	2022	2021
Subject to expenditure for specific purpose		
Scholarships	\$ 162,028	\$ 127,246
School supply project	156,144	117,530
Grants to schools	1,571,866	712,774
Athletic services	14,000	4,800
Grants to District departments	77,105	7,739
Other	89,806	80,707
	2,070,949	1,050,796
Subject to spending policy and appropriation		
Accumulated earnings on endowment	426,090	652,223
Perpetual-in-nature	1,304,276	1,289,751
Total net assets with donor restrictions	\$ 3,801,315	\$ 2,992,770

#### **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.

#### Note 10: ENDOWMENTS (Continued)

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, 2022 and 2021.

Endowment net asset composition by type is as follows:

	out donor trictions	With donor estrictions	Total
As of June 30, 2022  Donor restricted  Board designated	\$ - 356,446	\$ 1,691,336 -	\$ 1,691,336 356,446
Total endowment funds	\$ 356,446	\$ 1,691,336	\$ 2,047,782
As of June 30, 2021  Donor restricted  Board designated	\$ - 357,833	\$ 1,898,775 -	\$ 1,898,775 357,833
Total endowment funds	\$ 357,833	\$ 1,898,775	\$ 2,256,608

Changes in endowment net assets are as follows:

	 nout donor strictions	With donor restrictions	Total
Endowment net assets, June 30, 2020 Investment return Contributions	\$ 253,125 \$ 67,780 37,752	1,440,220 \$ 402,984 60,468	1,693,345 470,764 98,220
Advisor fees	(824)	(4,897)	(5,721)
Endowment net assets, June 30, 2021	357,833	1,898,775	2,256,608
Investment return	(40,646)	(220,585)	(261,231)
Contributions	40,281	18,694	58,975
Advisor fees	(1,022)	(5,548)	(6,570)
Endowment net assets, June 30, 2022	\$ 356,446 \$	1,691,336 \$	2,047,782

#### **Note 11: RELATED PARTIES**

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

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

	2022	2021
District facilities and personnel	\$ 124,238	\$ 115,551
Board member contributions	69,000	72,000
Total	\$ 193,238	\$ 187,551



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

For the year ended June 30,					2022
Contributions and grants revenue without do	or rec	strictions			
Community and businesses	101 163	Strictions		\$	46,654
Director's commitment				Υ	69,000
Director's other donations					296
Community relations					3,301
In memory and honor of					2,215
Total contributions and grants revenue without	t dono	r restrictions		\$	121,466
Contributions and grants revenue with donor	restric	ctions			
Purpose and time restrictions					
Restricted grants- flow-thru grants				\$	2,269,747
Employee campaign					43,164
Scholarships					211,591
Total contributions and grants revenue					0.504.500
with purpose and time restrictions					2,524,502
Perpetual-in-nature					
Contributions for Fund for the Future Endo	wmen	it			14,525
Total contributions and grants revenue with do	onor re	estrictions		\$	2,539,027
				No	et Revenues
Special events-fundraising		Revenues	Expenses		(Loss)
Golf Tournament	\$	165,831	\$ 73,704	\$	92,127
Style Show and Luncheon		139,786	74,602		65,184
Sporting Clay Tournament		137,320	76,685		60,635
Legacy Gala		306,819	121,951		184,868
Bright Stars of SBISD **		22,500	51,938		(29,438)

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

\$

772,256 \$

Total special events-fundraising

<b>Public relations</b>	Ex	Expenses			
First day packets	\$	7,369			
Annual report to the public		3,230			
Promotional items		4,773			
Other		10,917			
Total public relations expense	\$	26,289			

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

For the year ended June 30,	2022
Academy of Finance	\$ 8,463
Alumni Scholarship - Any High School	2,957
Amazon Emergency Funds for CIS	75,000
Andres Bautista Scholarship	1,000
AYAM	9,607
Benjamin Cuellar "Patron of Story" Scholarship	1,200
BridgeUp Magic Grant	48,640
Bunker Hill Elementary School Scholarship	1,000
Buzzy Allert Scholarship	10,500
Character Without Question	5,000
Child Nutrition Services	2,000
CITGO Distinguished Scholarship Program	2,500
Community Project Prom	23,884
Community Relations	26,733
Community Relations Xtra Credit	3,261
Cornerstone Academy PTA Scholarship	1,500
Council of PTA - Rachel Pendray	3,000
Council of PTA Scholarship	1,000
Council of PTA's	750
CTE	55,000
Dictionary Project	12,624
Diego R. Colunga Scholarship	1,000
Don Coleman Scholarship Fund	1,000
Employee Campaign Scholarships	28,750
Ferworn Scholarship Fund	2,500
First Community Credit Union Scholarship	2,000
Frostwood Elementary PTA Scholarship	2,000
Grants	207,755
Hollibrook Elementary	3,100
Housman Elementary School PTA Scholarship	2,000
Housman PTA Scholarship	1,000
Hunters Creek	500
Hunters Creek PTA Scholarship	1,000
In Memory of Toby Finnett	5,000
J. Landon Short Mini Grants	4,000
Jennie Baker Memorial Scholarship	5,000
John Thompson Memorial Scholars	1,500
Jone Stratford Scholarship	20,000
Judy Weisend Scholarship	2,000
Lion Lane	300
Lions Club Scholarship	1,000
Luis Jamie Rosales Scholarship	1,000
	(Continued)

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

For the year ended June 30,	2022
Marissa Colunga Klussmann Scholarship	\$ 2,000
MDE PTA Scholarship	1,000
Meadow Wood Elementary School Auction	297,366
Meadow Wood Elementary School Scholarship	1,000
Memorial City Mall Scholarships	9,000
Memorial High School	4,500
Memorial High School - Class of 1976	4,142
Memorial High School Alumni Scholarship	3,000
Memorial High School Coding Club	98
Memorial Middle School PTA	1,960
MMS PTA Scholarship	1,500
MMS Scholarship	1,000
Moms of Boys Scholarship Fund	1,000
Monica Neubauer Scholarship	2,000
Northbrook Alumni Scholarship	1,000
Northbrook High Scholarship	1,000
Northbrook High School Softball Team	1,000
Northbrook High School Theatre	5,269
Nottingham Elementary PTA	1,000
Nottingham Elementary School PTA Scholarship	1,000
Pamela W Butler Scholarship	1,000
Panda Path	3,394
Pine Shadow Elementary	1,225
Pine Shadows PTA	2,500
Prosperity Bank Scholarship	1,000
Rebuild HCE	68,338
Ridgecrest Elementary	100
Rummel Creek Elementary School	2,020
Rummel Creek Elementary School PTA Scholarship	2,500
Rummel Creek Mens Club Scholars	5,000
Sarah Chidgey Scholarship	4,000
SBAI	5,000
SBEF School Supply Project	66,982
SBISD - Bunker Hill	1,350
SBISD - Cornerstone Academy	325
SBISD - Frostwood Elementary School	252,726
SBISD - Meadow Wood Elementary School	182
SBISD - Northbrook High School	2,064
SBISD - Northbrook Middle School	1,516
SBISD - Spring Forest Middle School	6,973
	(Continued)

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

For the year ended June 30,	2022
SBISD - Stratford High School	\$ 251
SBISD - Stratford High School	3,152
SBISD - The Tiger Trail School	1,500
SBISD Create Fest	1,250
SBISD Service Awards	18,140
Scholarships - Unrestricted	4,000
Shadowdale Oaks Apartment Fire	13,865
Sherwood Elementary School	900
SHS Alumni Scholarship	2,500
SHS PTSA Scholarship	1,000
Spring Branch Elementary School	1,100
Spring Branch FFA Show and Sale	70,385
Spring Branch Middle School	5,400
Spring Forest Middle School PTA Scholarship	1,000
Spring Woods High School	1,500
Spring Woods -High School Debate Team	11,779
Spring Woods Mentoring Program	31,600
Steve Brunsman Scholarship	10,000
Stratford High School Debate Team	594
Stratford High School Girls Basketball	3,814
Stratford High School PTA	225
Stratford Scholarship	10,000
Super Saturday Booth Fee	7,393
SWHS Alumni Scholarship	1,944
Terrace Elementary PTA	5,000
The Woods Project	6,470
Thomas (Tommy) Neumann Scholars	2,000
Thornwood Elementary School	5,000
Valley Oaks PTA Auction	2,500
WAIS PTA Scholarship-Bright Stars	1,000
Warren Barfield Scholarship	2,400
West Fund	2,500
Westchester Academy for Internation Studies	4,625
Westchester Alumni Scholarship	10,356
Wilchester Elementary School Scholarship	1,000
Wilchester Men Club Scholarship	17,500
Total	\$ 1,623,741