



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

ANN RICHARDS SCHOOL FOUNDATION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

31 AUGUST 2020



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Ann Richards School Foundation

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Ann Richards School Foundation (Foundation), which comprise the statement of financial position as of 31 August 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of 31 August 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Montemayor Britton Bender PC

22 January 2021
Austin, Texas

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ANN RICHARDS SCHOOL FOUNDATION
STATEMENT OF FINANCIAL POSITION
31 AUGUST 2020

ASSETS

Current assets

Cash	\$127,945
Investments	5,954,101
Grants and contributions receivable	<u>22,180</u>
	6,104,226

Fixed assets

5,875

Restricted investments

1,804,508

\$7,914,609

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$80,375
Accrued payroll	<u>13,429</u>
	93,804

Long-term note payable

52,112

145,916

Net assets

Without donor restrictions

Undesignated	419,690
Designated by Board for endowment	<u>5,112,902</u>

5,532,592

With donor restrictions

Perpetual in nature for endowments	1,545,305
Purpose restrictions	<u>690,796</u>

2,236,101

7,768,693

\$7,914,609

The accompanying notes are an integral part of this financial statement presentation.

ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED 31 AUGUST 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Investment income/(loss)	\$435,092	\$111,571	\$546,663
Contributions	364,184	51,327	415,511
Corporate and foundation support	60,000	186,000	246,000
Special events	55,850	0	55,850
Other income	18,831	0	18,831
Net assets released from purpose restrictions	<u>282,203</u>	<u>(282,203)</u>	<u>0</u>
	<u>1,216,160</u>	<u>66,695</u>	<u>1,282,855</u>
EXPENSES			
Program	699,589	0	699,589
Fundraising	165,989	0	165,989
Administrative	<u>93,627</u>	<u>0</u>	<u>93,627</u>
	<u>959,205</u>	<u>0</u>	<u>959,205</u>
CHANGE IN NET ASSETS	256,955	66,695	323,650
BEGINNING NET ASSETS	<u>5,275,637</u>	<u>2,169,406</u>	<u>7,445,043</u>
ENDING NET ASSETS	<u>\$5,532,592</u>	<u>\$2,236,101</u>	<u>\$7,768,693</u>

The accompanying notes are an integral part of this financial statement presentation.

ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED 31 AUGUST 2020

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Enhancement program	\$467,221	\$0	\$0	\$467,221
Salary and related	140,239	146,191	45,837	332,267
Consulting fees	71,626	0	0	71,626
Events	8,988	17,531	0	26,519
Accounting and audit	0	0	16,317	16,317
In-kind goods	11,515	0	0	11,515
Food and beverage	0	0	8,393	8,393
Office supplies and equipment	0	0	7,828	7,828
Fees	0	0	5,978	5,978
Postage	0	0	5,129	5,129
Donor recognition	0	2,267	0	2,267
Phone	0	0	2,027	2,027
Training and travel	0	0	883	883
Other	<u>0</u>	<u>0</u>	<u>1,235</u>	<u>1,235</u>
	<u>\$699,589</u>	<u>\$165,989</u>	<u>\$93,627</u>	<u>\$959,205</u>

The accompanying notes are an integral part of this financial statement presentation.

ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED 31 AUGUST 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$323,650
Unrealized (gain)/loss	(383,890)
Depreciation	2,108
Change in grants and contributions receivable	(680)
Change in accounts payable	54,332
Change in accrued payroll	<u>(4,060)</u>
	<u>(8,540)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of fixed assets	(1,348)
Sales of investments	1,794,667
Purchases of investments	<u>(1,823,087)</u>
	<u>(29,768)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from note payable	<u>52,112</u>
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NET CHANGE IN CASH 13,804

BEGINNING CASH 114,141

ENDING CASH \$127,945

The accompanying notes are an integral part of this financial statement presentation.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Ann Richards School Foundation (the Foundation), is a nonprofit organization established in 2009, for the purpose of raising funds to enhance the programs of the Ann Richards School, a public school within the Austin Independent School District. The Foundation is supported mainly by contributions from individuals and other foundations and supplements programming provided by the school district. In addition to the fundraising program, enhancement programming provided by the Foundation includes: College Bound programming; Science, Technology, Engineering and Math programming; summer programs and other curriculum support.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Foundation uses the accrual basis of accounting. Revenues are recognized when earned regardless of when received. Expenses are recognized when incurred regardless of when paid.

FINANCIAL STATEMENT PRESENTATION

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows.

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS

Investments consist of mutual funds and money market funds carried at fair value.

FEDERAL INCOME TAXES

The Foundation is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. Therefore, no provision has been made for federal income taxes in the accompanying financial statements. The Foundation's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At 31 August 2020, no interest and penalties have been or are required to be accrued.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related, which are allocated based on estimates of time and effort; and event expenses, which are allocated based on management's review and analysis of individual transactions and costs.

REVENUE

Grants and contributions received are recorded as either donor restricted or unrestricted support depending on the existence or nature of any donor restrictions. As purpose or time restrictions are satisfied net assets are reclassified to net assets without donor restrictions. There is no allowance for uncollectible accounts, based on management's evaluation of potential uncollectible grants and contributions receivable. Amounts due within one year are recorded at their net realized value. Grants and contributions that are expected to be collected in future years are recorded at the present value of the expected future cash flows.

NOTE 3: RELATED PARTY TRANSACTIONS

During the year, the Foundation received contributions of approximately \$122,000 from Board members and foundations and businesses represented by Board members.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4: INVESTMENTS

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash, sweep deposits & money market funds	\$64,953	\$25,559	\$90,512
Mutual funds	<u>5,889,148</u>	<u>1,778,949</u>	<u>7,668,097</u>
	<u>\$5,954,101</u>	<u>\$1,804,508</u>	<u>\$7,758,609</u>

The total investment balance includes \$1,804,508 held in brokerage accounts designated as restricted for endowment (see Note 7). The Foundation held investments of \$854,172 in one mutual fund that represented 11% of total investments. Additionally, the Foundation held investments of \$7,258,609 in excess of SPIC coverage.

NOTE 5: FAIR VALUE DISCLOSURES

	<u>Amount</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	<u>\$7,758,609</u>	<u>\$7,758,609</u>	N/A	N/A

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Subject to purpose restrictions at 31 August 2020:

Scholarships	\$431,593
Endowment earnings restricted to fund programs	<u>259,203</u>
	690,796

Restricted in perpetuity for endowments (Note 7):	<u>1,545,305</u>
	<u>\$2,236,101</u>

Satisfaction of purpose restrictions during the year ended 31 August 2020:

General enhancement	\$75,190
STEM/Engineering	65,000
College Bound	77,500
Strategic planning	31,000
Scholarships	6,079
Release of endowment earnings to fund programs	<u>27,434</u>
	<u>\$282,203</u>

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7: ENDOWMENT FUNDS

The Foundation established an endowment fund to provide a stable source of support for enhancement programming. The endowment funds are restricted in perpetuity as per the donors' request. Restricted investment accounts of \$1,763,508 are designated for the endowment (see Note 4). The Board of Directors of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the date of the contribution, absent any explicit donor stipulation to the contrary. Thus, donor contributions to the permanent endowment fund are restricted in perpetuity and are reported as long-term assets of the Foundation. The undistributed earnings from the fund are designated by the donor as restricted net assets, to be used for general enhancement programs and operations (Note 6).

The Foundation has also established an endowment fund to support media tech programs, the Dan and Jean Rather Fund. The endowment funds are restricted in perpetuity as per the donors' request. Restricted investment accounts of \$41,000 are designated for the endowment (see Note 4). The Board of Directors of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the date of the contribution, absent any explicit donor stipulation to the contrary. Thus, donor contributions to the permanent endowment fund are restricted in perpetuity and are reported as long-term assets of the Foundation. The undistributed earnings from the fund are designated by the donor as restricted net assets, to be used for general media tech programs (Note 6).

The Foundation also transferred unrestricted funds to a brokerage account for the establishment of a Board-designated quasi-endowment fund. The funds are designed to generate income to support programs at the Ann Richards School and to support operations of the Foundation. Unrestricted investment accounts of \$5,112,902 are designated for the endowment.

Return Objective and Risk Parameters and Strategies Employed for Achieving Objectives

The Foundation has elected to have a portion of the permanent endowment funds and the Board-designed endowment fund managed and held as investments in a Charles Schwab brokerage account. Return objectives include producing a rate of return that allows for maximum support for the Ann Richards School, along with prudent management of investments, preservation of principal and potential for long-term asset growth.

Spending Policy and How the Investments Objective Relate to Spending Policy

Earnings on the endowment are available to be distributed upon approval by the Foundation's Finance Committee. An amount no greater than 10% of the total market value of the funds may be distributed in any calendar year.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7: ENDOWMENT FUNDS

Composition of endowment net assets at year-end:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	<u>\$5,112,902</u>	<u>\$0</u>	<u>\$5,112,902</u>
Donor-restricted:			
Amounts held in perpetuity	0	1,545,305	1,545,305
Accumulated investment earnings	<u>0</u>	<u>259,203</u>	<u>259,203</u>
	<u>0</u>	<u>1,804,508</u>	<u>1,804,508</u>
	<u>\$5,112,902</u>	<u>\$1,804,508</u>	<u>\$6,917,410</u>

Changes in endowment net assets for the year:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning endowment net assets	\$4,720,271	\$1,679,371	\$6,399,642
Investment income, net	392,631	111,571	504,202
Contributions	0	41,000	41,000
Appropriation of endowment assets for expenditure	<u>0</u>	<u>(27,434)</u>	<u>(27,434)</u>
Ending endowment net assets	<u>\$5,112,902</u>	<u>\$1,804,508</u>	<u>\$6,917,410</u>

NOTE 8: NOTE PAYABLE

On 6 May 2020 the Foundation received a \$52,112 loan from the Small Business Administration as part of *Coronavirus Aid, Relief, and Economic Security Act's* Paycheck Protection Plan. The loan is unsecured, nonrecourse, accrues interest at 1% per annum for a two-year term. Under the terms of the loan, a portion or all of the loan and the accrued interest is forgivable to the extent that the loan proceeds are used to fund qualifying payroll, rent, and utilities during a designated period determined by the Small Business Administration.

NOTE 9: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 9: LIQUIDITY AND AVAILABILITY

Cash	\$127,945
Grants and contributions receivable	22,180
Investments	7,758,609
Less: investments restricted to endowments	(1,804,508)
Less: Board-designed endowment	(5,112,902)
Less: donor restricted for Scholarships	<u>(431,593)</u>
	<u>\$559,731</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Any excess funds are invested in demand deposit accounts such as savings accounts and in operating investment accounts.

The Foundation has several investment accounts. The general unrestricted investment accounts hold investments that are available for general expenditure.

The Foundation's endowment funds consist of donor-restricted and Board-designated investments. Income from donor-restricted endowments is restricted for specific purposes.

Donor restricted endowment funds are not available for general expenditure.

The Foundation's board-designated endowment of \$5,112,902 is subject to distribution as described in Note 7. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure upon approval), these amounts could be made available if necessary.

The Foundation may apply for forgiveness of its note payable (Note 8) with the Small Business Administration in fiscal 2021.

NOTE 10: CHANGE IN ACCOUNTING PRINCIPLE

On 21 June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions, and determining whether a contribution is conditional. The Foundation has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. ASU 2018-08 was applied using the modified prospective basis as of 1 September 2019.