



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

ANN RICHARDS SCHOOL FOUNDATION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

31 AUGUST 2021



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 2021 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 2021, 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

21 January 2022
Austin, Texas

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ANN RICHARDS SCHOOL FOUNDATION
STATEMENT OF FINANCIAL POSITION
31 AUGUST 2021

ASSETS

Current assets

Cash	\$102,344
Investments	7,326,335
Grants and contributions receivable	<u>77,353</u>
	7,506,032

Fixed assets

Long-term contributions receivable	6,178
Restricted investments	25,000
	<u>2,059,536</u>
	<u>\$9,596,746</u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$24,269
Accrued payroll	<u>14,705</u>
	<u>38,974</u>

Net assets

Without donor restrictions

Undesignated	587,617
Designated by Board for endowment	<u>6,415,636</u>
	<u>7,003,253</u>

With donor restrictions

Perpetual in nature for endowments	1,632,683
Purpose restrictions	<u>921,836</u>
	<u>2,554,519</u>
	<u>9,557,772</u>
	<u>\$9,596,746</u>

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

ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED 31 AUGUST 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Investment income/(loss)	\$1,332,890	\$301,424	\$1,634,314
Contributions	478,401	92,378	570,779
Corporate and foundation support	0	312,000	312,000
Special events	125,066	0	125,066
Forgiveness of PPP loan	52,112	0	52,112
Other income	9,325	0	9,325
Net assets released from purpose restrictions	<u>387,384</u>	<u>(387,384)</u>	<u>0</u>
	<u>2,385,178</u>	<u>318,418</u>	<u>2,703,596</u>
EXPENSES			
Program	639,726	0	639,726
Fundraising	168,429	0	168,429
Administrative	<u>106,362</u>	<u>0</u>	<u>106,362</u>
	<u>914,517</u>	<u>0</u>	<u>914,517</u>
CHANGE IN NET ASSETS	1,470,661	318,418	1,789,079
BEGINNING NET ASSETS	<u>5,532,592</u>	<u>2,236,101</u>	<u>7,768,693</u>
ENDING NET ASSETS	<u>\$7,003,253</u>	<u>\$2,554,519</u>	<u>\$9,557,772</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 2021

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Enhancement program	\$416,406	\$0	\$0	\$416,406
Salary and related	159,004	151,328	58,019	368,351
Events	26,031	15,871	0	41,902
Consulting fees	30,644	0	0	30,644
Accounting and audit	0	0	16,737	16,737
Fees	0	0	8,973	8,973
Office supplies and equipment	0	0	8,822	8,822
Contributed goods	7,641	0	0	7,641
Training and travel	0	0	4,278	4,278
Phone	0	0	2,370	2,370
Postage	0	0	1,619	1,619
Food and beverage	0	0	1,336	1,336
Donor recognition	0	1,230	0	1,230
Other	<u>0</u>	<u>0</u>	<u>4,208</u>	<u>4,208</u>
	<u>\$639,726</u>	<u>\$168,429</u>	<u>\$106,362</u>	<u>\$914,517</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 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$1,789,079
Forgiveness of PPP loan	(52,112)
Unrealized (gain)/loss	(1,540,891)
Depreciation	2,711
Change in grants and contributions receivable	(80,173)
Change in accounts payable	(56,106)
Change in accrued payroll	<u>1,276</u>
	<u>63,784</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of fixed assets	(3,014)
Sales of investments	853,966
Purchases of investments	<u>(940,337)</u>
	<u>(89,385)</u>

NET CHANGE IN CASH (25,601)

BEGINNING CASH 127,945

ENDING CASH \$102,344

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 2021, 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, 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. Sponsorships for special events are considered to be contributions.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3: RELATED PARTY TRANSACTIONS

During the year, the Foundation received contributions of approximately \$129,000 from Board members and foundations and businesses represented by Board members.

NOTE 4: INVESTMENTS

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash, sweep deposits & money market funds	\$76,768	\$47,771	\$124,539
Mutual funds	<u>7,249,567</u>	<u>2,011,765</u>	<u>9,261,332</u>
	<u>\$7,326,335</u>	<u>\$2,059,536</u>	<u>\$9,385,871</u>

The total investment balance includes \$2,059,536 held in brokerage accounts designated as restricted for endowment (see Note 9). The Foundation held investments of \$2,944,908 in two mutual funds that represented 31% of total investments. Additionally, the Foundation held investments of \$8,879,781 in excess of SPIC coverage.

NOTE 5: RECEIVABLES

Receivable in less than one year	\$77,353
Receivable in one to five years	<u>25,000</u>
	<u>\$102,353</u>

NOTE 6: 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>\$9,385,871</u>	<u>\$9,385,871</u>	N/A	N/A
Long-term grant receivables, net	<u>\$25,000</u>	N/A	<u>\$25,000</u>	N/A

The long-term grant receivable is recorded at cost, which approximates the estimated discounted fair value of future cash flows.

NOTE 7: CONCENTRATIONS

As of 31 August 2021, 83% of the grants and contributions receivable balance was due from two donors.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Subject to purpose restrictions at 31 August 2021:

Scholarships	\$429,884
Endowment earnings restricted to fund programs	426,853
Enhancement programs	45,099
STEM/Engineering	<u>20,000</u>
	921,836

Restricted in perpetuity for endowments (Note 9):	<u>1,632,683</u>
	<u>\$2,554,519</u>

Satisfaction of purpose restrictions during the year ended 31 August 2021:

General enhancement	\$181,901
STEM/Engineering	25,000
College Bound	45,000
Scholarships	1,709
Release of endowment earnings to fund programs	<u>133,774</u>
	<u>\$387,384</u>

NOTE 9: 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 \$1,936,626 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 8).

The Foundation has also established an endowment fund to support media tech programs, the Rather Fund, and an endowment fund to support community problem solving, the Kennedy Fund. The endowment funds are restricted in perpetuity as per the donors' request. Restricted investment accounts of \$71,000 for the Dan and Jean Rather Fund and \$51,910 for the Kennedy Fund 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

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 9: ENDOWMENT FUNDS

contribution, absent any explicit donor stipulation to the contrary. Thus, donor contributions to these permanent endowments funds 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 their respective program purposes (Note 8).

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 \$6,415,636 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.

Composition of endowment net assets at year-end:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	<u>\$6,415,636</u>	<u>\$0</u>	<u>\$6,415,636</u>
Donor-restricted:			
Amounts held in perpetuity	0	1,632,683	1,632,683
Accumulated investment earnings	<u>0</u>	<u>426,853</u>	<u>426,853</u>
	<u>0</u>	<u>2,059,536</u>	<u>2,059,536</u>
	<u>\$6,415,636</u>	<u>\$2,059,536</u>	<u>\$8,475,172</u>

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 9: ENDOWMENT FUNDS

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	\$5,112,902	\$1,804,508	\$6,917,410
Investment income, net	1,302,734	301,424	1,604,158
Contributions	0	87,378	87,378
Appropriation of endowment assets for expenditure	<u>0</u>	<u>(133,774)</u>	<u>(133,774)</u>
Ending endowment net assets	<u>\$6,415,636</u>	<u>\$2,059,536</u>	<u>\$8,475,172</u>

NOTE 10: PAYCHECK PROTECTION PROGRAM LOAN

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 was unsecured, nonrecourse, and accrued 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 was 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. The loan was fully forgiven in May 2021, and it is recorded as income on the statement of activities.

NOTE 11: 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:

Cash	\$102,344
Current grants and contributions receivable	77,353
Investments	9,379,871
Less: investments restricted to endowments	(2,059,536)
Less: Board-designed endowment	(6,415,636)
Less: donor restricted for Scholarships	<u>(429,884)</u>
	<u>\$654,512</u>

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 11: LIQUIDITY AND AVAILABILITY

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 \$6,415,636 is subject to distribution as described in Note 9. 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.

NOTE 12: CHANGE IN ACCOUNTING PRINCIPLE

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. generally accepted accounting principles. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective 1 September 2020. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to previously issued financial statements were required as a result of the adoption.