



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

ANN RICHARDS SCHOOL FOUNDATION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

31 AUGUST 2023



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

Arturo Montemayor III CPA, President & CEO | Stacy Britton CPA, Shareholder | Sean Bender CPA, Shareholder
Danielle Guerrero, Shareholder | Sara Carey CPA, Shareholder

Board of Directors and Management
Ann Richards School Foundation

INDEPENDENT AUDITOR'S REPORT

Opinion

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 2023, and the related statements of activities, functional expenses and cash flows for the year 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 31 August 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's 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 audit. 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 these 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.

Auditor's 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 auditor's 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

2110 Boca Raton Drive
Building B, Suite 102
Austin TX 78747
512.442.0380
www.montemayor.team



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.

Montemayor Brittan Bender PC

22 April 2024
Austin, Texas

ANN RICHARDS SCHOOL FOUNDATION
STATEMENT OF FINANCIAL POSITION
31 AUGUST 2023

ASSETS

Current assets

Cash	\$104,261
Investments	871,330
Grants and contributions receivable	118,463
Prepaid expenses	<u>3,093</u>
	1,097,147

Fixed assets

Long-term contributions receivable	60,000
Investments held for endowments	<u>7,830,841</u>
	<u>\$8,991,214</u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$17,069
Accrued payroll	<u>30,652</u>
	<u>47,721</u>

Net assets

Without donor restrictions

Undesignated	410,701
Designated by Board for endowment	<u>5,944,203</u>
	<u>6,354,904</u>

With donor restrictions

Perpetual in nature for endowments	1,657,464
Purpose restrictions	<u>931,125</u>
	<u>2,588,589</u>
	<u>8,943,493</u>
	<u>\$8,991,214</u>

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

ANN RICHARDS SCHOOL FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED 31 AUGUST 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Investment income, net of fees	\$494,853	\$118,674	\$613,527
Contributions	334,082	116,213	450,295
Corporate and foundation support	15,000	286,400	301,400
Reach for the Stars special event	243,441	0	243,441
Other	5,615	0	5,615
Net assets released from purpose restrictions	<u>443,036</u>	<u>(443,036)</u>	<u>0</u>
	<u>1,536,027</u>	<u>78,251</u>	<u>1,614,278</u>
EXPENSES			
Program	925,122	0	925,122
Fundraising	211,410	0	211,410
Administrative	<u>99,743</u>	<u>0</u>	<u>99,743</u>
	<u>1,236,275</u>	<u>0</u>	<u>1,236,275</u>
CHANGE IN NET ASSETS	299,752	78,251	378,003
BEGINNING NET ASSETS	<u>6,055,152</u>	<u>2,510,338</u>	<u>8,565,490</u>
ENDING NET ASSETS	<u>\$6,354,904</u>	<u>\$2,588,589</u>	<u>\$8,943,493</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 2023

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Enhancement program	\$686,689	\$0	\$0	\$686,689
Salary and related	145,628	141,025	44,527	331,180
Events	37,005	67,947	0	104,952
Consulting fees	55,800	0	0	55,800
Accounting and audit	0	0	18,676	18,676
Training and travel	0	0	8,841	8,841
Fees	0	0	5,550	5,550
Software	0	0	5,156	5,156
Food and beverage	0	0	4,619	4,619
Office supplies and equipment	0	0	4,109	4,109
Donor recognition	0	2,438	0	2,438
Phone	0	0	2,025	2,025
Postage	0	0	1,457	1,457
Other	<u>0</u>	<u>0</u>	<u>4,783</u>	<u>4,783</u>
	<u>\$925,122</u>	<u>\$211,410</u>	<u>\$99,743</u>	<u>\$1,236,275</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 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$378,003
Unrealized (gain)/loss	(363,577)
Contributed stock	(11,226)
Depreciation	1,596
Change in prepaid expense	(3,093)
Change in grants and contributions receivable	80,537
Change in accounts payable	(3,405)
Change in accrued payroll	<u>18,406</u>
	<u>97,241</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Sales of investments	653,164
Purchases of investments	<u>(747,384)</u>
	<u>(94,220)</u>

NET CHANGE IN CASH 3,021

BEGINNING CASH 101,240

ENDING CASH \$104,261

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.

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 events, 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.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers relates to the Foundation's special events revenue. The Foundation recognizes revenue from ticket sales and sponsorships for its special events. Special event revenues are comprised of an exchange element based on the fair value of the direct benefit to donors for food and beverages at the event, and a contribution element for the difference between the total amount paid for tickets or sponsorships and the exchange element. Special event revenue is recognized at a point in time when the event is held.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 3: RELATED PARTY TRANSACTIONS

During the year, the Foundation received contributions of approximately \$91,000 from Board members and foundations and businesses represented by Board members.

NOTE 4: INVESTMENTS

	<u>Current</u>	Held for Endowments (Note 9)	<u>Total</u>
Cash, sweep deposits & money market funds	\$12,283	\$86,261	\$98,544
Mutual funds	<u>859,047</u>	<u>7,744,580</u>	<u>8,603,627</u>
	<u>\$871,330</u>	<u>\$7,830,841</u>	<u>\$8,702,171</u>

The Foundation held investments of \$2,690,709 in two mutual funds that represented 31% of total investments. Additionally, the Foundation held investments of \$8,184,095 in excess of SPIC coverage.

NOTE 5: RECEIVABLES

Receivable in less than one year	\$118,463
Receivable in one to five years	<u>60,000</u>
	<u>\$178,463</u>

NOTE 6: CONCENTRATIONS

As of 31 August 2023, 87% of the grants and contributions receivable balance was due from two donors. Contributions from one fundraising event represented 15% of total revenue.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7: FAIR VALUE DISCLOSURES

	<u>Amount</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Investments	<u>\$8,702,171</u>	<u>\$8,702,171</u>	N/A	N/A

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Subject to purpose restrictions at 31 August 2023:

Scholarships	\$424,460
Endowment earnings restricted to fund programs	229,174
Enhancement programs	179,583
STEM/Engineering	85,408
New building campaign	<u>12,500</u>
	931,125

Restricted in perpetuity for endowments (Note 9):	<u>1,657,464</u>
	<u>\$2,588,589</u>

Satisfaction of purpose restrictions during the year ended 31 August 2023:

General enhancement	\$165,996
STEM/Engineering	59,825
College Bound	145,000
Scholarships	3,924
Release of endowment earnings to fund programs	<u>68,291</u>
	<u>\$443,036</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. Investment accounts of \$1,512,486 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

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 9: ENDOWMENT FUNDS

perpetuity and are reported as long-term assets of the Foundation. The undistributed earnings of \$229,174 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 \$81,000 for the Dan and Jean Rather Fund and \$63,978 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 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. Investment accounts of \$5,944,203 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 9: 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>\$5,944,203</u>	<u>\$0</u>	<u>\$5,944,203</u>
Donor-restricted:			
Amounts held in perpetuity	0	1,657,464	1,657,464
Accumulated investment earnings	<u>0</u>	<u>229,174</u>	<u>229,174</u>
	<u>0</u>	<u>1,886,638</u>	<u>1,886,638</u>
	<u>\$5,944,203</u>	<u>\$1,886,638</u>	<u>\$7,830,841</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	\$5,559,408	\$1,833,542	\$7,392,950
Investment income, net of fees	472,225	118,674	590,899
Contributions	0	2,713	2,713
Endowment assets appropriated for expenditure	<u>(87,430)</u>	<u>(68,291)</u>	<u>(155,721)</u>
Ending endowment net assets	<u>\$5,944,203</u>	<u>\$1,886,638</u>	<u>\$7,830,841</u>

NOTE 10: CONTRACTS WITH CUSTOMERS

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Foundation's revenue based on the timing of satisfaction of performance obligations for the year ended 31 August 2023:

Performance obligations satisfied at a point in time \$53,908

Revenue recognized at a point of time primarily includes revenues related to events held by the Foundation, included in the Reach for the Stars event in revenue on the statement of activities.

ANN RICHARDS SCHOOL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 10: CONTRACTS WITH CUSTOMERS

PERFORMANCE OBLIGATIONS

With respect to special events, revenue is recognized at a point in time, when control of the goods transfers to the customer in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those goods. Typically, control is deemed to transfer at the date at which the customer received the benefit from the event.

Determining a measure of progress requires management to make judgments that affect the timing of revenue recognized. the Foundation has determined that the above methods provide a faithful depiction of the transfer of goods or services to the customer.

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, are as follows:

Cash	\$104,261
Grants and contributions receivable-current	118,463
Investments	8,702,171
Less: Board-designated endowment	(5,944,203)
Less: donor restricted in perpetuity	(1,657,464)
Less: donor restricted with specific purpose restrictions	<u>(871,125)</u>
	<u>\$452,103</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 \$5,944,203 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.