

**KATY ISD EDUCATION
FOUNDATION, INC.**

FINANCIAL STATEMENTS

**Years Ended August 31, 2018 and 2017
With Report of Independent Auditors**

KATY ISD EDUCATION FOUNDATION, INC.

Years Ended August 31, 2018 and 2017

Table of Contents

	Page
Report of Independent Auditors	1
Financial Statements:	
Statements of Financial Position	4
Statements of Activities and Changes in Unrestricted Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Katy ISD Education Foundation, Inc.

We have audited the accompanying financial statements of Katy ISD Education Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities and cash flows for the years 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 and fair presentation 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 the 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
Katy ISD Education Foundation, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Katy ISD Education Foundation, Inc. as of August 31, 2018 and 2017, 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.

Whitley Penn LLP

Houston, Texas
January 9, 2019

FINANCIAL STATEMENTS

KATY ISD EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

	August 31,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 520,910	\$ 674,126
Pledges receivable	152,553	126,025
Deferred charges	9,250	4,460
Restricted assets:		
Cash and cash equivalents - endowment funds	46,484	41,446
Total Assets	\$ 729,197	\$ 846,057
Liabilities and Net Assets		
Liabilities:		
Accounts payable	2,759	13,572
Grants payable	325,691	479,369
Deferred revenue	35,050	34,300
Total liabilities	363,500	527,241
Net Assets:		
Unrestricted	313,784	277,370
Temporarily restricted	5,429	-
Permanently restricted	46,484	41,446
Total Net Assets	365,697	318,816
Total liabilities and net assets	\$ 729,197	\$ 846,057

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

KATY ISD EDUCATION FOUNDATION, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES
IN NET ASSETS**

	Years Ended August 31,	
	2018	2017
Unrestricted Net Assets		
Revenues and support:		
Contributions	\$ 272,339	\$ 242,992
Special events-fundraisers	208,838	205,409
In-kind facilities & salary costs	32,724	32,724
Interest and other revenues	27,935	118
Total revenues and support	541,836	481,243
Expenses:		
Program expenses:		
Grants and awards	318,353	286,742
Special events expenses	93,293	72,134
Supporting services:		
Management and general:		
In-kind facilities & salary costs	32,724	32,724
Contracted services	28,284	26,813
Postage	2,716	2,375
Printing	4,972	6,566
Supplies	3,070	9,360
Insurance	753	1,573
Travel & meeting expenses	8,240	6,344
Other management and general	12,979	13,695
Total expenses	505,384	458,326
Increase (decrease) in unrestricted net assets	36,452	22,917
Temporarily Restricted Net Assets		
Contributions	257,486	-
Net assets released from restrictions	(252,057)	-
Increase in temporarily restricted net assets	5,429	-
Permanently Restricted Net Assets		
Contributions	5,000	-
Increase in permanently restricted net assets	5,000	-
Increase in net assets	46,881	22,917
Net Assets, beginning of year	318,816	295,899
Net Assets, end of year	\$ 365,697	\$ 318,816

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

KATY ISD EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	Years Ended August 31,	
	2018	2017
Cash Flows from Operating Activities:		
Cash received from contributions, grants, and events	\$ 483,334	\$ 436,519
Cash paid for management and general expenses	<u>(636,512)</u>	<u>(150,817)</u>
Net Cash Provided (Used) by Operating Activities	(153,178)	285,702
 Cash Flow from Financing Activities:		
Investments in permanent endowment	<u>5,000</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>5,000</u>	<u>-</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	(148,178)	285,702
 Cash and Cash Equivalents, beginning of year	<u>715,572</u>	<u>429,870</u>
 Cash and Cash Equivalents, end of year	<u>\$ 567,394</u>	<u>\$ 715,572</u>
 Unrestricted cash and cash equivalents	\$ 520,910	\$ 674,126
Restricted cash and cash equivalents	<u>46,484</u>	<u>41,446</u>
	<u>\$ 567,394</u>	<u>\$ 715,572</u>
 Reconciliation of Increase in Net Assets to		
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 46,881	\$ 22,917
Contributions restricted to endowment	(5,000)	-
Adjustments to reconcile increase in net assets to net cash provided by:		
(Increase) Decrease in pledges receivable	(26,528)	12,825
(Increase) Decrease in deferred charges	(4,790)	(371)
Increase (Decrease) in accounts payable	(10,813)	2,414
Increase (Decrease) in grants payable	(153,678)	272,742
Increase (Decrease) in deferred revenue	750	(24,825)
Net Cash Provided (Used) by Operating Activities	<u>\$ (153,178)</u>	<u>\$ 285,702</u>
 Significant non cash transaction - Katy ISD in-kind contributions	<u>\$ 32,724</u>	<u>\$ 32,724</u>

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

KATY ISD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018 and 2017

A. Basis of Accounting and Summary of Significant Accounting Policies

The Katy ISD Education Foundation, Inc. (the “Foundation”) was established in May of 2011, for the purpose of receiving and disbursing funds, property, and gifts exclusively for the benefit of the Katy Independent School District (the “District”). Federal non-profit status was achieved in October of 2011. The fiscal year ended August 31, 2013 was considered the Foundation’s first year of operations.

The Foundation maintains its records and prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Estimates

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

Contributions

Contributions received including pledges to give are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. The Foundation had only unrestricted donations in its initial fiscal period. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

If received, all other donor restricted support will be reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets will be reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Functional Allocation of Expenses

Functional expenses for management, general, and other fundraising are not allocated to program services.

Cash and Cash Equivalents

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

KATY ISD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

A. Basis of Accounting and Summary of Significant Accounting Policies - continued

Promises to Give - Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefit received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Funding of Grants Awarded to Other Organizations

Grants are funded based on spending requests up to the balance of the grant award. Unclaimed balances of grants awarded by the Foundation are then allocated back to available funding for the subsequent years' grants. Grant reallocations to the subsequent year are recorded in the spring for the next school year.

Special Events Contributions

Special events contributions include both underwriting receipts and fees charged to attendees.

In-Kind Contributions

The Foundation received donated services from the District. The costs included salary allocations, materials, and facility use costs. Services that create non-financial assets or that would typically need to be purchased by the Foundation, or services that require specialized skills which are provided by individuals with those service skills are recognized as contributions and are either capitalized or expensed depending on the nature of the services provided. The value of other contributed time is not reflected in the accompanying financial statements, as the nature of the services do not meet the guidelines for recognition established by U. S. generally accepted accounting principles.

Advertising

The Foundation uses advertising to promote its programs to the public. The production costs of advertising and public relations are expensed as incurred.

Fair Value of Financial Instruments

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Foundation's significant financial instruments are cash and cash equivalents and pledges receivable. For these financial instruments, carrying value approximates fair value.

Income Tax Status

The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

KATY ISD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

B. Cash and Cash Equivalents

The Foundation has one demand account and two money market accounts at an area financial institution. These balances are partially insured by the Federal Deposit Insurance Corporation. At August 31, 2018, the Foundation's deposits totaled \$569,462 and the book balance of cash was \$567,394. The uninsured portion of the bank balance was \$319,462. At August 31, 2017, the Foundation's deposits totaled \$706,313 and the book balance of cash was \$715,572. The uninsured portion of the bank balance was \$456,313. Cash and cash equivalents consisted of the following at August 31:

	<u>2018</u>	<u>2017</u>
Demand deposits	\$ 244,247	\$ 449,842
Money market	276,663	224,284
Money market - endowment	46,484	41,446
	<u>\$ 567,394</u>	<u>\$ 715,572</u>

C. Concentrations of Credit Risk

The Foundation places its cash and cash equivalents with high credit quality financial institutions. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits during the year. The Foundation monitors the stability of these institutions to insure that the risk of loss of any uninsured amounts would be noted on a timely basis. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

D. Pledges Receivable

Due to the short-term nature of the pledges receivable and the fact that the discount amount would be immaterial, the pledges receivable due in over one year have not been discounted to their present value. Pledges receivable consisted of the following at August 31:

	<u>2018</u>	<u>2017</u>
Due in 1 Year	\$ 79,349	\$ 79,156
Due in 1-5 Years	73,204	46,869
	<u>\$ 152,553</u>	<u>\$ 126,025</u>

E. 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 awards. Grants payable are due within one year and are considered at fair value of the amount to be paid. Grants payable at August 31, 2018 and 2017 are \$325,691 and \$479,369, respectively.

KATY ISD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

F. Deferred Revenues

Deferred revenues at August 31, 2018 and 2017 of \$35,050 and \$34,300, respectively, represents funds received in advance for which expenses have not been incurred. The Foundation receives contributions from donors for special events to be held in subsequent fiscal years. These contributions are considered deferred revenues at August 31, 2018 and 2017 as the events have not yet occurred.

G. Related Party Transactions

The Foundation receives support from the District. The District provides office space, furniture, computer equipment and certain personnel. The Foundation has recorded in-kind contributions and corresponding facilities and equipment costs provided by the District. The amount of in-kind contributions received from the District for fiscal years 2018 and 2017 are \$32,724 and \$32,724, respectively. The Foundation's Board members also contribute to the Foundation.

H. Unrestricted, Temporarily and Permanently Restricted Net Assets

Unrestricted net assets include the amounts not appropriated for grants, interest earned on unrestricted and permanently restricted net assets (when not restricted by donor), and unrestricted net revenues in excess of expenses.

The roll-forward of Unrestricted, Temporarily and Permanently Restricted Net Assets is as follows:

	Balance 8/31/2017	Additions	Deductions	Balance 8/31/2018
Unrestricted Net Assets				
Unrestricted	\$ 277,370	\$ 541,798	\$ (505,384)	\$ 313,784
Total Unrestricted Net Assets	\$ 277,370	\$ 541,798	\$ (505,384)	\$ 313,784
	Balance 8/31/2017	Additions	Deductions	Balance 8/31/2018
Temporarily Restricted Net Assets				
Hurricane Harvey Relief	\$ -	\$ 257,486	\$ (252,057)	\$ 5,429
Total Temporarily Restricted Net Assets	\$ -	\$ 257,486	\$ (252,057)	\$ 5,429
	Balance 8/31/2017	Additions	Deductions	Balance 8/31/2018
Permanently Restricted Net Assets				
Alton Frailey Endowment Fund	\$ 41,446	\$ 5,038	\$ -	\$ 46,484
Total Permanently Restricted Net Assets	\$ 41,446	\$ 5,038	\$ -	\$ 46,484
	Balance 8/31/2016	Additions	Deductions	Balance 8/31/2017
Unrestricted Net Assets				
Unrestricted	\$ 254,453	\$ 481,243	\$ (458,326)	\$ 277,370
Total Unrestricted Net Assets	\$ 254,453	\$ 481,243	\$ (458,326)	\$ 277,370
	Balance 8/31/2016	Additions	Deductions	Balance 8/31/2017
Permanently Restricted Net Assets				
Alton Frailey Endowment Fund	\$ 41,446	\$ -	\$ -	\$ 41,446
Total Permanently Restricted Net Assets	\$ 41,446	\$ -	\$ -	\$ 41,446

KATY ISD EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

I. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 9, 2019, the date on which the financial statements were available to be issued. There were no subsequent events that were required to be recognized or disclosed in the financial statements through that date.