

**KATY ISD EDUCATION
FOUNDATION, INC.**

FINANCIAL STATEMENTS

Years Ended August 31, 2023 and 2022

KATY ISD EDUCATION FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Katy ISD Education Foundation, Inc. ("the Foundation"), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Katy ISD Education Foundation, Inc. as of August 31, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 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 for one year after the date that the financial statements are available to be issued.

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

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 GAAS 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 GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.



Houston, Texas
January 10, 2024

FINANCIAL STATEMENTS

KATY ISD EDUCATION FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,384,968	\$ 1,192,322
Cash and cash equivalents - endowment funds	49,927	46,662
Pledges receivable	5,634	24,367
Prepaid expenses	<u>2,250</u>	<u>1,500</u>
Total Assets	<u>\$ 1,442,779</u>	<u>\$ 1,264,851</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	795	4,689
Grants payable	706,004	583,778
Deferred revenue	<u>23,500</u>	<u>45,700</u>
Total Liabilities	730,299	634,167
Net Assets:		
Without donor restrictions:		
Designated by the Board for endowment	49,927	46,662
Undesignated	<u>662,553</u>	<u>584,022</u>
Total without donor restrictions	<u>712,480</u>	<u>630,684</u>
Total Net Assets	<u>712,480</u>	<u>630,684</u>
Total Liabilities and Net Assets	<u>\$ 1,442,779</u>	<u>\$ 1,264,851</u>

KATY ISD EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net Assets Without Donor Restrictions - Undesignated		
Revenues and support:		
Contributions	\$ 261,603	\$ 214,420
Special events-fundraisers	296,756	274,181
In-kind facilities & salary costs	32,724	32,724
Interest and other revenues	<u>56,025</u>	<u>47,784</u>
Total revenues and support	647,108	569,109
Expenses:		
Program expenses:		
Grants and awards	366,952	314,835
Special events expenses	89,307	84,137
Supporting services:		
Management and general expenses	<u>111,129</u>	<u>99,321</u>
Total expenses	<u>567,388</u>	<u>498,293</u>
Increase (decrease) in net assets without donor restrictions - undesignated	79,720	70,816
Net Assets with Donor Restrictions		
Contributions	4,000	9,500
Net assets released from restrictions	<u>(4,000)</u>	<u>(9,500)</u>
Increase (decrease) in net assets with donor restrictions	<u>-</u>	<u>-</u>
Net Assets Without Donor Restrictions - Designated		
Contributions	<u>2,076</u>	<u>368</u>
Increase in net assets without donor restrictions - designated	<u>2,076</u>	<u>368</u>
Increase in net assets	81,796	71,184
Net Assets, beginning of year	<u>630,684</u>	<u>559,500</u>
Net Assets, end of year	<u>\$ 712,480</u>	<u>\$ 630,684</u>

KATY ISD EDUCATION FOUNDATION, INC.**STATEMENT OF FUNCTIONAL EXPENSES****For the Year Ended August 31, 2023***Page 1 of 2*

Functional Expenses	Program Services		Supporting	Total
	Grants and Awards	Special Events	Management and General	
In-kind facilities & salary costs	\$ -	\$ -	\$ 32,724	\$ 32,724
Contracted services	-	-	30,079	30,079
Postage	-	-	331	331
Printing	-	-	2,351	2,351
Supplies	-	-	2,869	2,869
Insurance	-	-	2,265	2,265
Travel & meeting expenses	-	-	11,407	11,407
Other management and general	-	-	29,103	29,103
Grants and awards	366,952	-	-	366,952
Special events	-	89,307	-	89,307
	<u>\$ 366,952</u>	<u>\$ 89,307</u>	<u>\$ 111,129</u>	<u>\$ 567,388</u>

KATY ISD EDUCATION FOUNDATION, INC.**STATEMENT OF FUNCTIONAL EXPENSES***For the Year Ended August 31, 2022*

Functional Expenses	Program Services		Supporting	Total
	Grants and Awards	Special Events	Management and General	
In-kind facilities & salary costs	\$ -	\$ -	\$ 32,724	\$ 32,724
Contracted services	-	-	24,528	24,528
Postage	-	-	2,201	2,201
Printing	-	-	3,378	3,378
Supplies	-	-	2,222	2,222
Insurance	-	-	2,103	2,103
Travel & meeting expenses	-	-	5,275	5,275
Other management and general	-	-	26,890	26,890
Grants and awards	314,835	-	-	314,835
Special events	-	84,137	-	84,137
	<u>\$ 314,835</u>	<u>\$ 84,137</u>	<u>\$ 99,321</u>	<u>\$ 498,293</u>

KATY ISD EDUCATION FOUNDATION, INC.**STATEMENT OF CASH FLOWS****For the Years Ended August 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Cash received from contributions, grants, and events	\$ 610,917	\$ 599,453
Cash paid for management and general expenses	<u>(417,082)</u>	<u>(535,981)</u>
Net Cash Provided (Used) by Operating Activities	193,835	63,472
Cash Flow from Financing Activities:		
Investments in Board endowment	<u>2,076</u>	<u>368</u>
Net Cash Provided by Financing Activities	<u>2,076</u>	<u>368</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	195,911	63,840
Cash and Cash Equivalents, beginning of year	<u>1,238,984</u>	<u>1,175,144</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,434,895</u>	<u>\$ 1,238,984</u>
Unrestricted cash and cash equivalents	\$ 1,384,968	\$ 1,192,322
Restricted cash and cash equivalents	<u>49,927</u>	<u>46,662</u>
	<u>\$ 1,434,895</u>	<u>\$ 1,238,984</u>
Reconciliation of Increase in Net Assets to		
Cash Flows from Operating Activities:		
Increase in net assets	\$ 81,796	\$ 71,184
Contributions to Board endowment	(2,076)	(368)
Adjustments to reconcile increase in net assets to net cash provided by:		
(Increase) Decrease in pledges receivable	18,733	43,868
(Increase) Decrease in deferred charges	(750)	(250)
Increase (Decrease) in accounts payable	(3,894)	1,632
Increase (Decrease) in grants payable	122,226	(71,794)
Increase (Decrease) in deferred revenue	<u>(22,200)</u>	<u>19,200</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 193,835</u>	<u>\$ 63,472</u>
Significant non cash transaction - Katy ISD in-kind contributions	<u>\$ 32,724</u>	<u>\$ 32,724</u>

KATY ISD EDUCATION FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

On August 18, 2016 FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

As of September 1, 2020, the Foundation prepared its financial statements in accordance with ASU 2016-14 *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958, the Foundation has reported its net assets with and without donor restrictions.

In addition, the Foundation is required by FASB ASC 958-205-45-4 to present a statement of cash flows.

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 net assets without donor restrictions or net assets with donor restrictions depending on the existence and nature of any donor restrictions. The Foundation had only contributions without donor restrictions in its initial fiscal period. Contributions with donor restrictions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

If received, all other support with donor restrictions will be reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions will be reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

KATY ISD EDUCATION FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

A. Basis of Accounting and Summary of Significant Accounting Policies (continued)

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.

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.

KATY ISD EDUCATION FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

A. Basis of Accounting and Summary of Significant Accounting Policies (continued)

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.

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 (" FDIC"). At August 31, 2023, the Foundation's deposits totaled \$201,647 and the book balance of cash was \$193,465. The deposit balances were fully covered by FDIC as of August 31, 2023. At August 31, 2022, the Foundation's deposits totaled \$1,247,599 and the book balance of cash was \$1,238,984. The uninsured portion of the bank balance was \$997,599.

The District invested in the Local Government Investment Pool, TexPool, during the year. TexPool is a public investment pools established pursuant to the Interlocal Cooperation Act and Public Investment Act of Texas. The pool is considered to be "2 A-7 like pools" under GASB Statement No.31. The Foundation's investment pools with TexPool is valued and reported at amortized cost, which approximates fair value. The investment pool is not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk. The Foundation considers these to be cash equivalents.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended. Oversight responsibility for TexPool is provided by the Texas State Comptroller of Public Accounts.

In accordance with GASB No. 79, the Local Government Investment Pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

TexPool has a weighted average maturity of 24 days at August 31, 2023.

Cash and cash equivalents consisted of the following at August 31:

	<u>2023</u>	<u>2022</u>
Demand deposits	\$ 142,633	\$ 760,274
Money market	50,810	432,048
Money market - endowment	22	46,662
TexPool - Operating	1,191,525	-
TexPool - Endowment	49,905	-
	<u>\$ 1,434,895</u>	<u>\$ 1,238,984</u>

KATY ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

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 ensure 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>2023</u>	<u>2022</u>
Due in 1 Year	\$ 5,634	\$ 24,367
Due in 1-5 Years	-	-
	<u>\$ 5,634</u>	<u>\$ 24,367</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, 2023 and 2022 are \$706,004 and \$583,778, respectively.

F. Deferred Revenues

Deferred revenues at August 31, 2023 and 2022 of \$23,500 and \$45,700, 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, 2023 and 2022 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 2023 and 2022 are \$32,724 per year. The Foundation’s Board members also contribute to the Foundation.

KATY ISD EDUCATION FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

H. Net Assets With and Without Donor Restrictions

Net assets without donor restrictions include the amounts not appropriated for grants, interest earned on net assets with and without donor restrictions (when not restricted by donor), and net revenues in excess of expenses.

Net assets with donor restrictions are for contributions received that are donated for a specific purpose but have not yet been paid to the recipient. The rollforward below shows the net assets with donor restrictions.

The roll-forward of net assets with and without donor restrictions is as follows:

	<u>Balance</u> <u>8/31/2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>8/31/2023</u>
Net Assets Without Donor Restrictions				
Designated by the Board for endowment -				
Alton Frailey Endowment Fund	\$ 46,662	\$ 3,301	\$ (36)	\$ 49,927
Undesignated	584,022	645,883	(567,352)	662,553
Total Net Assets Without Donor Restrictions	<u>\$ 630,684</u>	<u>\$ 649,184</u>	<u>\$ (567,388)</u>	<u>\$ 712,480</u>
	<u>Balance</u> <u>8/31/2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>8/31/2023</u>
Net Assets With Donor Restrictions				
Cinco Ranch Robotics	\$ -	\$ 4,000	\$ (4,000)	\$ -
Total Net Assets With Donor Restrictions	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ (4,000)</u>	<u>\$ -</u>
	<u>Balance</u> <u>8/31/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>8/31/2022</u>
Net Assets Without Donor Restrictions				
Designated by the Board for endowment -				
Alton Frailey Endowment Fund	\$ 46,679	\$ 18	\$ (35)	\$ 46,662
Undesignated	512,821	569,459	(498,258)	584,022
Total Net Assets Without Donor Restrictions	<u>\$ 559,500</u>	<u>\$ 569,477</u>	<u>\$ (498,293)</u>	<u>\$ 630,684</u>
	<u>Balance</u> <u>8/31/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>8/31/2022</u>
Net Assets With Donor Restrictions				
KEYS Scholarship & Cinco Ranch Robotics	\$ -	\$ 9,500	\$ (9,500)	\$ -
Total Net Assets With Donor Restrictions	<u>\$ -</u>	<u>\$ 9,500</u>	<u>\$ (9,500)</u>	<u>\$ -</u>

KATY ISD EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

I. Liquidity and Availability

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

	August 31,	
	2023	2022
Cash and cash equivalents	\$ 1,384,968	\$ 1,192,322
Cash and cash equivalents - endowment funds	49,927	46,662
Pledges receivable	5,634	24,367
	<u>\$ 1,440,529</u>	<u>\$ 1,263,351</u>

The Foundation’s designated endowment funds of \$49,927 and \$46,662 as of August 31, 2023 and 2022, respectively, consist of funds designated by the Board of Directors as an endowment. Principal and income from the board-designated endowment fund is available for general expenditure.

Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board’s annual budget approval and appropriation), these amounts could be made available if necessary.

J. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 10, 2024, the date on which the financial statements were available to be issued.