

CUERO ISD EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

WITH INDEPENDENT AUDITOR'S REPORT THEREON

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF
CUERO ISD EDUCATION FOUNDATION, INC.

Opinion

We have audited the accompanying financial statements of the Cuero ISD Education Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cuero ISD Education Foundation, Inc. as of December 31, 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.

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 Waco Chamber of Commerce Community Development Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Cuero ISD Educational Foundation, Inc.'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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 Waco Chamber of Commerce Community Development 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 Cuero ISD Education Foundation, Inc.'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.

Thomas R. King Jr. P.C.

April 22, 2022

Waco, Texas

CUERO ISD EDUCATION FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

| | | |
|------------------|--|-------------------------|
| Cash in Bank | | \$ 316,340 |
| Investments | | 4,687,455 |
| Mineral Interest | | <u>849</u> |
| TOTAL ASSETS | | <u>\$ 5,004,644</u> |

LIABILITIES AND NET ASSETS

| | | |
|--------------------------------------|------------------|-------------------------|
| Liabilities: | | |
| Scholarships Payable | \$ <u>30,000</u> | |
| Total Liabilities | | \$ 30,000 |
| Net Assets: | | |
| Without Donor Restrictions | 162,871 | |
| With Donor Restrictions | <u>4,811,773</u> | |
| Total Net Assets | | <u>4,974,644</u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u>\$ 5,004,644</u> |

The accompanying notes are integral to these financial statements.

CUERO ISD EDUCATION FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

| | | |
|--|-------------------|----------------------------|
| Changes in net assets without donor restrictions: | | |
| Revenue: | | |
| Contributions | \$ 2,923 | |
| Events | <u>126,510</u> | |
| Total Revenue without donor restrictions | | \$ 129,433 |
| Net assets released from restrictions | | <u>130,691</u> |
| Total Revenue and other support without donor restrictions | | 260,124 |
| Expenses: | | |
| Scholarships Awarded | 98,250 | |
| Grants Awarded | 24,846 | |
| Events | 45,021 | |
| General and Administrative | <u>51,180</u> | |
| Total Expenses | | <u>219,297</u> |
| Increase in net assets without donor restrictions | | 40,827 |
| Changes in net assets with donor restrictions: | | |
| Scholarships | 32,733 | |
| Partnership Income | 371 | |
| Investment Income, net | 151,561 | |
| Increase in FMV of Investments | 434,835 | |
| Net assets released from restriction | <u>(130,691)</u> | |
| Increase in net assets with donor restrictions | | <u>488,809</u> |
| Increase in net assets | | 529,636 |
| Net assets at beginning of year | | <u>4,445,008</u> |
| Net assets at end of year | | <u><u>\$ 4,974,644</u></u> |

The accompanying notes are integral to these financial statements.

CUERO ISD EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2021

| | <u>Events</u> | <u>General and Administrative</u> | <u>Total</u> |
|-------------------|------------------|---------------------------------------|------------------|
| Entertainment | \$ 26,366 | \$ - | \$ 26,366 |
| Lodging | 953 | - | 953 |
| Insurance | 321 | 1,869 | 2,190 |
| Food | 4,412 | 2,763 | 7,175 |
| Supplies | 527 | 1,164 | 1,691 |
| Advertising | 6,583 | - | 6,583 |
| Rent | 3,160 | - | 3,160 |
| Fees | 1,167 | - | 1,167 |
| Miscellaneous | 262 | - | 262 |
| Web Page | - | 2,783 | 2,783 |
| Training | - | 523 | 523 |
| Transportation | 500 | - | 500 |
| Security | 770 | - | 770 |
| Compensation | - | 28,630 | 28,630 |
| Office | - | 1,845 | 1,845 |
| Professional Fees | - | 11,603 | 11,603 |
| | <u>\$ 45,021</u> | <u>\$ 51,180</u> | <u>\$ 96,201</u> |

The accompanying notes are integral to these financial statements.

CUERO ISD EDUCATION FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:

| | |
|---|-------------------|
| Net Income | <u>\$ 529,636</u> |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| (Gain) loss on disposal of securities | (82,256) |
| (Increase) in fair market value of securities | (434,834) |
| (Increase) decrease in prepaid expenses | 8,839 |
| Increase (decrease) in accrued liabilities | 5,000 |
| Increase (decrease) in deferred revenue | <u>(12,000)</u> |
| Total adjustments | <u>(512,041)</u> |
| Net cash provided (used) by operating activities | <u>17,595</u> |

Cash flows from investing activities:

| | |
|--|----------------|
| Cash payments for the purchase of securities | (216,559) |
| Cash proceeds from the sale securities | <u>244,718</u> |
| Net cash provided (used) by investing activities | <u>28,159</u> |

| | |
|---------------------------------|--------------------------|
| Net increase (decrease) in cash | 45,754 |
| Cash, beginning of the year | <u>273,796</u> |
| Cash, end of the year | <u><u>\$ 319,550</u></u> |

The accompanying notes are integral to these financial statements..

CUERO ISD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events:

Management has evaluated subsequent events through April 22, 2022 the date which the financial statements were available to be issued.

The accounting and reporting policies of the Cuero ISD Education Foundation, Inc. conform to the accrual basis of accounting. Policies and practices which are significant are summarized as follows:

Organization:

The Cuero ISD Education Foundation, Inc. (the Foundation) is a non-profit corporation constituted under the laws of the State of Texas in 2002 and exempt from tax under Internal Revenue Code section 501(c)(3).

Nature of Activities:

The Foundation shall receive and disburse funds, property and gifts of any kind exclusively for the benefit of the Cuero Independent School District and its students.

Basis of Presentation:

The accrual basis of accounting records revenues and the related assets when earned and expenses when incurred.

Revenue:

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributed Services:

The Foundation receives a substantial amount of services donated by its members in carrying out the Foundation's functions. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

Cash Equivalents:

The Foundation does not have any cash equivalents.

CUERO ISD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Concentration of Credit Risks:

The Foundation has at time more than \$250,000 in a single financial institution. The amount in excess of \$250,000 is not insured by the Federal Deposit Insurance Corporation and could be lost if the institution were to fail. There were excess deposits of \$65,494 that were not uninsured at December 31, 2021. A majority of the Foundation's assets are invested in the stock market. A severe market crash would have a negative short-term effect on the net assets of the Foundation.

Investments:

The investments are carried at the market value of the mutual fund and stock portfolio as determined by the brokerage company.

Compensated Absences:

The Foundation has no provision for compensated absences.

Federal Income Tax:

The Foundation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. However, the Foundation is subject to federal income taxes on undistributed income. The federal income tax returns are generally subject to examination by the IRS for three years after they are filed. The years 2021, 2020 and 2019 are open years.

Estimates:

The Foundation uses estimates in the preparation of its financial statements. Any changes in these estimates could change the amounts reflected in these financial statements.

Revenue Recognition:

The Foundation has revenue from a variety of sources. The Foundation's principal sources of revenue are contributions, grants, fundraiser and investment income. All of these revenues are not applicable to Accounting Standard Codification Topic 606 "Revenue from Contracts With Customers" and will continue to be recognized when earned. No additional information is required to be disclosed.

CUERO ISD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) DONOR RESTRICTED NET ASSETS

Donor restricted assets are available for the following purposes:

Scholarships, Awards and Grants (not endowed) \$1,595,023

Endowment:

The Foundation has an endowment fund established to provide scholarships to graduates of Cuero High School. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the Foundation has determined that the funds maintain only the original gift amount contributed to an endowment fund. As a result of this interpretation, the Foundation would consider the fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gifts donated to the fund. The Foundation does not permit spending from underwater funds. The fund is currently not underwater.

As of December 31, 2021, the amount required to be invested in perpetuity was \$3,216,379.

| | |
|--|--------------------|
| Endowment, net assets, December 31, 2020 | \$3,216,379 |
| Contributions | 371 |
| Earnings | 157,186 |
| Investment expenses | (25,372) |
| Transfer to temporarily restricted | (131,814) |
| Endowment, net assets, December 31, 2021 | <u>\$3,216,750</u> |

The Foundation's investment policy is to engage a financial manager (broker) with instructions to invest in a mix of financial assets with the goal of minimizing short-term risk, maximizing long-term growth, and preserving capital.

(3) INVESTMENTS

The investments are primarily mutual funds, stock and ETFs. The securities are grouped by restrictions.

With donor restrictions:

| | <u>Cost</u> | <u>Unrealized Gain/(Loss)</u> | <u>Fair Market Value</u> |
|-----------------------------------|--------------------|-----------------------------------|------------------------------|
| Scholarships & Awards & Grants | <u>\$3,860,278</u> | <u>818,177</u> | <u>4,678,455</u> |

CUERO ISD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) MINERAL INTEREST

The Foundation owns a .00010271 interest in the Stiles Gas Unit A1, DeWitt County, Texas. The mineral interest is permanently restricted for scholarships, with eighty-five percent of the royalty income restricted for scholarships. The asset is recorded at cost.

(5) FAIR VALUE MEASUREMENTS

Certain assets and liabilities are reported in the financial statements at fair value, in accordance with FASB Statement No. 157, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Statement establishes a framework for measuring fair value in GAAP, identifying three levels of measurements: quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3). Level 1 receives the highest priority when measuring fair value. Marketable securities use an active market, the partnership interest uses its capital balance and the mineral interest uses cost. Fair values of assets are measured on a recurring basis and were as follows on December 31:

| | <u>Fair Value</u> | Significant Observable Inputs (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-----------------------|--------------------|--|--|--|
| Marketable Securities | \$4,687,455 | 4,687,455 | -- | -- |
| Mineral Interest | <u>849</u> | <u>--</u> | <u>--</u> | <u>849</u> |
| Total | <u>\$4,688,304</u> | <u>4,687,455</u> | <u>--</u> | <u>849</u> |

CUERO ISD EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

| | |
|--|--------------------|
| Financial assets at year-end | \$5,003,795 |
| Less those unavailable for general expenditures within one year | <u>3,216,750</u> |
| Financial assets available to meet cash needs for general expenditures | <u>\$1,787,045</u> |

(7) CONTINGENT LIABILITIES AND COMMITMENTS

The Foundation has no known contingent liabilities or commitments.