

CUERO ISD EDUCATION FOUNDATION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
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.

### **Report on the Financial Statements**

I have audited the accompanying statement of financial position of Cuero ISD Education Foundation, Inc. as of December 31, 2020 and the related statement 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 and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of

the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a reasonable basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Cuero ISD Education Foundation, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Steven R. King Jr. P.C." The signature is written in a cursive style with a large, stylized initial 'S'.

March 25, 2021

Waco, Texas

CUERO ISD EDUCATION FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020

ASSETS

Cash in Bank	\$	273,796
Prepaid Expense		8,839
Marketable Securities		4,198,522
Mineral Interest		<u>849</u>
TOTAL ASSETS	\$	<u>4,482,006</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Scholarships Payable	\$	25,000
Deferred Revenue		<u>12,000</u>
Total Liabilities		37,000
Net Assets:		
Without Donor Restrictions		122,044
With Donor Restrictions		<u>4,322,962</u>
Total Net Assets		<u>4,445,006</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>4,482,006</u>

The accompanying notes are integral to these financial statements.

CUERO ISD EDUCATION FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

Changes in net assets without donor restrictions:		
Revenue:		
Contributions	\$	<u>38,532</u>
Total Revenue without donor restrictions	\$	38,532
Net assets released from restrictions		<u>49,251</u>
Total Revenue and other support without donor restrictions		<u>87,783</u>
Expenses:		
Scholarships Awarded	66,084	
Grants Awarded	21,012	
General and Administrative	<u>43,703</u>	
Total Expenses		<u>130,799</u>
Increase in net assets without donor restrictions		( 43,016)
Changes in net assets with donor restrictions:		
Scholarships	134,955	
Partnership Income	( 48)	
Investment Income, net	( 35,241)	
Increase in FMV of Investments	128,627	
Net assets released from restriction	<u>( 49,251)</u>	
Increase in net assets with donor restrictions		<u>179,042</u>
Increase in net assets		136,026
Net assets at beginning of year		<u>4,308,980</u>
Net assets at end of year		<u>\$ 4,445,006</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, 2020

	<u>Events</u>	<u>General and Administrative</u>	<u>Total</u>
Entertainment	\$ -	\$ -	\$ -
Lodging	-	-	-
Insurance	-	1,849	1,849
Food	-	959	959
Supplies	-	1,737	1,737
Advertising	-	439	439
Rent	-	-	-
Fees	-	-	-
Miscellaneous	-	601	601
Transportation	-	-	-
Security	-	-	-
Compensation	-	27,630	27,630
Office	-	1,764	1,764
Professional Fees	-	8,724	8,724
	<u>\$ -</u>	<u>\$ 43,703</u>	<u>\$ 43,703</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, 2020

Cash flows from operating activities:

Net Income	\$ <u>136,026</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
(Gain) loss on disposal of securities	130,467
(Increase) in fair market value of securities	( 128,627)
Impairment of partnership investment	4,618
(Increase) decrease in prepaid expenses	( 8,839)
Increase (decrease) in accrued liabilities	( 8,749)
Increase (decrease) in deferred revenue	<u>12,000</u>
Total adjustments	<u>870</u>
Net cash provided (used) by operating activities	<u>136,896</u>

Cash flows from investing activities:

Cash payments for the purchase of securities	(1,207,436)
Cash proceeds from the sale securities	1,077,062
Cash proceeds partnership distribution	<u>3,210</u>
Net cash provided (used) by investing activities	<u>( 127,164)</u>

Net increase (decrease) in cash	9,732
Cash, beginning of the year	<u>264,064</u>
Cash, end of the year	<u>\$ <u>273,796</u></u>

The accompanying notes are integral to these financial statements..

CUERO ISD EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events:

Management has evaluated subsequent events through March 25, 2021 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 no uninsured cash balances at December 31, 2020. 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.

Marketable Securities:

Marketable Securities 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 2020, 2019 and 2018 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 do not apply under Accounting Standard Codification Topic 606 "Revenue from Contracts With Customers" and will continue to be recognized when earned.

If revenues fall within the scope of and accounted for under ASC 606. ASC 606 requires revenue to be recognized when the

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition, continued:

Foundation satisfies the related performance obligations via a 5-step process:

- 1) Identify the contract with the customer
- 2) Identify the associated performance obligation
- 3) Determine the transaction price
- 4) Allocate the price to the performance obligation, and
- 5) Recognize revenue when the performance obligation has been satisfied and the service has been transferred.

(2) DONOR RESTRICTED NET ASSETS

Donor restricted assets are available for the following purposes:

Scholarships, Awards and Grants (not endowed)	<u>\$1,201,583</u>
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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, 2020, the amount required to be invested in perpetuity was \$3,216,379.

Endowment, net assets, December 31, 2019	\$3,654,839
Contributions	95,000
Earnings	346,190
Change in endowment agreement	( 628,163)
Investment expenses	( 23,772)
Transfer to temporarily restricted	<u>( 227,715)</u>
Endowment, net assets, December 31, 2020	<u>\$3,216,379</u>

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

(2) DONOR RESTRICTED NET ASSETS, continued

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) MARKETABLE SECURITIES (Available for Sale)

The marketable securities 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	\$3,800,975	397,547	4,198,522

(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) INVESTMENT IN PARTNERSHIP

The Foundation owns a one quarter share or 1.81 percent of DeWitt Investors Limited, a domestic non-public limited partnership that is permanently restricted for scholarships. Any partnership income is restricted for scholarships. The partnership interest is carried at its capital balance and terminated in 2020.

(6) 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

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

(6) FAIR VALUE MEASUREMENTS, continued

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 <u>(Level 1)</u>	Significant Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Marketable Securities	\$4,198,522	4,198,522	--	--
Mineral Interest	<u>849</u>	<u>--</u>	<u>--</u>	<u>849</u>
Total	<u>\$4,199,371</u>	<u>4,198,522</u>	<u>--</u>	<u>849</u>

(7) 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	\$4,472,418
Less those unavailable for general expenditures within one year	<u>3,216,379</u>
Financial assets available to meet cash needs for general expenditures	<u>\$1,256,039</u>

(8) CONTINGENT LIABILITIES AND COMMITMENTS

The Foundation has no known contingent liabilities or commitments.