

# Highland Park ISD Education Foundation (A Nonprofit Organization)

Financial Statements  
August 31, 2023 and 2022



# Highland Park ISD Education Foundation

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## **Independent Auditors' Report**

The Board of Directors of  
Highland Park ISD Education Foundation

### ***Opinion***

We have audited the accompanying financial statements of the Highland Park ISD Education Foundation (a nonprofit organization) (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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation 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 (GAAP).

### ***Basis For Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 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 GAAP, 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.

## ***Auditors' 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 auditors' 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, 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 GAAS, 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.



A Limited Liability Partnership

Arlington, Texas  
January 24, 2023

**Highland Park ISD Education Foundation**  
**Statements of Financial Position**  
**August 31, 2023 and 2022**

	2023	2022
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,994,310	\$ 3,866,215
Investments	1,706,249	2,066,684
Pledges receivable	230,330	341,927
Other current assets	5,517	14,480
<b>Total current assets</b>	5,936,406	6,289,306
<b>Endowment assets:</b>		
Cash equivalents	3,413,880	2,653,301
Investments	39,923,486	34,777,638
Pledges receivable, net	8,397,587	3,023,264
<b>Total endowment assets</b>	51,734,953	40,454,203
<b>Total assets</b>	\$ 57,671,359	\$ 46,743,509
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 22,244	\$ 13,625
Grants payable	604,689	129,406
Scholarships payable	23,000	27,000
Class funds	607,797	532,750
Refundable advance	935,628	1,565,500
Deferred revenue	54,830	54,685
<b>Total liabilities</b>	2,248,188	2,322,966
<b>Net assets:</b>		
Without donor restrictions:		
Undesignated	1,119,857	1,851,055
Board designated	211,160	211,160
Total without donor restrictions	1,331,017	2,062,215
With donor restrictions	54,092,154	42,358,328
<b>Total net assets</b>	55,423,171	44,420,543
<b>Total liabilities and net assets</b>	\$ 57,671,359	\$ 46,743,509

See notes to financial statements.

**Highland Park ISD Education Foundation**  
**Statement of Activities**  
**Year Ended August 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions	\$ 67,356	\$ 11,178,701	\$ 11,246,057
Fundraising - annual appeal	1,867,319	-	1,867,319
Net investment gain	158,656	3,050,232	3,208,888
Alumni association	150,092	-	150,092
Other income	269,155	-	269,155
Contribution of nonfinancial assets	46,674	-	46,674
Net assets released from restrictions	2,495,107	(2,495,107)	-
<b>Total support, revenue and reclassifications</b>	<b>5,054,359</b>	<b>11,733,826</b>	<b>16,788,185</b>
<b>Expenses:</b>			
Program	5,170,082	-	5,170,082
Management	337,199	-	337,199
Fundraising	278,276	-	278,276
<b>Total expenses</b>	<b>5,785,557</b>	<b>-</b>	<b>5,785,557</b>
<b>Change in net assets</b>	<b>(731,198)</b>	<b>11,733,826</b>	<b>11,002,628</b>
<b>Net assets at beginning of year</b>	<b>2,062,215</b>	<b>42,358,328</b>	<b>44,420,543</b>
<b>Net assets at end of year</b>	<b>\$ 1,331,017</b>	<b>\$ 54,092,154</b>	<b>\$ 55,423,171</b>

See notes to financial statements.

**Highland Park ISD Education Foundation**  
**Statement of Activities**  
**Year Ended August 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions	\$ 73,086	\$ 6,195,667	\$ 6,268,753
Fundraising - annual appeal	1,825,929	-	1,825,929
Net investment loss	(339,061)	(5,517,634)	(5,856,695)
Alumni association	124,940	-	124,940
Other income	279,561	-	279,561
Contribution of nonfinancial assets	45,800	-	45,800
Net assets released from restrictions	2,300,178	(2,300,178)	-
<b>Total support, revenue and reclassifications</b>	<b>4,310,433</b>	<b>(1,622,145)</b>	<b>2,688,288</b>
<b>Expenses:</b>			
Program	3,889,547	-	3,889,547
Management	230,614	-	230,614
Fundraising	322,152	-	322,152
<b>Total expenses</b>	<b>4,442,313</b>	<b>-</b>	<b>4,442,313</b>
<b>Change in net assets</b>	<b>(131,880)</b>	<b>(1,622,145)</b>	<b>(1,754,025)</b>
<b>Net assets at beginning of year</b>	<b>2,194,095</b>	<b>43,980,473</b>	<b>46,174,568</b>
<b>Net assets at end of year</b>	<b>\$ 2,062,215</b>	<b>\$ 42,358,328</b>	<b>\$ 44,420,543</b>

See notes to financial statements.

**Highland Park ISD Education Foundation**  
**Statement of Functional Expenses**  
**Year Ended August 31, 2023**

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Alumni association	\$ 119,134	\$ -	\$ -	\$ 119,134
Student scholarships	134,249	-	-	134,249
Awards	8,000	-	-	8,000
Other program expenses	1,643,291	-	-	1,643,291
Mad for Plaid - grants to HPISD	1,700,000	-	-	1,700,000
Salaries, benefits and taxes	349,293	253,328	174,995	777,616
Moody Innovative Institute	1,074,326	-	-	1,074,326
Other costs	33,902	33,902	35,343	103,147
Professional fees	41,644	41,644	-	83,288
Occupancy	16,650	8,325	8,325	33,300
Public relations	49,593	-	59,613	109,206
	<u>\$ 5,170,082</u>	<u>\$ 337,199</u>	<u>\$ 278,276</u>	<u>\$ 5,785,557</u>

See notes to financial statements.



**Highland Park ISD Education Foundation**  
**Statement of Functional Expenses**  
**Year Ended August 31, 2022**

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Alumni association	\$ 87,032	\$ -	\$ -	\$ 87,032
Student scholarships	119,150	-	-	119,150
Awards	4,000	-	-	4,000
Other program expenses	914,921	-	-	914,921
Mad for Plaid - grants to HPISD	1,575,000	-	-	1,575,000
Salaries, benefits and taxes	306,031	138,268	249,818	694,117
Moody Innovation Institute	726,266	-	-	726,266
Other costs	28,021	28,021	36,340	92,382
Professional fees	56,000	56,000	-	112,000
Occupancy	16,650	8,325	8,325	33,300
Public relations	56,476	-	27,669	84,145
	<u>\$ 3,889,547</u>	<u>\$ 230,614</u>	<u>\$ 322,152</u>	<u>\$ 4,442,313</u>

See notes to financial statements.

**Highland Park ISD Education Foundation**  
**Statements of Cash Flows**  
**Years Ended August 31, 2023 and 2022**

	2023	2022
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 11,002,628	\$ (1,754,025)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized losses on investments	106,164	100,002
Net unrealized (gains) losses on investments	(2,197,717)	8,095,490
Discount on pledges receivable	445,706	95,372
Contributions restricted for endowment	(9,706,357)	(5,795,113)
Changes in assets and liabilities:		
Pledges receivable	111,597	(101,200)
Other current assets	8,963	(10,001)
Accounts payable	8,619	(5,830)
Grants payable	475,283	86,080
Scholarships payable	(4,000)	(3,500)
Class funds	75,047	83,782
Refundable advance	(629,872)	1,565,500
Deferred revenue	145	6,560
<b>Net cash provided (used) by operating activities</b>	<b>(303,794)</b>	<b>2,363,117</b>
<b>Cash flows from investing activities:</b>		
Sales of investments	4,754,643	5,184,521
Purchases of investments	(7,448,503)	(7,330,903)
<b>Net cash used by investing activities</b>	<b>(2,693,860)</b>	<b>(2,146,382)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from endowment contributions	3,886,328	3,039,285
<b>Net increase in cash and cash equivalents</b>	<b>888,674</b>	<b>3,256,020</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>6,519,516</b>	<b>3,263,496</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 7,408,190</b>	<b>\$ 6,519,516</b>
<b>Reconciliation of cash and cash equivalents and restricted cash equivalents reported within the statements of financial position to the statements of cash flows:</b>		
Cash and cash equivalents	\$ 3,994,310	\$ 3,866,215
Restricted cash equivalents	3,413,880	2,653,301
<b>Cash and restricted cash equivalents reported on the statements of cash flows</b>	<b>\$ 7,408,190</b>	<b>\$ 6,519,516</b>

See notes to financial statements.

# Highland Park ISD Education Foundation

## Notes to Financial Statements

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### 1. Foundation

Highland Park ISD Education Foundation (Foundation) is a Texas nonprofit organization incorporated in 1984. The Foundation exists to support quality education in the Highland Park Independent School District (HPISD), a public school district serving about 7,000 students. The Foundation's mission is to rally the entire community to raise the critical funds necessary for continuing HPISD's tradition of exemplary education. The Foundation fulfills its mission by providing teacher and staff salary support through Mad for Plaid, the Foundation's annual fundraising campaign, scholarships for teachers and students, facilitating grants for teacher innovation projects and professional development, growing a permanent endowment that provides HPISD with long-term financial stability, supporting the Moody Innovation Institute, veterans plaque, Highland Park High School Alumni Association (Alumni Association), Retired Teachers' Luncheon, and more. The Foundation's primary support comes from individual contributions and foundation grants. The Foundation is considered a blended component unit of HPISD because of the significance of its operational and financial relationship with the school district.

The Alumni Association is an unincorporated auxiliary organization of the Foundation. The Alumni Association operates under the umbrella of the Foundation and is, therefore, included on a gross basis in the accompanying financial statements.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

*Net assets with donor restrictions* - Net assets subject to donor or grantor stipulations that will be met by actions of the Foundation and/or the passage of time.

# Highland Park ISD Education Foundation

## Notes to Financial Statements

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Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law.

Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

### ***Financial Instruments and Credit and Market Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist of cash and cash equivalents, investments and pledges receivable. The Foundation places cash and cash equivalents, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. The Foundation has not experienced losses on such assets. At August 31, 2023, the Foundation had uninsured bank balances totaling \$278,550.

The Foundation's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Foundation's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of the investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

Pledges receivable are unsecured and due from various donors. The Foundation evaluates the collectability of pledges receivable and maintains allowances for potential losses, if considered necessary. Management determined no allowance was necessary at August 31, 2023 and 2022.

### ***Cash and Cash Equivalents***

The Foundation considers highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

# Highland Park ISD Education Foundation

## Notes to Financial Statements

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### ***Investments***

The Foundation's investments consist of common stock and corporate bonds and are carried at fair value. Investment transactions are recorded on the trade date, which results in receivables and payables on trades that have not yet settled as of the financial statement date, and dividend income is recorded when earned.

Realized gains and losses are recorded as the difference between historical cost and fair value, and are shown on a net basis. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods.

### ***Revenue Recognition***

The Foundation recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to meeting measurable performance or other barriers are reported as refundable advances, which totaled \$935,628 and \$1,565,500 at August 31, 2023 and 2022 respectively.

Donated rent and property are reflected as contributions at their estimated fair value at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation.

### ***Grants and Scholarships***

The Foundation awards grants to educators and programs that support academic enrichment to HPISD students. The Foundation records a liability for grants when they have been approved by the board of directors and the intended recipient has satisfied all related Foundation-imposed conditions, if any.

The Foundation recognizes scholarships as expenses at the time recipients are entitled to receive them. Generally, this occurs when the selection committee approves a specific scholarship. Unconditional scholarships approved but not yet disbursed are reported as scholarships payable. Conditional scholarships approved but contingent upon fulfillment of certain specified conditions by the scholarship recipient are not recorded until the conditions have been met.

# Highland Park ISD Education Foundation

## Notes to Financial Statements

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### ***Functional Allocation of Expenses***

The costs of providing the programs and supporting activities have been summarized on a functional basis in the financial statements. Costs are allocated between program services, support services and fundraising based on management's judgment considering space used, time spent or direct relation to the program or support service benefited.

### ***Estimates and Assumptions***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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 estimated.

### ***Income Taxes***

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC.

Income generated from activities unrelated to the Foundation's exempt purposes is subject to tax under IRC Section 511. The Foundation had no unrelated business income for the years ended August 31, 2023 and 2022. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Foundation's tax returns and recognition of a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of August 31, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

### ***Reclassification***

Certain items in the 2022 financial statements have been reclassified to conform to current year classifications, specifically grants payable and accounts payable on the statement of financial position, and other costs, occupancy and public relations on the statement of functional expenses. Such reclassifications had no effect on previously reported changes in net assets.

# Highland Park ISD Education Foundation

## Notes to Financial Statements

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### 3. Fair Value Measurements

The Foundation records financial instruments at estimated fair value. Fair value accounting 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 fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

- |         |   |
|---------|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities as of the reporting date;   |
| Level 2 | Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets; |
| Level 3 | Unobservable inputs that are supported by little or no market activity and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.                       |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: The investment grade bonds held by the Foundation generally do not trade in active markets on the measurement date. Therefore, bonds are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market quotations (where observable), bond spreads, and fundamental data relating to the issuer.

## Highland Park ISD Education Foundation

### Notes to Financial Statements

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The following table sets forth the Foundation's investments at fair value at August 31, 2023:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Common stock	\$ 28,947,518	\$ -	\$ -	\$ 28,947,518
Corporate bonds	-	12,682,217	-	12,682,217
	<u>\$ 28,947,518</u>	<u>\$ 12,682,217</u>	<u>\$ -</u>	<u>\$ 41,629,735</u>

The following table sets forth the Foundation's investments at fair value at August 31, 2022:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Common stock	\$ 24,533,391	\$ -	\$ -	\$ 24,533,391
Corporate bonds	-	12,310,931	-	12,310,931
	<u>\$ 24,533,391</u>	<u>\$ 12,310,931</u>	<u>\$ -</u>	<u>\$ 36,844,322</u>

Net investment earnings (losses), including earnings from cash equivalents, were as follows for the years ended August 31:

	2023	2022
Interest and dividends	\$ 1,334,585	\$ 2,541,983
Unrealized gains (losses)	2,197,717	45,800
Realized losses	(106,164)	(100,002)
Investment expenses	(217,250)	(203,186)
	<u>\$ 3,208,888</u>	<u>\$ 2,284,595</u>

#### 4. Pledges Receivable

As of August 31, 2023, net pledges receivable totaled \$8,627,917, of which 58% was due from two contributors. As of August 31, 2022, net pledges receivable totaled \$3,365,191, of which 32% was due from one contributor. Pledges receivable at August 31, 2023 are expected to be collected during the years ending August 31 as follows:

	Endowment Pledges	Other Pledges	Total Pledges
2024	\$ 2,295,166	\$ 230,330	\$ 2,525,496
2025	2,230,834	-	2,230,834
2026	2,170,000	-	2,170,000
2027	1,870,000	-	1,870,000
2028	353,500	-	353,500
Thereafter	20,000	-	20,000
Less discount to present value	(541,913)	-	(541,913)
Pledges receivable, net	<u>\$ 8,397,587</u>	<u>\$ 230,330</u>	<u>\$ 8,627,917</u>



# Highland Park ISD Education Foundation

## Notes to Financial Statements

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Pledges receivable due in more than one year are reflected at the present value of future cash flows using a discount rate ranging from 4.54% to 5.37% for the year ended August 30, 2023 and a rate ranging from 3.30% to 3.50% for the year ended August 30, 2022.

### 5. Conditional Promise to Give

During the year ended August 31, 2022, the Foundation received a five-year grant from the Moody Foundation (Grantor) in the amount of \$4,990,759 for assistance in preparing students for careers of the future. The amount the Grantor promises to give is conditioned upon specific provisions mandated by the Grantor. During the year ended August 31, 2023, \$629,873 was recognized as revenue related to this grant. At August 31, 2023, there is \$4,360,886 remaining of the conditional promise to give related to this grant that is unearned. At August 31, 2023 and 2022, \$935,628 and \$1,565,500 were recorded as a refundable advance, respectively, in the accompanying statements of financial position related to this grant.

### 6. Net Assets

Net assets without donor restrictions include a board-designated endowment fund in the amount of \$211,160 at August 31, 2023 and 2022.

Net assets with donor restrictions consist of the following at August 31, 2023 and 2022:

	2023	2022
Purpose restrictions:		
PTA funds	\$ 1,336,278	\$ 919,459
Mad for Plaid	900,185	-
Moody Innovation Institute	-	444,454
Other general funds	5,048	381,029
Security	200,000	-
La Fiesta de las Seis Banderas	43,429	274,029
General scholarship funds	83,421	96,314
	2,568,361	2,115,285
Donor-restricted endowment:		
Endowment funds to be held in perpetuity	27,862,254	18,153,936
William P. Clements, Jr. Fund - term endowment	9,870,365	10,076,612
Accumulated endowment fund earnings	13,791,174	12,012,495
	51,523,793	40,243,043
	\$ 54,092,154	\$ 42,358,328

# Highland Park ISD Education Foundation

## Notes to Financial Statements

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### 7. Endowment Funds

The Foundation's endowment consists of funds established for education and general expenses, including both board-designated and donor-restricted endowment funds.

Net assets associated with endowment funds, including funds designated by the board of directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Relevant Law*

The Foundation has interpreted the State of Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring "ordinary business care and prudence" regarding the preservation of donor-restricted endowment funds absent explicit donor stipulation to the contrary. The Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with TUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration of preservation of the funds
- The purposes of the Foundation and the endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The Foundation's investment policy

The portion of the donor-restricted endowment fund that is not required to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA.

## Highland Park ISD Education Foundation

### Notes to Financial Statements

Endowment funds are categorized in the following net asset classes at August 31, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings and Term Endowment	To be Held in Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 23,661,539	\$ 27,862,254	\$ 51,523,793
Board-designated endowment fund	211,160	-	-	211,160
Total endowment net assets	<u>\$ 211,160</u>	<u>\$ 23,661,539</u>	<u>\$ 27,862,254</u>	<u>\$ 51,734,953</u>

Endowment funds are categorized in the following net asset classes at August 31, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings and Term Endowment	To be Held in Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 22,089,107	\$ 18,153,936	\$ 40,243,043
Board-designated endowment fund	211,160	-	-	211,160
Total endowment net assets	<u>\$ 211,160</u>	<u>\$ 22,089,107</u>	<u>\$ 18,153,936</u>	<u>\$ 40,454,203</u>

Changes in endowment net assets for the year ended August 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings and Term Endowment	To be Held in Perpetuity	
Endowment net assets, beginning of year	\$ 211,160	\$ 22,089,107	\$ 18,153,936	\$ 40,454,203
Contributions	-	-	9,706,357	9,706,357
Net investments earnings	-	2,954,383	-	2,954,383
Purpose reclassification	-	1,000	1,961	2,961
Appropriation of assets for expenditure	-	(1,382,951)	-	(1,382,951)
Endowment net assets, end of year	<u>\$ 211,160</u>	<u>\$ 23,661,539</u>	<u>\$ 27,862,254</u>	<u>\$ 51,734,953</u>

Changes in endowment net assets for the year ended August 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings and Term Endowment	To be Held in Perpetuity	
Endowment net assets, beginning of year	\$ 211,160	\$ 28,712,387	\$ 12,183,572	\$ 41,107,119
Contributions	-	-	5,795,114	5,795,114
Net investments earnings	-	(5,342,537)	-	(5,342,537)
Purpose reclassification	-	40,810	175,250	216,060
Appropriation of assets for expenditure	-	(1,321,553)	-	(1,321,553)
Endowment net assets, end of year	<u>\$ 211,160</u>	<u>\$ 22,089,107</u>	<u>\$ 18,153,936</u>	<u>\$ 40,454,203</u>

# Highland Park ISD Education Foundation

## Notes to Financial Statements

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### ***Return Objectives and Risk Parameters***

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term.

Endowment assets are invested in a well-diversified mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds, if possible. Actual returns in any given year may vary from this amount.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

### ***Strategies Employed for Achieving Objectives***

The Foundation's approved spending policy was created to protect the value of the endowments.

The objectives of this spending policy are to (a) maintain the purchasing power of endowment funds with respect to inflation by spending no more than the real total return over the long term and achieving growth of the principal approximating the rate of inflation and (b) decouple investment decisions from immediate income needs, thus increasing investment flexibility and improving investment performance by allowing investment managers to invest for maximum total return.

Provided that there are no donor agreements to the contrary, the spending rule for a given fiscal year shall be recommended by the finance committee and approved by the board of directors, and will be based on the rolling average of the previous twelve quarters of market value.

## **8. Transactions with HPISD**

The Foundation awarded grants to HPISD totaling \$4,133,158 and \$2,876,410 during the years ended August 31, 2023 and 2022, respectively. At August 31, 2023 and 2022, \$604,689 and \$129,406, respectively was due to HPISD and is included in grants payable in the accompanying statements of financial position.

## Highland Park ISD Education Foundation

### Notes to Financial Statements

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#### 9. Contributions of Nonfinancial Assets

The Foundation receives donated office space from HPISD. The facilities are made available to the Foundation with estimated values of \$33,300 for the years ended August 31, 2023 and 2022.

The Foundation received the following contributions of nonfinancial assets during the year ended August 31, 2023:

	Program	Management	Fundraising	Total
Services	\$ -	\$ -	\$ 5,000	\$ 5,000
Office space	16,650	8,325	8,325	33,300
Office furniture	4,187	4,187	-	8,374
Total	<u>\$ 20,837</u>	<u>\$ 12,512</u>	<u>\$ 13,325</u>	<u>\$ 46,674</u>

The Foundation received the following contributions of nonfinancial assets during the year ended August 31, 2022:

	Program	Management	Fundraising	Total
Services	\$ 8,750	\$ 3,750	\$ -	\$ 12,500
Office space	16,650	8,325	8,325	33,300
Total	<u>\$ 25,400</u>	<u>\$ 12,075</u>	<u>\$ 8,325</u>	<u>\$ 45,800</u>

There were no restrictions on contributions of nonfinancial assets received during the years ended August 31, 2023 and 2022.

#### **Services**

The value of donated services was determined using the market rate for those services provided.

#### **Office Space**

The value of donated office space was determined using the rates for similar office spaces in the area.

#### **Office Furniture**

The value of donated office furniture was based on the retail price of the furniture.

## Highland Park ISD Education Foundation

### Notes to Financial Statements

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#### 10. Liquidity and Availability of Resources

The Foundation's financial assets available for general expenditure within one year of the statement of financial position date are as follows at August 31:

	2023	2022
Cash and cash equivalents	\$ 7,408,190	\$ 6,519,516
Investments	41,629,735	36,844,322
Pledges receivable, net	8,627,917	3,365,191
 Total financial assets	 57,665,842	 46,729,029
 Less amounts not available for general expenditures within one year:		
Subject to appropriation and satisfaction of donor restrictions	(23,661,539)	(22,089,107)
Donor-restricted endowment funds to be held in perpetuity	(27,862,253)	(18,153,935)
Class funds	(607,797)	(532,750)
Board-designated endowment	(211,160)	(211,160)
 Total amounts not available for general expenditures within one year	 <u>(52,342,749)</u>	 <u>(40,986,952)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 5,323,093</u>	 <u>\$ 5,742,077</u>

The Foundation receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year.

The Foundation manages its liquid resources by focusing on investing excess cash in investments that maximize earnings potential balanced with the amount of risk the Foundation's investment committee has decided can be tolerated.

#### 11. Subsequent Events

Management has evaluated subsequent events through January 24, 2023, the date the financial statements were available to be issued, and concluded that no additional disclosures are required.