



Highland Park ISD Education Foundation (A Nonprofit Organization)

Financial Statements
August 31, 2019 and 2018

Highland Park ISD Education Foundation

Contents

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

Independent Auditors' Report

The Board of Directors
Highland Park ISD Education Foundation

We have audited the accompanying financial statements of the Highland Park ISD Education Foundation (Foundation) (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Highland Park ISD Education Foundation as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in cursive script that reads "Sutton Frost Cary".

A Limited Liability Partnership

Arlington, Texas
November 20, 2019

Highland Park ISD Education Foundation
Statements of Financial Position
August 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,514,989	\$ 4,774,638
Investments	3,072,425	2,317,396
Pledges receivable, net	246,830	135,434
Other current assets	29,659	18,820
Total current assets	6,863,903	7,246,288
Endowment assets		
Pledges receivable, net	139,291	61,150
Investments	28,190,584	27,024,188
Total endowment assets	28,329,875	27,085,338
Total assets	\$ 35,193,778	\$ 34,331,626
Liabilities and Net Assets		
Current liabilities:		
Accounts payable, net	\$ 1,012,450	\$ 875,191
Scholarships payable	38,500	54,250
Class funds	390,721	391,175
Deferred revenue	55,460	55,780
Total current liabilities	1,497,131	1,376,396
Net assets:		
Without donor restrictions:		
Undesignated	1,369,529	1,186,938
Board designated	211,160	211,160
Total without donor restrictions	1,580,689	1,398,098
With donor restrictions	32,115,958	31,557,132
Total net assets	33,696,647	32,955,230
Total liabilities and net assets	\$ 35,193,778	\$ 34,331,626

See notes to financial statements.

Highland Park ISD Education Foundation
Statement of Activities
Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 40,480	\$ 2,504,188	\$ 2,544,668
Fundraising - annual appeal	1,541,837	-	1,541,837
Net investment earnings	(29,699)	2,236,040	2,206,341
Alumni association	122,806	-	122,806
Other income	209,704	-	209,704
Net assets released from restrictions	4,181,402	(4,181,402)	-
Total support, revenue and reclassifications	6,066,530	558,826	6,625,356
Expenses:			
Program	5,483,991	-	5,483,991
Management	144,043	-	144,043
Fundraising	255,905	-	255,905
Total expenses	5,883,939	-	5,883,939
Increase in net assets	182,591	558,826	741,417
Net assets at beginning of year	1,398,098	31,557,132	32,955,230
Net assets at end of year	\$ 1,580,689	\$ 32,115,958	\$ 33,696,647

See notes to financial statements.

Highland Park ISD Education Foundation
Statement of Activities
Year Ended August 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 52,201	\$ 12,749,119	\$ 12,801,320
Fundraising - annual appeal	1,499,106	-	1,499,106
Net investment income	45,270	2,716,547	2,761,817
Alumni association	113,485	-	113,485
Net assets released from restrictions	2,823,996	(2,823,996)	-
Total support, revenue and reclassifications	4,534,058	12,641,670	17,175,728
Expenses:			
Program	4,024,286	-	4,024,286
Management	152,026	-	152,026
Fundraising	336,212	-	336,212
Total expenses	4,512,524	-	4,512,524
Increase in net assets	21,534	12,641,670	12,663,204
Net assets at beginning of year	1,376,564	18,915,462	20,292,026
Net assets at end of year	<u>\$ 1,398,098</u>	<u>\$ 31,557,132</u>	<u>\$ 32,955,230</u>

See notes to financial statements.

Highland Park ISD Education Foundation
Statement of Functional Expenses
Year Ended August 31, 2019

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Alumni association	\$ 91,139	\$ -	\$ -	\$ 91,139
Student scholarships	125,300	-	-	125,300
Awards	7,000	-	-	7,000
Student programs	1,939,659	-	-	1,939,659
Mad for Plaid - grants to HPISD	1,330,722	-	-	1,330,722
Salaries, benefits and taxes	244,120	103,813	220,894	568,827
Moody Innovative Institute	1,664,049	-	-	1,664,049
Other costs	25,731	25,731	25,447	76,909
Professional fees	14,500	14,499	-	28,999
Public relations	41,771	-	9,564	51,335
	<u>\$ 5,483,991</u>	<u>\$ 144,043</u>	<u>\$ 255,905</u>	<u>\$ 5,883,939</u>

See notes to financial statements.

Highland Park ISD Education Foundation
Statement of Functional Expenses
Year Ended August 31, 2018

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Alumni association	\$ 87,203	\$ -	\$ -	\$ 87,203
Student scholarships	167,410	-	-	167,410
Awards	7,000	-	-	7,000
Student programs	1,289,043	-	-	1,289,043
Mad for Plaid - grants to HPISD	1,468,420	-	-	1,468,420
Salaries, benefits and taxes	272,950	104,920	278,164	656,034
Moody Innovative Institute	640,047	-	-	640,047
Other costs	47,105	21,974	23,803	92,882
Professional fees	-	25,132	-	25,132
Public relations	45,108	-	34,245	79,353
	<u>\$ 4,024,286</u>	<u>\$ 152,026</u>	<u>\$ 336,212</u>	<u>\$ 4,512,524</u>

See notes to financial statements.

Highland Park ISD Education Foundation
Statements of Cash Flows
Years Ended August 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 741,417	\$ 12,663,204
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Net realized gains on investments	(576,210)	(470,957)
Net unrealized gains on investments	(1,236,198)	(2,021,747)
Discount on pledges receivable	5,042	-
Contributions restricted for endowment	(368,003)	(10,427,687)
Changes in assets and liabilities:		
Pledges receivable	(31,087)	148,716
Other current assets	(10,839)	27,647
Accounts payable and other liabilities	120,735	841,074
Net cash provided (used) by operating activities	(1,355,143)	760,250
Cash flows from investing activities:		
Sales of investments	7,119,899	4,427,294
Purchases of investments	(7,228,916)	(13,462,785)
Net cash used by investing activities	(109,017)	(9,035,491)
Cash flows from financing activities:		
Proceeds from endowment contributions	204,511	10,427,687
Net cash provided by financing activities	204,511	10,427,687
Net increase (decrease) in cash and cash equivalents	(1,259,649)	2,152,446
Cash and cash equivalents at beginning of year	4,774,638	2,622,192
Cash and cash equivalents at end of year	\$ 3,514,989	\$ 4,774,638

See notes to financial statements.

Highland Park ISD Education Foundation

Notes to Financial Statements

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 over 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, our 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 U.S. generally accepted accounting principles (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.

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.

Highland Park ISD Education Foundation

Notes to Financial Statements

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, 2019 the Foundation had uninsured bank balances totaling \$2,134,761.

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, 2019 and 2018.

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.

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.

Highland Park ISD Education Foundation

Notes to Financial Statements

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

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give (pledges receivable) that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met. If funds are received related to the conditional promise, the amounts received are accounted for as a refundable advance.

Donated materials are reflected as contributions at their estimated fair values at date of receipt. Contributions of professional 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 provides scholarships to students and grants to educators and programs that support academic enrichment to HPISD students. The Foundation records a liability for scholarships and grants when they have been approved by the board of directors and the intended recipient has satisfied all related Foundation-imposed conditions, if any.

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.

Highland Park ISD Education Foundation

Notes to Financial Statements

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, 2019 and 2018. 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, 2019 and 2018, 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.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Foundation considers the applicability and impact of all ASU's. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Foundation's financial position and changes in net assets.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018.

Highland Park ISD Education Foundation

Notes to Financial Statements

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018.

The Foundation is currently assessing the impact that adopting this new guidance will have on the financial statements.

Accounting Pronouncements Adopted

The Foundation adopted FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* as of and for the year ended August 31, 2019 with retrospective application for the 2018 financial statements. As a result, the major changes applicable for the Foundation include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (d) presenting investment return net of external and direct internal investment expenses. The Foundation opted to not disclose liquidity and availability information for 2018 as permitted under the ASU in the year of adoption. The adoption of this ASU had no impact on net assets or the change in net assets presented for the years ended August 31, 2019 and 2018 but resulted in additional disclosures and changes in presentation.

Reclassifications

Certain reclassifications have been made to the August 31, 2018 financial statements to conform to the August 31, 2019 presentation.

Highland Park ISD Education Foundation

Notes to Financial Statements

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

The following table sets forth the Foundation's investments at fair value at August 31, 2019:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Common stock	\$ 21,901,566	\$ -	\$ -	\$ 21,901,566
Corporate bonds	-	9,361,443	-	9,361,443
	<u>\$ 21,901,566</u>	<u>\$ 9,361,443</u>	<u>\$ -</u>	<u>\$ 31,263,009</u>

The following table sets forth the Foundation's investments at fair value at August 31, 2018:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Common stock	\$ 20,864,999	\$ -	\$ -	\$ 20,864,999
Corporate bonds	-	8,476,585	-	8,476,585
	<u>\$ 20,864,999</u>	<u>\$ 8,476,585</u>	<u>\$ -</u>	<u>\$ 29,341,584</u>

For the years ended August 31, 2019 and 2018, net investment earnings, including earnings from cash equivalents, were as follows:

	2019	2018
Interest and dividends	\$ 548,769	\$ 379,138
Unrealized gains	1,236,198	2,021,747
Realized gains	576,210	470,957
Investment expenses	(154,836)	(110,025)
	<u>\$ 2,206,341</u>	<u>\$ 2,761,817</u>

4. Pledges Receivable

As of August 31, 2019 and 2018, net pledges receivable totaled \$386,121 and \$196,584, of which 83% and 86% was due from two contributors, respectively. Pledges receivable at August 31, 2019 are expected to be collected during the years ending August 31 as follows:

	Endowment Pledges	Other Pledges	Total Pledges
2020	\$ 62,667	\$ 208,187	\$ 270,854
2021	51,667	41,667	93,334
2022	30,000	-	30,000
Less discount to present value	(5,043)	(3,024)	(8,067)
Pledges receivable, net	<u>\$ 139,291</u>	<u>\$ 246,830</u>	<u>\$ 386,121</u>

Highland Park ISD Education Foundation
Notes to Financial Statements

5. Conditional Promise to Give

During the year ended August 31, 2016, the Foundation received a five-year grant from the Moody Foundation (grantor) in the amount of \$5,789,874 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 years ended August 31, 2019 and 2018, \$1,672,502 and \$1,310,962, was recognized as contribution revenue, respectively. At August 31, 2019, the remaining conditional promise to give totaled approximately \$1,600,000. The conditional promise to give will be recognized as revenue when the respective conditions are met in future years.

6. Net Assets

Net assets without donor restrictions include a board-designated endowment fund in the amount of \$211,160 at August 31, 2019 and 2018.

Net assets with donor restrictions consist of the following at August 31, 2019 and 2018:

	2019	2018
Time and purpose restricted:		
Bradfield café & PTA fund	\$ 776,416	\$ 765,118
General scholarship funds	1,041,074	1,145,597
La Fiesta de las Seis Banderas	122,031	138,909
Moody Innovative Institute	1,576,205	1,567,753
Other general funds	481,519	1,065,577
William P. Clements, Jr. Fund - term endowment	9,509,391	10,000,000
	13,506,636	14,682,954
Subject to restriction in perpetuity:		
Endowment Campaign Fund	10,805,428	10,437,427
Martha Mary Stewart Endowment Fund	60,000	60,000
La Fiesta de las Seis Banderas Endowment Fund	38,142	38,142
Other endowment funds	65,000	65,000
	10,968,570	10,600,569
Accumulated endowment fund earnings	7,640,752	6,273,609
	\$ 32,115,958	\$ 31,557,132

Highland Park ISD Education Foundation

Notes to Financial Statements

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 as of August 31, 2019:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings and Term Endowment	To be Held in Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 17,150,143	\$ 10,968,572	\$ 28,118,715
Board-designated endowment fund	211,160	-	-	211,160
Total endowment net assets	<u>\$ 211,160</u>	<u>\$ 17,150,143</u>	<u>\$ 10,968,572</u>	<u>\$ 28,329,875</u>

Endowment funds are categorized in the following net asset classes as of August 31, 2018:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings and Term Endowment	To be Held in Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 16,273,609	\$ 10,600,569	\$ 26,874,178
Board-designated endowment fund	211,160	-	-	211,160
Total endowment net assets	<u>\$ 211,160</u>	<u>\$ 16,273,609</u>	<u>\$ 10,600,569</u>	<u>\$ 27,085,338</u>

Changes in endowment net assets for the year ended August 31, 2019 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	\$ 16,273,609	\$ 10,600,569	\$ 27,085,338
Contributions	-	(5,043)	368,003	362,960
Net investments earnings	-	1,577,632	-	1,577,632
Appropriation of assets for expenditure	-	(696,055)	-	(696,055)
Endowment net assets, end of year	<u>\$ 211,160</u>	<u>\$ 17,150,143</u>	<u>\$ 10,968,572</u>	<u>\$ 28,329,875</u>

Changes in endowment net assets for the year ended August 31, 2018 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	\$ 5,029,676	\$ 10,172,882	\$ 15,413,718
Contributions	-	10,000,000	427,687	10,427,687
Net investments earnings	-	2,524,933	-	2,524,933
Appropriation of assets for expenditure	-	(1,281,000)	-	(1,281,000)
Endowment net assets, end of year	<u>\$ 211,160</u>	<u>\$ 16,273,609</u>	<u>\$ 10,600,569</u>	<u>\$ 27,085,338</u>

Highland Park ISD Education Foundation

Notes to Financial Statements

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 decision 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 investment committee 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 \$4,680,624 and \$3,571,920 during the years ended August 31, 2019 and 2018, respectively. At August 31, 2019 and 2018, \$999,351 and \$820,000 was due to HPISD and is included in accounts payable in the accompanying statements of financial position.

The Foundation leases office space from HPISD. The facilities are made available to the Foundation in return for various services provided to the landlord, estimated at \$9,000 for the years ended August 31, 2019 and 2018, respectively.

Highland Park ISD Education Foundation
Notes to Financial Statements

9. 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:

Cash and cash equivalents	\$ 3,514,989
Pledges receivable, net	386,121
Investments and accrued interest receivable	<u>31,278,455</u>
 Total financial assets	 35,179,565
 Less amounts not available for general expenditures within one year:	
Subject to appropriation and satisfaction of donor restrictions	(17,150,143)
Donor-restricted endowment funds to be held in perpetuity	(10,968,572)
Class funds	(390,721)
Board-designated endowment	<u>(211,160)</u>
 Total amounts not available for general expenditures within one year	 <u>(28,720,596)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 6,458,969</u>

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.

10. Subsequent Events

The Foundation evaluated subsequent events after the statement of financial position date through the date the financial statements were available to be issued, and concluded that no additional disclosures are required.