



Dallas Education Foundation

**Financial Statements
December 31, 2021 and 2020**

Dallas Education Foundation

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Independent Auditors' Report

The Board of Directors of
Dallas Education Foundation

We have audited the accompanying financial statements of Dallas Education Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 Dallas Education Foundation as of December 31, 2021 and 2020, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dallas Education Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 any conditions or events, considered in the aggregate, that raise substantial doubt about Dallas Education 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 Dallas Education 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 Dallas Education 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.



Limited Liability Partnership

Arlington, Texas

June 15, 2022

Dallas Education Foundation
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 4,171,419	\$ 3,105,080
Pledges receivable	55,000	378,097
Prepays	1,188	1,559
Total assets	\$ 4,227,607	\$ 3,484,736
Liabilities and Net Assets		
Current liabilities:		
Grants payable	\$ -	\$ 128,513
Total liabilities	-	128,513
Net assets:		
Without donor restrictions	813,814	437,839
With donor restrictions	3,413,793	2,918,384
Total net assets	4,227,607	3,356,223
Total liabilities and net assets	\$ 4,227,607	\$ 3,484,736

See notes to financial statements.

Dallas Education Foundation
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions	\$ 1,492,016	\$ 1,141,890	\$ 2,633,906
In-kind contributions	225,707	-	225,707
Special events, net of direct costs of \$15,546	64,762	-	64,762
Interest income	569	-	569
Net assets released from restrictions	646,481	(646,481)	-
Total support and other revenue	2,429,535	495,409	2,924,944
Expenses:			
Program	1,859,620	-	1,859,620
General and administrative	133,661	-	133,661
Fundraising	60,279	-	60,279
Total expenses	2,053,560	-	2,053,560
Change in net assets	375,975	495,409	871,384
Net assets at beginning of year	437,839	2,918,384	3,356,223
Net assets at end of year	\$ 813,814	\$ 3,413,793	\$ 4,227,607

See notes to financial statements.

Dallas Education Foundation
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions	\$ 2,965,965	\$ 2,918,384	\$ 5,884,349
In-kind contributions	228,568	-	228,568
Interest income	305	-	305
Total support and other revenue	3,194,838	2,918,384	6,113,222
Expenses:			
Program	2,647,015	-	2,647,015
General and administrative	61,423	-	61,423
Fundraising	48,561	-	48,561
Total expenses	2,756,999	-	2,756,999
Change in net assets	437,839	2,918,384	3,356,223
Net assets at beginning of year	-	-	-
Net assets at end of year	\$ 437,839	\$ 2,918,384	\$ 3,356,223

See notes to financial statements.

Dallas Education Foundation
Statement of Functional Expenses
Year Ended December 31, 2021

	Program	General and Administrative	Fundraising	Total
Grants and other assistance	\$ 1,713,752	\$ -	\$ -	\$ 1,713,752
Personnel	127,800	29,800	36,000	193,600
Professional services	-	19,576	-	19,576
Occupancy	14,193	3,309	3,998	21,500
Marketing	-	70,000	3,750	73,750
Bank fees	-	2,737	-	2,737
Office and supplies	3,875	8,239	4,473	16,587
Special events	-	-	27,604	27,604
Total expenses	1,859,620	133,661	75,825	2,069,106
Less expenses included with revenues on the statement of activities:				
Direct costs of special events	-	-	(15,546)	(15,546)
Total expenses included in the expenses section on the statement of activities	<u>\$ 1,859,620</u>	<u>\$ 133,661</u>	<u>\$ 60,279</u>	<u>\$ 2,053,560</u>

See notes to financial statements.

Dallas Education Foundation
Statement of Functional Expenses
Year Ended December 31, 2020

	Program	General and Administrative	Fundraising	Total
Grants and other assistance	\$ 2,489,398	\$ -	\$ -	\$ 2,489,398
Personnel	100,140	22,260	40,800	163,200
Professional services	44,285	-	-	44,285
Occupancy	13,192	2,933	5,375	21,500
Bank fees	-	19,542	-	19,542
Marketing	-	14,674	-	14,674
Development	-	-	2,386	2,386
Insurance	-	1,070	-	1,070
Other	-	944	-	944
Total expenses	\$ 2,647,015	\$ 61,423	\$ 48,561	\$ 2,756,999

See notes to financial statements.

Dallas Education Foundation
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 871,384	\$ 3,356,223
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Pledges receivable	323,097	(378,097)
Prepays	371	(1,559)
Grants payable	(128,513)	128,513
Net cash provided by operating activities	<u>1,066,339</u>	<u>3,105,080</u>
Net increase in cash	1,066,339	3,105,080
Cash at beginning of year	<u>3,105,080</u>	<u>-</u>
Cash at end of year	<u>\$ 4,171,419</u>	<u>\$ 3,105,080</u>

See notes to financial statements.

Dallas Education Foundation

Notes to Financial Statements

1. Foundation

Dallas Education Foundation (Foundation) is a Texas nonprofit corporation committed to inspiring community investment to accelerate student success. The Foundation's vision is a galvanized community whose resources support the transformative work that makes Dallas Independent School District (Dallas ISD) the preferred choice for families across North Texas. The Foundation generates private support for priority projects identified by Dallas ISD. As the nonprofit, philanthropic partner of Dallas ISD, the Foundation aligns with Dallas ISD's strategic initiatives and partners with city business leaders, residents and the philanthropic community to raise funds for programs that enrich the lives of our students. The Foundation is primarily supported by individual contributions, corporate funding and foundation grants.

The Dallas Foundation served as the Foundation's fiscal sponsor through March 31, 2020. During the year ended December 31, 2020, the Dallas Foundation transferred funds totaling \$1,345,331 to the Foundation. The transferred funds represent the net assets of the Foundation's program initiatives while under the umbrella of the Dallas Foundation. In accordance with accounting principles generally accepted in the United States of America (GAAP), the net assets transferred to the Foundation in 2020 were accounted for as a contribution and included in the accompanying statements of activities as contributions without donor restrictions of \$83,481 and contributions with donor restrictions of \$1,261,850.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with 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 stipulations that will be met by actions of the Foundation and/or the passage of time.

Dallas Education Foundation

Notes to Financial Statements

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. As of December 31, 2021, no such net asset restrictions existed.

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. The Foundation chooses to show contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and a pledges receivable. The Foundation places cash, which at times may exceed the federally insured limits, with a high credit quality financial institution to minimize risk. The Foundation has not experienced losses on such assets. At December 31, 2021, the Foundation had uninsured bank balances totaling \$3,893,830.

The 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. No allowance was deemed necessary as of December 31, 2021.

As of December 31, 2021, 100% of total pledges was due from three donors. As of December 31, 2020, 100% of total pledges receivable was due from one donor.

As of December 31, 2021, 44% of total contributions was from three donors. As of December 31, 2020, 17% of total contributions was from one donor.

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.

Dallas Education Foundation

Notes to Financial Statements

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.

Donated goods and use of facilities 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

The Foundation provides grants to educators and program initiatives that support academic enrichment to Dallas ISD 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.

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, general and administrative, and fundraising based on management's judgment considering space used, time spent or direct relation to the program or support service benefited. Personnel and occupancy costs are allocated based on estimates of time and effort.

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 December 31, 2021 and 2020. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Dallas Education Foundation
Notes to 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 December 31, 2021 and 2020, 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.

3. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31:

	2021	2020
COVID response/distance learning	\$ 456,145	\$ 130,161
Liz Farrow Scholarship fund	152,642	110,531
Internship program	340,852	138,000
Teacher grants	70,550	3,600
STEM awards	9,134	78,322
Dallas ISD sponsorships	7,500	-
Disaster relief	2,323,819	2,455,564
Reverchon Park	20,000	-
Computer science	23,151	-
Other	10,000	2,206
	\$ 3,413,793	\$ 2,918,384

4. Conditional Promise to Give

During the year ended December 31, 2020, the Foundation was awarded a \$1,000,000 conditional grant from a corporation (Grantor) payable to the Foundation in five equal annual installments. The amount the Grantor promises to give is conditioned upon specific provisions mandated by the Grantor. During the years ended December 31, 2021 and 2020, \$400,000 and \$200,000, respectively, was recognized as contribution revenue. At December 31, 2021, the remaining conditional promise to give totaled \$400,000.

During the year ended December 31, 2021, the Foundation was awarded a conditional grant totaling \$700,000 payable to the Foundation upon the City of Dallas and Dallas ISD executing a usage and maintenance contract and engaging a firm for the restoration of Reverchon Park.

Dallas Education Foundation Notes to Financial Statements

During the year ended December 31, 2021, the Foundation was awarded a conditional grant totaling \$50,000 payable to the Foundation upon the City of Dallas and Dallas ISD obtaining all necessary approvals of the Reverchon Park restoration project and securing \$1,000,000 in additional written commitments for the project.

The conditional promises to give will be recognized as revenue when the respective conditions are met in future years.

5. Related Party Transactions and In-Kind Contributions

The Foundation received the following in-kind contributions from Dallas ISD for the years ended December 31 :

	<u>2021</u>	<u>2020</u>
Salary	\$ 193,600	\$ 163,200
Professional services	-	43,035
Occupancy	21,500	21,500
Supplies	<u>10,607</u>	<u>833</u>
	<u>\$ 225,707</u>	<u>\$ 228,568</u>

The Foundation awarded grants and provided other assistance to Dallas ISD totaling \$1,597,990 and \$2,489,398 during the years ended December 31, 2021 and 2020, respectively.

The Foundation received approximately \$49,743 and \$47,800 in contributions from board members during the years ended December 31, 2021 and 2020, respectively.

Dallas Education Foundation
Notes to Financial Statements

6. Liquidity and Availability of Resources

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 4,171,419	\$ 3,105,080
Pledges receivable	<u>55,000</u>	<u>378,097</u>
Total financial assets at year end	4,226,419	3,483,177
Less those unavailable for general expenditure within one year, due to:		
Donor restricted for grants and scholarships	<u>(3,413,793)</u>	<u>(2,918,384)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 812,626</u>	<u>\$ 564,793</u>

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors, thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. During the years ended December 31, 2021 and 2020, the levels of liquidity were managed within the Foundation's expectations.

7. Subsequent Events

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