



**Dallas Education Foundation**

**Financial Statements  
December 31, 2022 and 2021**

# 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, 2022 and 2021, 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, 2022 and 2021, 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 Dallas Education 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 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 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.

A handwritten signature in black ink that reads "Sutton Frost Cary". The signature is written in a cursive, flowing style.

Limited Liability Partnership

Arlington, Texas  
May 10, 2023

**Dallas Education Foundation**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

	2022	2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 3,874,763	\$ 4,171,419
Pledges receivable	-	55,000
Prepays	3,483	1,188
<b>Total assets</b>	<b>\$ 3,878,246</b>	<b>\$ 4,227,607</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Grants payable	\$ 92,625	\$ -
Due to others	248,250	-
<b>Total liabilities</b>	340,875	-
<b>Net assets:</b>		
Without donor restrictions	683,168	813,814
With donor restrictions	2,854,203	3,413,793
<b>Total net assets</b>	<b>3,537,371</b>	<b>4,227,607</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,878,246</b>	<b>\$ 4,227,607</b>

See notes to financial statements.

**Dallas Education Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and other revenue:</b>			
Contributions cash and financial assets	\$ 947,651	\$ 484,300	\$ 1,431,951
Contributions of nonfinancial assets	245,900	-	245,900
Special events, net of direct costs of \$16,199	99,615	-	99,615
Interest income	5,534	-	5,534
Net assets released from restrictions	<u>1,043,890</u>	<u>(1,043,890)</u>	<u>-</u>
<b>Total support and other revenue</b>	2,342,590	(559,590)	1,783,000
<b>Expenses:</b>			
Program	2,275,489	-	2,275,489
General and administrative	148,667	-	148,667
Fundraising	<u>49,080</u>	<u>-</u>	<u>49,080</u>
<b>Total expenses</b>	<u>2,473,236</u>	<u>-</u>	<u>2,473,236</u>
<b>Change in net assets</b>	(130,646)	(559,590)	(690,236)
<b>Net assets at beginning of year</b>	<u>813,814</u>	<u>3,413,793</u>	<u>4,227,607</u>
<b>Net assets at end of year</b>	<u><u>\$ 683,168</u></u>	<u><u>\$ 2,854,203</u></u>	<u><u>\$ 3,537,371</u></u>

See notes to financial statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and other revenue:</b>			
Contributions cash and financial assets	\$ 1,492,016	\$ 1,141,890	\$ 2,633,906
Contributions of nonfinancial assets	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)	-
<b>Total support and other revenue</b>	<b>2,429,535</b>	<b>495,409</b>	<b>2,924,944</b>
<b>Expenses:</b>			
Program	1,859,620	-	1,859,620
General and administrative	133,661	-	133,661
Fundraising	60,279	-	60,279
<b>Total expenses</b>	<b>2,053,560</b>	<b>-</b>	<b>2,053,560</b>
<b>Change in net assets</b>	<b>375,975</b>	<b>495,409</b>	<b>871,384</b>
<b>Net assets at beginning of year</b>	<b>437,839</b>	<b>2,918,384</b>	<b>3,356,223</b>
<b>Net assets at end of year</b>	<b>\$ 813,814</b>	<b>\$ 3,413,793</b>	<b>\$ 4,227,607</b>

See notes to financial statements.



**Dallas Education Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2022**

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	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants and other assistance	\$ 2,116,597	\$ -	\$ -	\$ 2,116,597
Personnel	131,055	30,487	36,858	198,400
Professional services	-	24,777	-	24,777
Occupancy	23,331	5,427	6,562	35,320
Marketing	-	72,123	-	72,123
Bank fees	-	378	-	378
Office and supplies	4,506	15,475	5,418	25,399
Special events	-	-	16,441	16,441
<b>Total expenses</b>	<b>2,275,489</b>	<b>148,667</b>	<b>65,279</b>	<b>2,489,435</b>
<b>Less expenses included with revenues on the statement of activities:</b>				
<b>Direct costs of special events</b>	<u>-</u>	<u>-</u>	<u>(16,199)</u>	<u>(16,199)</u>
<b>Total expenses included in the expenses section on the statement of activities</b>	<u>\$ 2,275,489</u>	<u>\$ 148,667</u>	<u>\$ 49,080</u>	<u>\$ 2,473,236</u>

See notes to financial statements.

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

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	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
<b>Total expenses</b>	<b>1,859,620</b>	<b>133,661</b>	<b>75,825</b>	<b>2,069,106</b>
<b>Less expenses included with revenues on the statement of activities:</b>				
<b>Direct costs of special events</b>	-	-	(15,546)	(15,546)
<b>Total expenses included in the expenses section on the statement of activities</b>	<b>\$ 1,859,620</b>	<b>\$ 133,661</b>	<b>\$ 60,279</b>	<b>\$ 2,053,560</b>

See notes to financial statements.

**Dallas Education Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (690,236)	\$ 871,384
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Pledges receivable	55,000	323,097
Prepays	(2,295)	371
Grants payable	92,625	(128,513)
Due to others	248,250	-
Net cash provided (used) by operating activities	(296,656)	1,066,339
<b>Net increase (decrease) in cash</b>	(296,656)	1,066,339
<b>Cash at beginning of year</b>	4,171,419	3,105,080
<b>Cash at end of year</b>	<u>\$ 3,874,763</u>	<u>\$ 4,171,419</u>

See notes to financial statements.

# Dallas Education Foundation

## Notes to Financial Statements

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### 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.

### 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.

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, 2022 and 2021, no such net asset restrictions existed.

## **Dallas Education Foundation**

### **Notes to Financial Statements**

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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 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, 2022, the Foundation had uninsured bank balances totaling \$3,624,762.

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, 2022 and 2021.

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

For the year ended December 31, 2022, 11% of total contributions was from one donor. For the year ended December 31, 2021, 44% of total contributions was from three donors.

#### ***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**

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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.

#### ***Due to Others***

The Foundation received transfers of assets for which the Dallas ISD was the beneficiary and for which the donors did not grant variance power to the Foundation. When the Foundation is acting as an agent and is not granted variance power, it records a liability when assets are received. These amounts are reflected as due to others in the statements of financial position.

#### ***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.

## **Dallas Education Foundation**

### **Notes to Financial Statements**

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#### ***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, 2022 and 2021. 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 December 31, 2022 and 2021, 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.

#### ***Accounting Pronouncement Adopted***

The Foundation adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFP's, as well as the amount of those contributions used in an NFP's programs and other activities. ASU 2020-07 requires NFP's to present contributed nonfinancial assets (In-kind contributions) as a separate line item in the statement of activities. The Foundation has adopted this ASU on the retrospective basis as of and for the year ended December 31, 2022.

Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes in-kind contributions, and therefore, no changes were required to net assets as of January 1, 2021. The presentation and disclosures of in-kind contributions have been enhanced in accordance with this standard.

**Dallas Education Foundation**  
**Notes to Financial Statements**

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**3. Net Assets With Donor Restrictions**

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

	2022	2021
COVID response/distance learning	\$ -	\$ 456,145
Liz Farrow Scholarship fund	155,419	152,642
Internship program	528,474	340,852
Teacher grants	27,522	70,550
STEM awards	-	9,134
Dallas ISD sponsorships	1,113	7,500
Disaster relief	1,893,617	2,323,819
Reverchon Park	14,746	20,000
Computer science	46,522	23,151
Heart of Teaching	186,790	-
Other	-	10,000
	\$ 2,854,203	\$ 3,413,793

**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. There were no contributions recognized during the year ended December 31, 2022, and \$400,000 was recognized as contribution revenue during the year ended December 31, 2021. At December 31, 2022, 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. During the years ended 2022 and 2021, there were no contributions recognized as revenue related to this grant.

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. During the years ended 2022 and 2021, there were no contributions recognized as revenue related to this grant.



**Dallas Education Foundation**  
**Notes to Financial Statements**

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

**5. Contributions of Nonfinancial Assets**

The Foundation received the following contributions of nonfinancial assets from Dallas ISD for the year ended December 31, 2022:

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 131,055	\$ 30,487	\$ 36,858	\$ 198,400
Occupancy	23,331	5,427	6,562	35,320
Supplies	2,161	7,421	2,598	12,180
	<u>\$ 156,547</u>	<u>\$ 43,335</u>	<u>\$ 46,018</u>	<u>\$ 245,900</u>

The Foundation received the following contributions of nonfinancial assets from Dallas ISD for the year ended December 31, 2021:

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 127,800	\$ 29,800	\$ 36,000	\$ 193,600
Occupancy	14,193	3,309	3,998	21,500
Supplies	2,478	5,269	2,860	10,607
	<u>\$ 144,471</u>	<u>\$ 38,378</u>	<u>\$ 42,858</u>	<u>\$ 225,707</u>

***Personnel***

Contributed personnel are reported at the market value of similar positions held.

***Occupancy***

Contributed building space and utility usage is reported at market value of space and rent.

***Supplies***

Contributed supplies are reported at the market value of similar goods for sale online.

**Dallas Education Foundation**  
**Notes to Financial Statements**

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## 6. Related Party Transactions

The Foundation awarded grants and provided other assistance to Dallas ISD totaling \$1,815,970 and \$1,597,990 during the years ended December 31, 2022 and 2021, respectively.

The Foundation received approximately \$46,831 and \$49,743 in contributions from board members during the years ended December 31, 2022 and 2021, respectively.

## 7. 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>2022</u>	<u>2021</u>
Cash	\$ 3,874,763	\$ 4,171,419
Pledges receivable	<u>-</u>	<u>55,000</u>
Total financial assets at year end	3,874,763	4,226,419
Less those unavailable for general expenditure within one year, due to:		
Donor restricted for grants and scholarships	<u>(2,854,203)</u>	<u>(3,413,793)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,020,560</u>	<u>\$ 812,626</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, 2022 and 2021, the levels of liquidity were managed within the Foundation's expectations.

## 8. 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.