

SANGER EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses.....	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-12

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sanger Education Foundation, Inc.
Sanger, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Sanger Education Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Sanger Education Foundation, Inc. as of August 31, 2020 and 2019, 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.

Hankins, Eastup, Deaton, Tonn & Seay, P.C.
Denton, Texas

July 9, 2021

SANGER EDUCATION FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 97,186	\$ 240,869
Investments	1,203,194	981,702
Contributions receivable	87,832	101,571
Total Assets	\$ 1,388,212	\$ 1,324,142
LIABILITIES AND NET ASSETS		
Grants and scholarships payable	\$ 71,840	\$ 88,069
Payroll taxes payable	691	-
Payroll Protection Program loan payable	7,500	-
Total Liabilities	80,031	88,069
NET ASSETS		
Without donor restrictions	361,975	380,528
With donor restrictions:		
Purpose restrictions	217,355	181,369
Perpetual in nature	728,851	674,176
Total with donor restrictions	946,206	855,545
Total Net Assets	1,308,181	1,236,073
Total Liabilities and Net Assets	\$ 1,388,212	\$ 1,324,142

See accompanying notes to the financial statements.

SANGER EDUCATION FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenue:			
Contributions	\$ 15,525	\$ 49,975	\$ 65,500
Event ticket sales	1,040	-	1,040
Event donation	2,250	-	2,250
Fundraising revenue	45,070	-	45,070
Program revenue	-	-	-
Interest and dividend income	6,657	12,967	19,624
Net realized and unrealized gains (losses)	31,272	57,872	89,144
Total Support and Other Revenue	<u>101,814</u>	<u>120,814</u>	<u>222,628</u>
Net Assets Released From Restrictions:			
Satisfaction of program restrictions	<u>30,153</u>	<u>(30,153)</u>	<u>-</u>
Expenses:			
Grant programs and CTE program	90,996	-	90,996
Management and general	28,762	-	28,762
Fundraising	30,762	-	30,762
Total Expenses	<u>150,520</u>	<u>-</u>	<u>150,520</u>
Change in Net Assets	(18,553)	90,661	72,108
Net Assets, Beginning of Period	<u>380,528</u>	<u>855,545</u>	<u>1,236,073</u>
Net Assets, End of Period	<u>\$ 361,975</u>	<u>\$ 946,206</u>	<u>\$ 1,308,181</u>

See accompanying notes to the financial statements.

2019

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 43,838	\$ 50,268	\$ 94,106
1,952	-	1,952
1,400	-	1,400
62,231	-	62,231
-	80,000	80,000
6,197	12,319	18,516
3,253	5,420	8,673
<u>118,871</u>	<u>148,007</u>	<u>266,878</u>
<u>25,715</u>	<u>(25,715)</u>	<u>-</u>
82,150	-	82,150
22,753	-	22,753
24,995	-	24,995
<u>129,898</u>	<u>-</u>	<u>129,898</u>
14,688	122,292	136,980
<u>365,840</u>	<u>733,253</u>	<u>1,099,093</u>
<u>\$ 380,528</u>	<u>\$ 855,545</u>	<u>\$ 1,236,073</u>

SANGER EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020			
	Total	Program Services Grant Programs and CTE Programs	Supporting Services Management and General	Fundraising
Instructional & district grants	\$ 63,211	\$ 63,211	\$ -	\$ -
Student scholarships	9,650	9,650	-	-
CTA Pathway funding	3,350	3,350	-	-
Other CTE grant award	9,453	9,453	-	-
Advertising	420	-	-	420
Printing and postage	3,804	-	-	3,804
Insurance	1,856	-	1,856	-
Miscellaneous	555	-	247	308
Office expense	1,116	-	1,116	-
Payroll expense	35,549	5,332	17,775	12,442
Software	7,349	-	4,867	2,482
Telephone	1,556	-	1,556	-
Fundraising supplies	7,225	-	-	7,225
Event expenses	4,081	-	-	4,081
Bank and credit card charges	1,345	-	1,345	-
Professional fees	-	-	-	-
Total expenses	<u>\$ 150,520</u>	<u>\$ 90,996</u>	<u>\$ 28,762</u>	<u>\$ 30,762</u>

2019

<u>Total</u>	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Grant Programs and CTE Programs</u>	<u>Management and General</u>	<u>Fundraising</u>
\$ 70,250	\$ 70,250	\$ -	\$ -
7,400	7,400	-	-
300	300	-	-
4,200	4,200	-	-
52	-	-	52
6,261	-	-	6,261
1,857	-	1,857	-
747	-	747	-
1,970	-	1,970	-
3,543	-	3,543	-
5,886	-	3,462	2,424
764	-	764	-
5,706	-	-	5,706
10,552	-	-	10,552
2,843	-	2,843	-
7,567	-	7,567	-
<u>\$ 129,898</u>	<u>\$ 82,150</u>	<u>\$ 22,753</u>	<u>\$ 24,995</u>

SANGER EDUCATION FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 72,108	\$ 136,980
Adjustments to reconcile change in net assets to cash from operating activities:		
(Increase) decrease in contributions receivable	13,739	(48,134)
Unrealized (gains)/losses on investments	(64,436)	9,521
Increase (decrease) in grants and scholarships payable	(16,229)	12,287
Increase (decrease) in payroll taxes payable	691	-
Net adjustments	(66,235)	(26,326)
Net cash flows from operating activities	5,873	110,654
Cash flows from investing activities:		
Sales of investments	69,606	-
Purchases of investments	(226,662)	(81,556)
Net cash flows from investing activities	(157,056)	(81,556)
Cash flows from financing activities:		
Proceeds from Payroll Protection Program loan	7,500	-
Net cash flows from financing activities	7,500	-
Net increase / (decrease) in cash and cash equivalents	(143,683)	29,098
Cash and cash equivalents, beginning of period	240,869	211,771
Cash and cash equivalents, end of period	\$ 97,186	\$ 240,869
Supplemental Information:		
Interest paid	\$ -	\$ -

See accompanying notes to the financial statements.

SANGER EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Sanger Education Foundation, Inc. (the “Foundation”) is a nonprofit organization with the purpose of providing financial support to Sanger Independent School District teachers and students. This purpose is accomplished by the Foundation receiving and managing cash donations from individuals and organizations, and awarding grants and scholarships. The Foundation was incorporated as a Texas nonprofit corporation in October 2005.

Public Support and Revenue

Certain contributions to the Foundation are temporarily or permanently restricted by the donor to support specific programs of the Foundation. Contributions with no such restrictions are recorded as unrestricted gifts. Unconditional promises to give are recorded as received. Contributions receivable due in the next year are recorded at their net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. Substantially all of the Foundation’s contributions receivable as of August 31, 2020 and 2019 were due within one year.

Foundation management evaluates the collectability of contributions on an ongoing basis and writes off any contributions receivable considered uncollectible. There were no contributions as of August 31, 2020 and 2019 that were considered uncollectible based on management’s review. Accordingly, no allowance for uncollectible contributions receivable has been recorded.

Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions are reported as perpetual in nature if the donor directs that the donation be held in perpetuity.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. Under this basis, revenues and related assets are recognized when earned and expenses are recognized when incurred.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and board-designated endowments.

SANGER EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets - continued

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

The costs of program and supporting services activities have been reported on a functional basis in the statements of activities in order to present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments, primarily checking and money market accounts, to be cash equivalents.

Investments

Investments are presented in the financial statements at fair value. Investments consist solely of mutual funds, exchange-traded funds, and real estate investment trusts whose fair values are based on quoted prices in active markets (Level 1 measurements). Realized and unrealized gains and losses on investments are reflected in the statement of activities. Purchases and sales of investments are recorded on the trade date. Investment income is recorded in the period when earned.

Revenue Recognition

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

SANGER EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - continued

All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grants and Scholarships

Grants and scholarships are recognized as an expense when the award is made. The Foundation records a liability at the time the award is approved and the liability is relieved when the Foundation funds the grant or scholarship. The Foundation distributes all grant funds to the Sanger Independent School District and the District distributes the funds in accordance with the terms of the grant.

Date of Management's Review

Subsequent events were evaluated through July 9, 2021, which is the date the financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

NOTE 2 – INVESTMENTS

Investments are presented in the financial statements at fair value. Investments are held in an investment brokerage account in the name of the Foundation.

SANGER EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 2 – INVESTMENTS (Continued)

Investments as of August 31, 2020 and 2019 were composed of the following:

August 31, 2020:

Description	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds and exchange-traded funds	\$ 1,084,610	\$ 1,112,989	\$ 28,379
REIT	60,395	90,205	29,810
Total	<u>\$ 1,145,005</u>	<u>\$ 1,203,194</u>	<u>\$ 58,189</u>

August 31, 2019:

Description	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds and exchange-traded funds	\$ 939,938	\$ 933,526	\$ (6,412)
REIT	40,726	48,176	7,450
Total	<u>\$ 980,664</u>	<u>\$ 981,702</u>	<u>\$ 1,038</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended August 31, 2020 and 2019.

August 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 6,657	\$ 12,967	\$ 19,624
Net realized and Unrealized gains/(losses)	31,272	57,872	89,144
Total investment return	<u>\$ 37,929</u>	<u>\$ 70,839</u>	<u>\$ 108,768</u>

August 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 6,197	\$ 12,319	\$ 18,516
Net realized and Unrealized gains/(losses)	3,253	5,420	8,673
Total investment return	<u>\$ 9,450</u>	<u>\$ 17,739</u>	<u>\$ 27,189</u>

SANGER EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 97,186
Investments without donor restrictions	<u>176,957</u>
	<u><u>\$ 274,143</u></u>

Our endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments and money market funds.

NOTE 4 – DONATED SERVICES

The Foundation receives donated services from employees of the Sanger Independent School District and from volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such services under generally accepted accounting principles have not been satisfied.

NOTE 5 – INCOME TAX STATUS

The Foundation is organized as a Texas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that the Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Tax Return (Form 990-T) with the IRS.

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at two banks in the North Texas area. Foundation deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. There were no balances in excess of the insured limit at either bank as of August 31, 2019 or 2020.

SANGER EDUCATION FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN

On May 5, 2020 the Foundation was approved for a \$7,500 loan under the Paycheck Protection Program (PPP) created as a part of the relief efforts related to Covid-19 and administered by the Small Business Administration. The loan accrues interest at 1.00%, but payments are not required to begin immediately. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal Government. If all or part of the loan is not forgiven, the lender is responsible for notifying the Foundation of the date on which the first payment is due. The loan and accrued interest were forgiven on December 16, 2020.