

## **Houston A+ Challenge**

Financial Statements  
and Independent Auditors' Report  
for the years ended June 30, 2018 and 2017

# Houston A+ Challenge

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**Independent Auditors' Report**

To the Board of Trustees of  
Houston A+ Challenge:

We have audited the accompanying financial statements of Houston A+ Challenge, which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities, of functional expenses, and of 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.

**Auditors' 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 our 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 auditors' 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 Houston A+ Challenge as of June 30, 2018 and 2017 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.

*Blazek & Vetterling*

March 8, 2019

## Houston A+ Challenge

Statements of Financial Position as of June 30, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents ( <i>Note 3</i> )	\$ 2,547,541	\$ 2,687,868
Prepaid expenses and other assets	26,868	21,411
Accounts receivable	<u>75,578</u>	<u>105,433</u>
TOTAL ASSETS	<u>\$ 2,649,987</u>	<u>\$ 2,814,712</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 187,981</u>	<u>\$ 129,066</u>
Net assets:		
Without donor restrictions	1,909,506	1,870,234
With donor restrictions ( <i>Note 4</i> )	<u>552,500</u>	<u>815,412</u>
Total net assets	<u>2,462,006</u>	<u>2,685,646</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,649,987</u>	<u>\$ 2,814,712</u>

See accompanying notes to financial statements.

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## Houston A+ Challenge

### Statement of Activities for the year ended June 30, 2018

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Program service fees	\$ 921,446		\$ 921,446
Contributions ( <i>Note 5</i> )	36,952	\$ 557,207	594,159
Interest income	<u>14,730</u>	<u></u>	<u>14,730</u>
Total revenue	973,128	557,207	1,530,335
Net assets released from restrictions:			
Satisfaction of program expenditures	167,619	(167,619)	
Expiration of time restrictions	<u>652,500</u>	<u>(652,500)</u>	<u></u>
Total	<u>1,793,247</u>	<u>(262,912)</u>	<u>1,530,335</u>
EXPENSES:			
Program services:			
Strengthen	995,835		995,835
Connect	258,864		258,864
Innovate	<u>148,716</u>		<u>148,716</u>
Total program services	1,403,415		1,403,415
Management and general	302,446		302,446
Fundraising	<u>48,114</u>		<u>48,114</u>
Total expenses	<u>1,753,975</u>		<u>1,753,975</u>
CHANGES IN NET ASSETS	39,272	(262,912)	(223,640)
Net assets, beginning of year	<u>1,870,234</u>	<u>815,412</u>	<u>2,685,646</u>
Net assets, end of year	<u>\$ 1,909,506</u>	<u>\$ 552,500</u>	<u>\$ 2,462,006</u>

*See accompanying notes to financial statements.*

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## Houston A+ Challenge

Statement of Activities for the year ended June 30, 2017

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Program service fees	\$ 996,530		\$ 996,530
Contributions ( <i>Note 5</i> )	46,857	\$ 1,171,660	1,218,517
Interest income	<u>7,183</u>	<u></u>	<u>7,183</u>
Total revenue	1,050,570	1,171,660	2,222,230
Net assets released from restrictions:			
Satisfaction of program expenditures	356,248	(356,248)	
Expiration of time restrictions	<u>753,000</u>	<u>(753,000)</u>	<u></u>
Total	<u>2,159,818</u>	<u>62,412</u>	<u>2,222,230</u>
EXPENSES:			
Program services:			
Strengthen	1,053,330		1,053,330
Connect	210,701		210,701
Innovate	<u>182,177</u>	<u></u>	<u>182,177</u>
Total program services	1,446,208		1,446,208
Management and general	241,632		241,632
Fundraising	<u>179,386</u>	<u></u>	<u>179,386</u>
Total expenses	<u>1,867,226</u>	<u></u>	<u>1,867,226</u>
CHANGES IN NET ASSETS	292,592	62,412	355,004
Net assets, beginning of year	<u>1,577,642</u>	<u>753,000</u>	<u>2,330,642</u>
Net assets, end of year	<u>\$ 1,870,234</u>	<u>\$ 815,412</u>	<u>\$ 2,685,646</u>

*See accompanying notes to financial statements.*

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## Houston A+ Challenge

### Statements of Functional Expenses for the years ended June 30, 2018 and 2017

<u>2018 EXPENSES</u>	<u>STRENGTHEN</u>	<u>CONNECT</u>	<u>INNOVATE</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2018 TOTAL</u>
Salaries and related expenses	\$ 417,606	\$ 94,807	\$ 109,680	\$ 622,093	\$ 191,084	\$ 41,059	\$ 854,236
Contract services	529,174	13,091	26,539	568,804	4,796	3,346	576,946
Event and meeting facility costs and speaker fees	1,027	134,901	1,101	137,029	381	75	137,485
Professional fees					84,006	42	84,048
Occupancy and technology	35,742	9,461	9,048	54,251	21,133	3,387	78,771
Travel and professional development	9,276	3,119	1,670	14,065	86	17	14,168
Supplies, printing and postage	2,585	989	567	4,141	960	188	5,289
Grants	<u>425</u>	<u>2,496</u>	<u>111</u>	<u>3,032</u>			<u>3,032</u>
Total expenses	<u>\$ 995,835</u>	<u>\$ 258,864</u>	<u>\$ 148,716</u>	<u>\$ 1,403,415</u>	<u>\$ 302,446</u>	<u>\$ 48,114</u>	<u>\$ 1,753,975</u>

  

<u>2017 EXPENSES</u>	<u>STRENGTHEN</u>	<u>CONNECT</u>	<u>INNOVATE</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2017 TOTAL</u>
Salaries and related expenses	\$ 473,514	\$ 97,214	\$ 134,445	\$ 705,173	\$ 128,365	\$ 162,423	\$ 995,961
Contract services	504,979	6,175		511,154			511,154
Event and meeting facility costs and speaker fees	1,205	78,802	2,276	82,283	241	256	82,780
Professional fees	18,901	2,500	13,700	35,101	93,435		128,536
Occupancy and technology	48,447	10,260	12,419	71,126	18,949	16,024	106,099
Travel and professional development	3,310	4,911	947	9,168	40	43	9,251
Supplies, printing and postage	2,974	7,651	3,390	14,015	602	640	15,257
Grants	<u></u>	<u>3,188</u>	<u>15,000</u>	<u>18,188</u>	<u></u>	<u></u>	<u>18,188</u>
Total expenses	<u>\$ 1,053,330</u>	<u>\$ 210,701</u>	<u>\$ 182,177</u>	<u>\$ 1,446,208</u>	<u>\$ 241,632</u>	<u>\$ 179,386</u>	<u>\$ 1,867,226</u>

*See accompanying notes to financial statements.*

## Houston A+ Challenge

### Statements of Cash Flows for the years ended June 30, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (223,640)	\$ 355,004
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(5,457)	(2,625)
Accounts receivable	29,855	232,167
Accounts payable and accrued expenses	<u>58,915</u>	<u>(1,759)</u>
Net cash provided (used) by operating activities	<u>(140,327)</u>	<u>582,787</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(140,327)	582,787
Cash and cash equivalents, beginning of year	<u>2,687,868</u>	<u>2,105,081</u>
Cash and cash equivalents, end of year	<u>\$ 2,547,541</u>	<u>\$ 2,687,868</u>

*See accompanying notes to financial statements.*

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## Houston A+ Challenge

Notes to Financial Statements for the years ended June 30, 2018 and 2017

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Houston A+ Challenge (Houston A+) is a Texas nonprofit corporation created in 1996 as part of an initiative to improve public schooling across the Houston region. Ongoing support is provided largely by gifts from private foundations and corporations.

Houston A+'s mission is to be a catalyst for change and a model for innovation in education in the Houston area and beyond, to ensure that every student is prepared for post-secondary success. Houston A+ invests in people by providing teachers, principals and administrators with resources, support and coaching to improve classroom and district practices. Program initiatives aim to help educators create and sustain great schools based on strong relationships and rigorous instruction that is relevant to students and their post-secondary aspirations.

For over 20 years, Houston A+ has developed the vision, expertise, and networks required to *strengthen* our local public schools, test innovative educational practices and *connect* educators to the public and each other. Our menu of programs evolves annually to meet the needs of Houston's public school students, but within a framework defined by the following strategies:

- ***Strengthen:*** *Advancing best practices through advising, coaching and professional development* – Houston A+ works with public schools to strengthen instruction and leadership through consulting, on-campus coaching, leadership academies, professional development workshops, and more. Rooted in research, guided by best practices and led by a team of in-house subject matter experts, we help today's schools and practitioners meet the diverse needs of Houston area students. Houston A+ consultants and coaches disseminate the knowledge gained by the organization through over 20 years of practice in the city's schools and adjusts their solutions to meet the needs of each school, school leader, educator and student.
- ***Connect:*** *Convening people around current challenges and transformative ideas* – Houston A+ convenes educators and thought leaders to learn from peers and experts through a wide array of publications and events, fostering critical conversations about public education's needs, goals, trends and achievements. Programs such as the Chevron Speaker Series, panel discussions, and networking events, as well as engagement in policy development and interpretation are among the ways Houston A+ calls together city leaders, philanthropists, researchers, policy-makers, school and district leaders, educators, and parents to discuss and solve the most pressing issues we face in educating approximately 1.2 million students across the Houston region.
- ***Innovate:*** *Launching, testing and scaling new educational models that have the power to transform crucial aspects of public education* – Houston A+ tests ideas and pilots models with the potential to revolutionize public education. Current projects include the development of a local educational program micro-incubator (in partnership with 4.0 schools), decreasing the barriers to college-level coursework for adults returning to school (in partnership with NextOp), and assessing the region's readiness to move toward a competency-based progression educational model.

Federal income tax status – Houston A+ is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash equivalents include highly liquid investments with original maturities of three months or less.

Financial instruments and credit risk – Deposit concentrations are managed by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed the federally insured limit per depositor per institution.

Accounts receivable represent amounts that have been billed under agency contracts, but not collected as of the date of the financial statements. All accounts receivable represent amounts owed by schools and school districts. Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. As of June 30, 2018, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Program service fees are recognized as revenue in the period in which the service is provided. Program service fees received, but not recognized are recorded as deferred revenue.

Grants made to schools and other educational organizations are recognized as grants payable and program expenses when Houston A+ makes substantially unconditional promises to give.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Non-salary expenses such as occupancy costs, are allocated on salary allocation as well.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts

of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## **NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available to meet cash needs for general expenditures within one year at June 30, 2018 are as follows:

Cash and cash equivalents	\$ 2,547,541
Accounts receivable	<u>75,578</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,623,119</u>

As part of Houston A+'s liquidity management, a portion of cash is invested in a commercial money market account. Houston A+ has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

## **NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>2018</u>	<u>2017</u>
Demand deposits	\$ 1,483,542	\$ 1,638,599
Money market mutual funds	<u>1,063,999</u>	<u>1,049,269</u>
Total cash and cash equivalents	<u>\$ 2,547,541</u>	<u>\$ 2,687,868</u>

## **NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Subject to passage of time:		
For periods after June 30, 2018 and 2017	\$ 552,500	\$ 652,500
Subject to expenditure for specific purpose:		
Speaker Series		150,000
NextOp veterans program		<u>12,912</u>
Total net assets with donor restrictions	<u>\$ 552,500</u>	<u>\$ 815,412</u>

## **NOTE 5 – CONTRIBUTION REVENUE**

In 2018, one donor provided 93% of contribution revenue. In 2017, three donors provided 78% of contribution revenue.

#### **NOTE 6 – PENSION PLAN**

Houston A+ contracts with the Region 4 Education Service Center (Region 4) to be the direct employer of several education professionals under the supervision of Houston A+, and with a professional employer organization (the PEO) to be the direct employer of the remaining staff members. Houston A+ reimburses each organization all direct costs and a service fee. The payments to Region 4 are reported as contract services in the financial statements. The payments to the PEO are reported as salaries and related expenses in the financial statements as if Houston A+ were the direct employer.

Houston A+ employees are covered by the Houston A+ defined contribution plan, which provides for discretionary employer contributions based on a percentage of salary. Employer contributions to the plan were \$66,251 in 2018 and \$82,388 in 2017.

#### **NOTE 7 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 8, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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