

**COLLEGE FOR ALL  
TEXANS FOUNDATION**

**Financial Statements  
as of and for the Years Ended  
August 31, 2016 and 2015 and  
Independent Auditors' Report**

# COLLEGE FOR ALL TEXANS FOUNDATION

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
College for All Texans Foundation:

We have audited the accompanying financial statements of College for All Texans Foundation (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of August 31, 2016 and 2015, 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 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 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 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"  
This firm is not a CPA firm*

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 the Foundation as of August 31, 2016 and 2015, 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.

*Maxwell Locke + Ritter LLP*

Austin, Texas  
November 22, 2016

# COLLEGE FOR ALL TEXANS FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>		
Cash	\$ 801,553	\$ 216,676
Investments	457,108	456,900
Accounts receivable	27,383	-
Pledges receivable, net	424,772	9,848
Prepaid expenses	2,800	2,800
<b>TOTAL ASSETS</b>	<u><u>\$ 1,713,616</u></u>	<u><u>\$ 686,224</u></u>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>LIABILITIES-</b>		
Accounts payable and accrued expenses	\$ 161,847	\$ 6,732
<b>NET ASSETS:</b>		
Unrestricted	18,611	18,715
Temporarily restricted	<u>1,533,158</u>	<u>660,777</u>
Total net assets	<u>1,551,769</u>	<u>679,492</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,713,616</u></u>	<u><u>\$ 686,224</u></u>

See notes to financial statements.

# COLLEGE FOR ALL TEXANS FOUNDATION

## STATEMENTS OF ACTIVITIES YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
<b>CHANGE IN UNRESTRICTED NET ASSETS:</b>		
REVENUES:		
Contributions	\$ 93,688	\$ 83,365
Administrative fees	57,383	-
Other revenue	4,613	13,255
Total revenues	155,684	96,620
Net assets released from restrictions	604,337	1,067,198
Total revenues and net assets released from restrictions	760,021	1,163,818
EXPENSES:		
Program services	585,324	1,007,807
Management and general	118,995	121,979
Fundraising	55,806	54,950
Total expenses	760,125	1,184,736
Change in unrestricted net assets	(104)	(20,918)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	1,476,718	102,083
Net assets released from restrictions	(604,337)	(1,067,198)
Change in temporarily restricted net assets	872,381	(965,115)
<b>CHANGE IN NET ASSETS</b>	872,277	(986,033)
<b>NET ASSETS, beginning of year</b>	679,492	1,665,525
<b>NET ASSETS, end of year</b>	<u>\$ 1,551,769</u>	<u>\$ 679,492</u>

See notes to financial statements.

# COLLEGE FOR ALL TEXANS FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED AUGUST 31, 2016

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Contract services	\$ 413,282	4,000	55,806	473,088
Salaries and benefits	-	85,416	-	85,416
Materials, meetings, and travel	79,068	2,452	-	81,520
Printing almanacs and brochures	41,233	-	-	41,233
Assistance to THECB and other organizations for student grants and other program support	36,300	-	-	36,300
Professional fees	-	16,326	-	16,326
Insurance	-	5,373	-	5,373
Office expenses	-	3,713	-	3,713
Payroll taxes	-	1,715	-	1,715
Other expenses	15,441	-	-	15,441
<b>TOTAL EXPENSES</b>	<u>\$ 585,324</u>	<u>118,995</u>	<u>55,806</u>	<u>760,125</u>

See notes to financial statements.

# COLLEGE FOR ALL TEXANS FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED AUGUST 31, 2015

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Contract services	\$ 764,409	-	54,950	819,359
Return of excess funds to grantor	92,001	-	-	92,001
Salaries and benefits	-	88,865	-	88,865
Materials, meetings, and travel	23,391	804	-	24,195
Printing almanacs and brochures	24,022	-	-	24,022
Assistance to THECB and other organizations for student grants and other program support	10,093	-	-	10,093
Professional fees	-	20,646	-	20,646
Insurance	-	5,382	-	5,382
Office expenses	-	4,280	-	4,280
Payroll taxes	-	2,002	-	2,002
Other expenses	93,891	-	-	93,891
<b>TOTAL EXPENSES</b>	<u>\$ 1,007,807</u>	<u>121,979</u>	<u>54,950</u>	<u>1,184,736</u>

See notes to financial statements.



# COLLEGE FOR ALL TEXANS FOUNDATION

## STATEMENTS OF CASH FLOWS YEARS ENDED AUGUST 31, 2016 AND 2015

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	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 872,277	\$ (986,033)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Discount on pledges receivable	5,827	-
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(27,383)	-
Pledges receivable	(420,751)	152
Accounts payable and accrued expenses	<u>155,115</u>	<u>(167,810)</u>
Net cash provided by (used in) operating activities	585,085	(1,153,691)
<b>CASH FLOWS FROM FINANCING ACTIVITIES-</b>		
Net purchases of investments	<u>(208)</u>	<u>(77)</u>
<b>NET CHANGE IN CASH</b>	584,877	(1,153,768)
<b>CASH, beginning of year</b>	<u>216,676</u>	<u>1,370,444</u>
<b>CASH, end of year</b>	<u><u>\$ 801,553</u></u>	<u><u>\$ 216,676</u></u>

See notes to financial statements.

# COLLEGE FOR ALL TEXANS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED AUGUST 31, 2016 AND 2015

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### 1. ORGANIZATION

College for All Texans Foundation (the “Foundation”) is a Texas nonprofit corporation chartered in 2001 to assist and, at all times, be operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the Texas Higher Education Coordinating Board (“THECB”). The Foundation is managed by a Board of Trustees (the “Board”), a majority of whom are appointed by the THECB, with the remainder elected by the Board. The purpose of the Foundation is to provide support to THECB from the private sector.

In July 2016, THECB adopted a new long-range strategic plan that will guide higher education in Texas. The new plan, *60x30TX*, lays out four goals to be met by 2030:

- At least 60% of Texans ages 25-34 will have a certificate or degree.
- At least 550,000 students in that year will complete a certificate, associate, bachelor’s, or master’s from an institution of higher education in Texas.
- All graduates from Texas public institutions of higher education will have completed programs with identified marketable skills.
- Undergraduate student loan debt will not exceed 60% of first-year wages for graduates of Texas public institutions.

The Foundation supports initiatives that have the following purposes and related strategies:

Help aspiring students learn how to plan for, pay for, and apply to colleges, by

- *Supporting Advise TX college advisers - recent graduates serving full-time in high schools across the state.*
- *Encouraging communities to participate in Generation TX - a grassroots movement to increase the educational attainment levels in Texas.*

Improve the affordability of college in Texas, by

- *Partnering with institutions to develop innovative educational approaches to give more Texas students the opportunity to acquire a high-quality education designed to provide marketable skills, at a low cost.*
- *Promoting public policy and institutional practices that will increase the percentage of students who successfully complete their programs of study and earn a meaningful credential of value in the workplace and labor market.*

Expand and enhance the effective use of educational data across Texas, by *making data easily accessible through print and electronic media, and providing training in its use.*

Effective December 2015, the Foundation changed its name from College for All Texans Foundation: Closing the Gap to College For All Texans Foundation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not restricted by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation, and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted - Net assets that are subject to donor-imposed restrictions that such assets be maintained permanently. The Foundation has no permanently restricted net assets.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fair Value Measurements** - Fair value is 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. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**Investments** - Investments consist of certificates of deposit and money market accounts. The valuation technique used to measure fair value of investments was the market approach. The inputs used to determine the fair market value of investments were considered level 1 in the fair value hierarchy.

**Accounts Receivable** - Accounts receivable are recorded at the value of the revenue earned. The Foundation continually monitors each customer's credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Foundation regularly adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible. As of August 31, 2016 and 2015, there was no allowance for doubtful accounts as management deemed all outstanding balances to be collectible.

**Pledges Receivable** - Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at fair value if expected to be collected within one year and at net present value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation considers all pledges receivable to be fully collectible; accordingly, the Foundation has not recorded an allowance for doubtful accounts as, historically, the Foundation has not experienced material uncollectible amounts.

**Administrative Fees Revenue** - Administrative fees revenue represents revenue earned for grant administration, assistance, and other services related to contribution revenue received by the Foundation. Revenue is recognized when services are performed.

**Contributed Services and Personnel Services Received from Affiliates** - Contributed services are recognized by the Foundation if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation received services provided at no cost to the Foundation by employees of THECB. These services are recognized at the cost to THECB in providing the services.

**Functional Allocation of Expenses** - The costs of providing the various programs and supporting services have been reported on a functional basis in the statements of functional expenses. Costs have been charged to functions based on direct expenditures incurred or allocated among the programs and supporting services benefited.

**Income Taxes** - The Foundation is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except as it relates to any unrelated business income. The Foundation did not incur any significant tax liabilities due to unrelated business income during the years ended August 31, 2016 and 2015. The Foundation files Form 990 tax returns in the U.S. federal jurisdiction, and are subject to routine examinations of their returns; however, there are no examinations currently in process.

**Recently Issued Accounting Pronouncements** - In May 2014 and August 2015, the FASB issued Accounting Standards Updates (“ASU”) No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Foundation is currently evaluating the impact the new standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statement of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method, however it will be required for an entity to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Foundation is currently evaluating the impact the standard will have on its financial statements.

### 3. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially expose the Foundation to concentrations of credit risk consist of cash, investments, and pledges receivable. The Foundation places its cash with a high quality financial institution and at times may exceed the amount of insurance provided on such deposits. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statement of financial position.

The Foundation does not maintain collateral for its pledges receivable. During the year ended August 31, 2016, 82% of the Foundation’s contribution revenues were from three donors and 98% of the Foundation’s pledges receivables were from two donors. During the year ended August 31, 2015, 86% of the Foundation’s contribution revenues and 100% of the Foundation’s pledges receivables were from one donor.

### 4. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at August 31:

	2016	2015
Pledges expected to be collected in:		
Less than one year	\$ 279,107	\$ 9,848
One to five years	151,492	-
	430,599	9,848
Less discount on pledges receivable	(5,827)	-
Pledges receivable, net	\$ 424,772	\$ 9,848

Pledges receivable are valued based upon net present value where a stream of expected cash flows is discounted at an appropriate market interest rate. The discount rate used at August 31, 2016 was 4%.

## 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes as of August 31:

	<u>2016</u>	<u>2015</u>
Affordable Baccalaureate	\$ 647,813	\$ 5,290
60X30TX Website	639,232	-
Higher Education Policy Institute	211,156	645,512
60X30TX Workshops	26,522	-
Advise TX	8,435	9,975
	<u>\$ 1,533,158</u>	<u>\$ 660,777</u>

## 6. RELATED PARTY TRANSACTIONS

A memorandum of understanding (“MOU”) between THECB and the Foundation expires on October 31, 2022. The MOU states that funds and other donations from fundraising or solicitation shall be used to support THECB in carrying out the goals and strategies of the higher education plan; for the employment of an Executive Director and necessary support staff; for the payment of normal business expenses associated with the higher education plan; for the benefit of the Texas Grant Program, administered by THECB under Texas Education Code, Section 56.302 through 56.310; to assist THECB in administering scholarship programs, including but not limited to those funded under Rider 44, House Bill 1, General Appropriations Act (Section 44, page III-55), 80<sup>th</sup> Texas Legislature, and; to administer grants from various entities, including, but not limited to, grants from private foundations.

THECB provides free office space to the Foundation, which was valued at \$3,000 during the years ended August 31, 2016 and 2015, respectively. During the years ended August 31, 2016 and 2015, THECB also provided professional services of an executive director valued at \$63,000 for both years. These amounts are included in revenue and expenses in the financial statements.

During the years ended August 31, 2016 and 2015, the Foundation incurred expenses of approximately \$56,000 and \$55,000, respectively, for fundraising services performed by the Commissioner of Higher Education of THECB on behalf of the Foundation. The Commissioner is also an Ex-Officio Trustee of the Foundation.

During the years ended August 31, 2016 and 2015, certain members of the Foundation Board of Trustees contributed \$28,500 and \$13,500, respectively, to the Foundation.

## 7. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 22, 2016 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.