

FEI Houston Scholarship Foundation

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2024 and 2023

FEI Houston Scholarship Foundation

Table of Contents

| | Page |
|--|------|
| Independent Auditors' Report | 1 |
| Financial Statements: | |
| Statements of Financial Position as of June 30, 2024 and 2023 | 3 |
| Statement of Activities for the year ended June 30, 2024 | 4 |
| Statement of Activities for the year ended June 30, 2023 | 5 |
| Statements of Cash Flows for the years ended June 30, 2024 and 2023 | 6 |
| Notes to Financial Statements for the years ended June 30, 2024 and 2023 | 7 |

Independent Auditors' Report

To the Board of Directors of
FEI Houston Scholarship Foundation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FEI Houston Scholarship Foundation, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FEI Houston Scholarship Foundation as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 FEI Houston Scholarship 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.

Prior Year Independent Auditors' Report

The financial statements of FEI Houston Scholarship Foundation as of June 30, 2023, and for the year then ended were audited by other auditors whose report dated December 19, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 conditions or events, considered in the aggregate, that raise substantial doubt about FEI Houston Scholarship Foundation's ability to continue as a going concern for 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 FEI Houston Scholarship 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 FEI Houston Scholarship 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.

Blazek & Vetterling

April 3, 2025

FEI Houston Scholarship Foundation

Statements of Financial Position as of June 30, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|--|----------------------------|--------------------------|
| ASSETS | | |
| Cash | \$ 90,439 | \$ 66,922 |
| Accounts receivable | | 27,121 |
| Contributions receivable, net | 67,986 | 58,500 |
| Operating investments <i>(Note 3)</i> | 723,317 | 619,066 |
| Contributions receivable for endowment, net | | 24,500 |
| Investments restricted for endowment <i>(Note 3)</i> | <u>122,657</u> | <u>83,106</u> |
| TOTAL ASSETS | <u>\$ 1,004,399</u> | <u>\$ 879,215</u> |
| LIABILITIES AND NET ASSETS | | |
| Accrued liabilities | <u>\$ 764</u> | <u>\$ 2,362</u> |
| Net assets: | | |
| Without donor restrictions | 805,978 | 670,603 |
| With donor restrictions <i>(Note 5)</i> : | | |
| Endowment to support scholarships | 122,657 | 107,606 |
| Scholarships | 42,000 | 42,000 |
| Time restricted | <u>33,000</u> | <u>56,644</u> |
| Total net assets | <u>1,003,635</u> | <u>876,853</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,004,399</u> | <u>\$ 879,215</u> |

See accompanying notes to financial statements.

FEI Houston Scholarship Foundation

Statement of Activities for the year ended June 30, 2024

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|--|-------------------------------|----------------------------|---------------------|
| REVENUE: | | | |
| Contributions | \$ 118,690 | \$ 33,307 | \$ 151,997 |
| Net investment return <i>(Note 5)</i> | <u>72,152</u> | <u>11,600</u> | <u>83,752</u> |
| Total revenue | 190,842 | 44,907 | 235,749 |
| Net assets released from restrictions: | | | |
| Satisfaction of purpose restriction | <u>53,500</u> | <u>(53,500)</u> | <u> </u> |
| Total | <u>244,342</u> | <u>(8,593)</u> | <u>235,749</u> |
| EXPENSES: | | | |
| Program services – scholarships | 83,000 | | 83,000 |
| Professional and administrative | <u>25,967</u> | | <u>25,967</u> |
| Total expenses | <u>108,967</u> | | <u>108,967</u> |
| CHANGES IN NET ASSETS | 135,375 | (8,593) | 126,782 |
| Net assets, beginning of year | <u>670,603</u> | <u>206,250</u> | <u>876,853</u> |
| Net assets, end of year | <u>\$ 805,978</u> | <u>\$ 197,657</u> | <u>\$ 1,003,635</u> |

See accompanying notes to financial statements.

FEI Houston Scholarship Foundation

Statement of Activities for the year ended June 30, 2023

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|--|-------------------------------|----------------------------|-------------------|
| REVENUE: | | | |
| Contributions | \$ 81,046 | \$ 83,000 | \$ 164,046 |
| Net investment return | <u>35,371</u> | <u> </u> | <u>35,371</u> |
| Total revenue | 116,417 | 83,000 | 199,417 |
| Net assets released from restrictions: | | | |
| Satisfaction of purpose restriction | <u>66,000</u> | <u>(66,000)</u> | <u> </u> |
| Total | <u>182,417</u> | <u>17,000</u> | <u>199,417</u> |
| EXPENSES: | | | |
| Program services – scholarships | 83,000 | | 83,000 |
| Professional and administrative | <u>27,997</u> | | <u>27,997</u> |
| Total expenses | <u>110,997</u> | | <u>110,997</u> |
| CHANGES IN NET ASSETS | | | |
| | 71,420 | 17,000 | 88,420 |
| Net assets, beginning of year | <u>599,183</u> | <u>189,250</u> | <u>788,433</u> |
| Net assets, end of year | <u>\$ 670,603</u> | <u>\$ 206,250</u> | <u>\$ 876,853</u> |

See accompanying notes to financial statements.

FEI Houston Scholarship Foundation

Statements of Cash Flows for the years ended June 30, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 126,782 | \$ 88,420 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Net realized and unrealized gain on investments | (58,708) | (1,539) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 27,121 | (27,121) |
| Contributions receivable | (9,486) | 31,865 |
| Accrued liabilities | <u>(1,598)</u> | <u>1,642</u> |
| Net cash provided by operating activities | <u>84,111</u> | <u>93,267</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Change in cash and cash equivalents held as investments | (10,320) | |
| Purchases of investments | (238,789) | (237,410) |
| Proceeds from sales of investments | <u>164,015</u> | <u>102,385</u> |
| Net cash used by investing activities | <u>(85,094)</u> | <u>(135,025)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from contributions restricted for endowment | <u>24,500</u> | |
| NET CHANGE IN CASH | 23,517 | (41,758) |
| Cash, beginning of year | <u>66,922</u> | <u>108,680</u> |
| Cash, end of year | <u>\$ 90,439</u> | <u>\$ 66,922</u> |

See accompanying notes to financial statements.

FEI Houston Scholarship Foundation

Notes to Financial Statements for the years ended June 30, 2024 and 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The FEI Houston Scholarship Foundation (the Foundation) was incorporated in 2003 as a Texas non-profit corporation that provides scholarships for Southeast Texas area college students in need of financial assistance.

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

Investments are reported at fair value. Realized gains and losses on securities sold are determined using the specific identification method and original cost. Purchases and sales of marketable securities are reported on a trade-date basis. Unrealized gains and losses on investments arise from increases or decreases in fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and internal direct investment expenses. Interest and dividends are recognized as earned.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. At June 30, 2024, contributions receivable are due to be received as follows: \$57,486 within one year and \$10,500 in one to three years. At June 30, 2024, \$33,914 of contribution receivables are due from the FEI Houston Chapter.

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 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 *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the Foundation is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Scholarships – The Foundation provides academic scholarships annually to accounting or finance students attending accredited college and universities in Southeast Texas. The scholarship recipients are selected for their economic need, academic achievements, and extracurricular activity records in their respective

schools. Scholarships are recognized as expense at fair value when the Foundation approves an unconditional commitment to a recipient.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Professional and administrative activities represent the management and general types of expenses for the Foundation and are not directly identifiable with specific program or fundraising activities. All of the Foundation’s expenses are directly attributable to either program activities or professional and administrative.

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 reported as 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 for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|-------------------|
| Financial assets: | | |
| Cash | \$ 90,439 | \$ 66,922 |
| Investments | 845,974 | 702,172 |
| Accounts receivable | | 27,121 |
| Contributions receivable | <u>67,986</u> | <u>83,000</u> |
| Total financial assets | 1,004,399 | 879,215 |
| Less financial assets not available for general expenditure: | | |
| Financial assets restricted for endowment, net of appropriations for coming year | (122,657) | (107,606) |
| Other donor-restricted assets not expected to be satisfied in the coming year | <u>(24,500)</u> | <u>(47,000)</u> |
| Total financial assets available for general expenditure | <u>\$ 857,242</u> | <u>\$ 724,609</u> |

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its program services of providing scholarships, as well as the conduct of services undertaken to support those activities, to be general expenditures.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability. The Foundation held no assets or liabilities measured using Level 3 inputs at June 30, 2024 or 2023.

Assets measured at fair value at June 30, 2024 are as follows:

| | <u>LEVEL 1</u> | <u>LEVEL 2</u> | <u>TOTAL</u> |
|-------------------------------------|-------------------|----------------|-------------------|
| Investments: | | | |
| Mutual funds: | | | |
| Fixed-income | \$ 167,061 | | \$ 167,061 |
| Equity | 320,073 | | 320,073 |
| Preferred stock | 209,913 | | 209,913 |
| Common stock | 100,939 | | 100,939 |
| Corporate bonds | 37,668 | | 37,668 |
| Cash and cash equivalents | <u>10,320</u> | | <u>10,320</u> |
| Total assets measured at fair value | <u>\$ 845,974</u> | <u>\$ 0</u> | <u>\$ 845,974</u> |

Assets measured at fair value at June 30, 2023 are as follows:

| | <u>LEVEL 1</u> | <u>LEVEL 2</u> | <u>TOTAL</u> |
|-------------------------------------|-------------------|----------------|-------------------|
| Investments: | | | |
| Mutual funds: | | | |
| Fixed-income | \$ 136,477 | | \$ 136,477 |
| Equity | 282,165 | | 282,165 |
| Preferred stock | 176,210 | | 176,210 |
| Common stock | 82,753 | | 82,753 |
| Corporate bonds | <u>24,567</u> | | <u>24,567</u> |
| Total assets measured at fair value | <u>\$ 702,172</u> | <u>\$ 0</u> | <u>\$ 702,172</u> |

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held.
- *Preferred stock* and *common stock* are valued at the closing price reported on the active markets on which the individual securities are traded.
- *Corporate bonds* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 4 – CONTRIBUTIONS BY TYPES OF DONOR

Contributions without donor restrictions and net asset released from restrictions were received from the following:

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|-------------------|-------------------|
| FEI Houston members and leadership | \$ 56,179 | \$ 48,275 |
| Foundations | 53,500 | 33,000 |
| Corporate sponsors | 26,072 | 35,000 |
| FEI Houston Chapter | 33,914 | 23,621 |
| Other individuals | <u>2,525</u> | <u>7,150</u> |
| Total | <u>\$ 172,190</u> | <u>\$ 147,046</u> |

NOTE 5 – ENDOWMENT

The Foundation’s Endowment includes an individual fund that was established with donor-restricted contributions to support its scholarship programs. The Endowment is subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA), which provides guidelines for prudent spending in the absence of explicit donor stipulations. These funds are being administered in accordance with explicit donor stipulations. The amount specified by donors to be maintained in perpetuity is not reduced by investment losses or by approved distributions from the Endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Foundation to maintain in perpetuity. Such deficiencies are reported in *net assets with donor restrictions*. There were no such deficiencies at June 30, 2024 or June 30, 2023.

Changes in the endowment fund are as follows:

| | <u>WITH DONOR RESTRICTIONS</u> | | |
|-------------------------------------|---|--|-------------------|
| | <u>SUBJECT TO SPENDING POLICY AND APPROPRIATION</u> | <u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u> | <u>TOTAL</u> |
| Endowment net assets, June 30, 2022 | \$ (1,841) | \$ 55,750 | \$ 53,909 |
| Contributions | | 50,000 | 50,000 |
| Net investment return | <u>3,697</u> | | <u>3,697</u> |
| Endowment net assets, June 30, 2023 | 1,856 | 105,750 | 107,606 |
| Contributions | | 3,451 | 3,451 |
| Net investment return | <u>11,600</u> | | <u>11,600</u> |
| Endowment net assets, June 30, 2024 | <u>\$ 13,456</u> | <u>\$ 109,201</u> | <u>\$ 122,657</u> |

NOTE 6 – RELATED PARTY TRANSACTIONS

Financial Executives of Houston, Inc. (FEI Houston) established the Foundation. FEI Houston has provided funds and resources to the Foundation including contributed funds, services, and volunteer time.

The Foundation recognized \$4,800 in in-kind donated services from volunteers for the year ended June 30, 2023.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 3, 2025, 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.
