

**THE TEXAS HILL COUNTRY  
HIGHER EDUCATION  
DEVELOPMENT FOUNDATION**  
(a non-profit organization)

*Fredericksburg, Texas*

**For the Year Ended  
December 31, 2018**

THE TEXAS HILL COUNTRY HIGHER EDUCATION DEVELOPMENT FOUNDATION  
(a non-profit organization)  
FREDERICKSBURG, TEXAS  
YEAR ENDED DECEMBER 31, 2018

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# **NEFFENDORF & KNOPP, P.C.**

## ***Certified Public Accountants***

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### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
The Texas Hill Country Higher Education Development Foundation  
Fredericksburg, TX

We have audited the accompanying financial statements of The Texas Hill Country Higher Education Development Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 The Texas Hill Country Higher Education Development Foundation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Neffendorf & Knopp, P.C.*

NEFFENDORF & KNOPP, PC

October 15, 2019

THE TEXAS HILL COUNTRY HIGHER EDUCATION DEVELOPMENT FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

ASSETS

Current Assets

Cash on Hand and in Bank	\$	
With Donor Restrictions		13,185
Without Donor Restrictions		70,459
Cash in Savings		
With Donor Restrictions		83,561
Without Donor Restrictions		7,066
Pledges Receivable		12,875
Investments		
With Donor Restrictions		580,594
Without Donor Restrictions		957,329
Total Current Assets		\$ 1,725,069

Property and Equipment:

Buildings	\$ 6,515,170	
Furniture and Equipment	544,271	
Total Property and Equipment	\$ 7,059,441	
Less: Accumulated Depreciation	(2,097,657)	
Property and Equipment - Net		4,961,784

Other Assets

Student Loans Receivable with Donor Restrictions	\$ 195,900	
Less: Allowance for Loan Loss	(130,670)	
Student Loans Net	65,230	
Prepaid Expenses	2,476	
Total Other Assets		67,706

TOTAL ASSETS \$ 6,754,559

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$ 7,853	
Credit Cards Payable	562	
Payroll Taxes Payable	1,918	
Unearned Revenue	42,627	
Total Liabilities		\$ 52,960

Net Assets

Net Assets with No Donor Restrictions	\$ 5,959,029	
Net Assets with Donor Restrictions	742,570	
Total Net Assets		6,701,599

TOTAL LIABILITIES AND NET ASSETS \$ 6,754,559

THE TEXAS HILL COUNTRY HIGHER EDUCATION DEVELOPMENT FOUNDATION  
STATEMENT OF ACTIVITIES & FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ (119,676)	\$ (437)	\$ (120,113)
Dividend and Interest Income	(24,526)	(17,039)	(41,565)
Gain (Loss) on Investments	(34,316)	(408)	(34,724)
Rent Income	(112,144)	-	(112,144)
TOTAL REVENUES, GAINS AND OTHER SUPPORT	\$ (290,662)	\$ (17,884)	\$ (308,546)
Net Assets Released from Restrictions	-	-	-
TOTAL	\$ (290,662)	\$ (17,884)	\$ (308,546)
EXPENSES			
<u>Program Services</u>			
Advertising	\$ 5,387	\$ -	\$ 5,387
Contracted Services Facilities	68,021	-	68,021
Depreciation	213,709	-	213,709
Executive Director Costs	34,923	12,326	47,249
Facilities Maintenance	27,486	-	27,486
Insurance	10,283	-	10,283
Other Contract Fees	40,714	726	41,440
Scholarships	-	31,333	31,333
Telephone and Internet	4,624	-	4,624
Utilities	53,880	-	53,880
Total Program Services Expense	\$ 459,027	\$ 44,385	\$ 503,412
<u>Management and General</u>			
Accounting	\$ 8,547	\$ 2,586	\$ 11,133
Bank & Credit Card Fees	61	30	91
Executive Director Costs	34,923	-	34,923
Insurance	950	-	950
Meals	5,153	-	5,153
Office	3,885	105	3,990
Bad Debt	-	21,470	21,470
Investment Expenses	13,142	2,956	16,098
Other Expenses	408	35	443
Total Management and General Expense	\$ 67,069	\$ 27,182	\$ 94,251

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
<u>Fundraising Expense</u>			
Contract Fundraising	\$ 199	\$ -	\$ 199
Total Fundraising Expense	<u>\$ 199</u>	<u>\$ -</u>	<u>\$ 199</u>
 TOTAL EXPENSES	 <u>\$ 526,295</u>	 <u>\$ 71,567</u>	 <u>\$ 597,862</u>
 CHANGE IN NET ASSETS	 \$ 235,633	 \$ 53,683	 \$ 289,316
<u>Other Change in Net Assets</u>			
Decrease in Unrealized Gains	133,311	-	133,311
 NET ASSETS AT BEGINNING OF YEAR	 <u>(6,327,973)</u>	 <u>(796,253)</u>	 <u>(7,124,226)</u>
 NET ASSETS AT END OF YEAR	 <u>\$ (5,959,029)</u>	 <u>\$ (742,570)</u>	 <u>\$ (6,701,599)</u>



THE TEXAS HILL COUNTRY HIGHER EDUCATION DEVELOPMENT FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets \$ (289,316)

Adjustment to Reconcile Change in Net Assets  
to Net Cash Provided by Operating Activities:

Depreciation \$ 213,709

Change in Assets and Liabilities Relating to Operations:

Increase in Credit Card Payable 369

Increase in Payroll Taxes Payable 210

Increase in Accounts Payable 7,853

Increase in Unearned Revenue 42,627

Increase in Prepaid Expenses (2,476)

Net Cash Provided (Used) by Operating Activities 262,292

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments Net Earnings \$ (41,565)

Transfer of Investment Assets to Cash 61,692

Net Cash Provided (Used) by Investing Activities 20,127

CASH FLOWS FROM FINANCING ACTIVITIES

Collections of Loans Receivable \$ 11,007

Net Cash Provided by Financing Activities 11,007

NET INCREASE (DECREASE) IN CASH EQUIVALENTS \$ 4,110

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 79,534

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 83,644

THE TEXAS HILL COUNTRY HIGHER EDUCATION DEVELOPMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Texas Hill Country Higher Education Development Foundation (the Organization) was incorporated in 2005. The Organization was formed to support the development and sustainability of public higher education opportunities in the Hill Country Region of Texas.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets are classified based on the existence or absence of donor-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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor 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.

Contributions and Restricted and Unrestricted Revenue

Contributions are recognized as revenue when received or unconditionally promised. Contributions are measured at the fair value of the assets or services received or promised. The fair value of contributions arising from unconditional promises to give cash or other assets in one or more future years is measured (discounted) using a risk-adjusted rate of return appropriate for the expected term of the promise to give. The Organization had no unconditional promises during the year. Revenues from programs and special events are recognized when received. Revenues are classified as restricted support if they are received with donor stipulations that limit the use of the contributions. The Organization records contributions received as contributions with donor restrictions or contributions without donor restrictions, depending on the existence of and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Donated Property and Labor

Donated property, marketable securities and other non-cash donations are recorded as contributions at their estimated market value at the date of donation. Volunteers contribute time to the activities of the Organization without compensation. Unless the criteria for recognition of such volunteer effort under ASC 958-605-25-16 has been satisfied, the financial statements do not reflect the value of those contributed services because, although clearly beneficial, no reliable basis exists for determining an appropriate amount to be associated with certain volunteer services rendered. Contributed services are recognized according to when the services received create or enhance nonfinancial assets or require specialized skills that would need to be purchased if not provided by donation.

### Investments and Investment Income

The Organization occasionally invests funds through an investment pool established by the Community Foundation of the Texas Hill Country and through Security State Bank and Trust, Trust Financial Services. These investments are carried at fair market value as determined by each entity.

### Promises to Give

Promises to give are recorded as they are pledged.

### Advertising

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. Advertising expense for the year ended December 31, 2018 was \$5,387.

### Property and Equipment

Property and Equipment is capitalized for all acquisitions with a useful life estimated more than a year. Property and equipment are stated at cost. Depreciation is recorded using the straight-line method over a period of five to thirty-nine years. Depreciation expense for the year ended December 31, 2018 was \$213,709.

Maintenance and repairs are charged to expense as incurred, and significant renewals and betterments are capitalized. The Organization follows the practice of capitalizing at cost all expenditures for property and equipment in excess of \$500. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Building and Improvements	39 years
Infrastructure	20 years
Furniture and Equipment	5-10 years

### Impairment of Long-Lived Assets

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain 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. Accordingly, actual results could differ from those estimates.

### Income Taxes

The Organization is exempt from federal income tax under the Internal Revenue Code (IRC) Section 501(c)(3). The Organization is also exempt from state income taxes in the state of Texas under Sections 151.310, 156.102, and 171.062 of the Texas Tax Code. Therefore, no provision for income taxes is included in the financial statements. Provisions for income taxes on unrelated business income are made when required for income from non-exempt activities and paid during the year. The Organization believes that it has appropriate support for any income tax position taken. Therefore, management has not identified any uncertain income tax positions. As of December 31, 2018, the Organization has not recognized liabilities for uncertain tax position or associated interest and penalties. The Organization's federal exempt organization returns for the years ended December 31, 2018, and after, are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

### Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include time deposits, and all highly liquid debt instruments with original maturities of three months or less which are not restricted for long-term purposes. Cash and cash equivalents as of December 31, 2018 are as follows:

Cash in Bank	\$ <u>83,644</u>
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### Functional Allocation of Expenses

The costs of providing the client services, fund raising, and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program, fund raising and supporting services benefited.

## NOTE 2 – FAIR VALUE MEASUREMENTS

The organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - ♦ quoted prices for similar assets or liabilities in active markets;
  - ♦ quoted prices for identical or similar assets in markets that are not active;
  - ♦ observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - ♦ inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities that the organization is required to measure at fair value (for example, unconditional promises to give and collectability of loans receivable).

The primary uses of fair value measures in the Organization's financial statements are:

- ♦ initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give
- ♦ recurring measurement of short-term investments (Note 4)
- ♦ recurring measurement of endowment and long-term investments (Note 4)

### NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 consist of cash, savings and investments, which consist of the following: Alice V. White Fund, to be used for pavers at the entrance of the university building, \$1,301, the Edwina Hall Scholarship Fund, to be used for scholarships paid to graduating seniors from Junction High School, \$82,261, and the Hill Country Student Help Fund to be used to help deserving students by awarding loans or scholarships, \$659,008.

### NOTE 4 - INVESTMENTS

The funds of the Foundation, in excess of the amounts held in deposit accounts, consist of bank savings, an investment pool at the Community Foundation of the Texas Hill Country, and an account with Security State Bank - Trust Financial Services. The investments held at the Community Foundation and Security State Bank - Trust Financial Services are valued by those organizations. The activities in these accounts for the year ended December 31, 2018 are as follows:

	Chase Bank Savings	Community Foundation of the Texas Hill Country	Security State Bank - Trust Financial Services
Value, January 1, 2018	\$ 94,920	\$ 846,682	\$ 831,792
Deposits	437	-	-
Interest & Dividends	32	19,675	18,835
Realized Gain	-	21,673	35,885
Unrealized Loss	-	(79,422)	(93,029)
Withdrawals	(37,823)	(25,000)	(25,000)
Investment Fee	-	(12,090)	(2,078)
Value, December 31, 2018	<u>\$ 57,566</u>	<u>\$ 771,518</u>	<u>\$ 766,405</u>

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment activity for the Foundation for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
Buildings	\$ 6,515,170	\$ -	\$ -	\$ 6,515,170
Furniture and Equipment	544,271	-	-	544,271
Total Property & Equipment	\$ 7,059,441	\$ -	\$ -	\$ 7,059,441
Less Accumulated Depreciation	(1,883,948)	(213,709)	-	(2,097,657)
Property and Equipment, Net	<u>\$ 5,175,493</u>	<u>\$ (213,709)</u>	<u>\$ -</u>	<u>\$ 4,961,784</u>

#### NOTE 6 – LEASE EXPENSE

The Organization was involved in a month-to-month storage lease during the year ended December 31, 2018. The lease was cancelled during the year. The 2018 lease expense for the storage unit was \$35.

#### NOTE 7 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, board members and staff contributed \$66,000 in support and revenue to the Organization. These contributions are 21.39% of the Organization's support and revenue for the year ended December 31, 2018.

#### NOTE 8 – CONCENTRATION OF RISK

The majority of the Organization's contributions and grants are received from individuals located in the Texas Hill Country. As such, the Organization's ability to generate resources via contributions and grants is dependent upon the economic health of the area and the State of Texas.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets by the Community Foundation of the Texas Hill Country and Security State Bank - Trust Financial Services, should mitigate the impact of changes in any one class.

The Organization maintains its cash balances in financial institutions. The balances on these accounts are insured by the Federal Deposit Insurance Corporation up to the legal maximum of \$250,000. The balance in these accounts can be in excess of the insured limit from time to time but was below the limit as of December 31, 2018.

#### NOTE 9 - 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 the 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 10 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of net position date, comprise the following:

Cash and Cash Equivalents	\$	70,459
Investments		964,395
Pledges Receivable		<u>12,875</u>
	\$	<u><u>1,047,729</u></u>

As part of The Texas Hill Country Higher Education Development 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. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from the Organization's operating accounts.

#### NOTE 11 - RENT INCOME

The Foundation has entered into two ongoing rental contracts. The two contracts are one year in duration and both expire August 31, 2019. The first contract is with Texas Tech University which pays the University Center \$5,000 per month. The second contract is with Central Texas College where the College's rental fee is one-third of each month's total utility fee paid to the City of Fredericksburg. The rent paid by these entities is \$60,000 and \$20,876 respectively. All other rent income is for daily use of various parts of the facility by multiple organizations. The Foundation has no long-term leases and all depreciable assets are used in these lease arrangements.

#### NOTE 12 - LOANS RECEIVABLE

Loans receivable are recorded at the original amount less any payments made. Loans that are currently performing are accruing interest at the stated rate. Loans which are not performing have been put on non-accrual. All loans are more than five years old. During 2018 and 2019, a collection effort was begun on these receivables. The finance committee has decided to record an uncollectability allowance of 85% on all non-performing loans and a 25% uncollectability allowance on all performing loans. Balances on these loans are shown below:

	Performing Loans	Non- Performing Loans	Total Loans
Loans Receivable at December 31, 2018	\$ 59,741	\$ 136,159	\$ 195,900
Allowance for Uncollectability	<u>(14,935)</u>	<u>(115,735)</u>	<u>(130,670)</u>
Total Net Loans Receivable	<u>\$ 44,806</u>	<u>\$ 20,424</u>	<u>\$ 65,230</u>

#### NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 15, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.



**NEFFENDORF & KNOPP, P.C.**  
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October 15, 2019

To the Board of Trustees of  
The Texas Hill Country Higher Education Development Foundation  
Fredericksburg, TX

We have audited the financial statements of The Texas Hill Country Higher Education Development Foundation for the year ended December 31, 2018, and we will issue our report thereon dated October 15, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Texas Hill Country Higher Education Development Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the loan losses for student loans receivable is based on the historical collection rate and current collection activity. We evaluated the key factors and assumptions used to develop the loan losses for student loans receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 15, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

There were no other matters to report on in this audit.

This information is intended solely for the use of the Board of Trustees of The Texas Hill Country Higher Education Development Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Neffendorf & Knopp, P.C.*

NEFFENDORF & KNOPP, PC