

RIVERWALK EDUCATION FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2019

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RIVERWALK EDUCATION FOUNDATION, INC.

015-827

015-831

(Federal Employer Identification Number: 01-0758906)

CERTIFICATE OF BOARD

June 30, 2019

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Riverwalk Education Foundation, Inc. dba School of Science & Technology was reviewed and approved disapproved for the year ended June 30, 2019, at a meeting of the governing body of the charter holder on the 8 day of Nov, 2019.



Signature of Board Secretary



Signature of Board President

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Riverwalk Education Foundation, Inc.
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Riverwalk Education Foundation, Inc. (RWEF, Inc.) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 RWEF, Inc. as of June 30, 2019, 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.

Other Matters

Report on Summarized Comparative Information

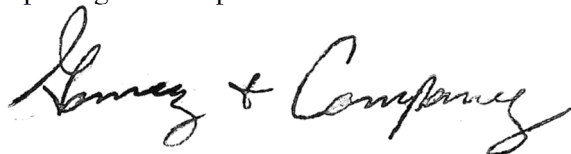
We have previously audited RWEF's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019, on our consideration of RWEF, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RWEF, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RWEF, Inc.'s internal control over financial reporting and compliance.



Houston, TX
November 1, 2019

RIVERWALK EDUCATION FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash	\$ 7,020,115	\$ 4,448,811
Restricted Cash	526,029	511,016
Grants Receivable	6,069,887	5,959,851
Other Receivables	-	65,007
Total Current Assets	13,616,031	10,984,685
Property and Equipment		
Land	864,700	864,700
Building and Improvements	14,559,806	13,180,318
Furniture and Equipment	2,583,563	1,263,014
	18,008,069	15,308,032
Less: Accumulated Depreciation	(7,371,382)	(6,297,565)
	10,636,687	9,010,467
Other Assets		
Deposits	1,194,816	399,980
	1,194,816	399,980
TOTAL ASSETS	\$ 25,447,534	\$ 20,395,132
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 74,512	\$ 40,013
Wages Payable	2,826,120	2,560,124
Accrued Payroll Liabilities	343,789	283,367
Accrued Liabilities	829,119	800,235
Interest Payable	95,387	100,759
Current Portion of Deferred Rent	90,393	374,111
Current Portion of Capital Leases Payable	120,192	112,921
Current Portion of Notes Payable net of Issuance Costs	3,828,741	192,555
Current Portion of Bonds Payable	450,000	435,000
Total Current Liabilities	8,658,253	4,899,085
Long-Term Liabilities		
Deferred Rent net of Current Portion	2,822,716	-
Capital Leases net of Current Portion	32,185	152,376
Notes Payable net of Current Portion	68,902	111,518
Bonds Payable net of Premium, Issuance Costs, and Current Portion	7,564,074	7,996,067
Total Long-Term Liabilities	10,487,877	8,259,961
TOTAL LIABILITIES	19,146,130	13,159,046
Net Assets		
Without Donor Restrictions	1,122,613	1,122,613
With Donor Restrictions	5,178,791	6,113,473
TOTAL NET ASSETS	6,301,404	7,236,086
TOTAL LIABILITIES AND NET ASSETS	\$ 25,447,534	\$ 20,395,132

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues				
Local Support:				
Other revenues from local sources	\$ 1,271,682	\$ 1,200,000	\$ 2,471,682	\$ 934,139
Interest Income	13,842	-	13,842	2,373
Total Local Support	<u>1,285,524</u>	<u>1,200,000.00</u>	<u>2,485,524</u>	<u>936,512</u>
State Program Revenues	-	37,114,116	37,114,116	29,109,392
Federal Program Revenues	-	3,745,057	3,745,057	2,953,312
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	42,993,855	(42,993,855)	-	-
Total Revenues	<u>44,279,379</u>	<u>(934,682)</u>	<u>43,344,697</u>	<u>32,999,216</u>
Expenses				
Program Services				
Instruction and Instructional-Related Services	24,676,564	-	24,676,564	19,592,539
Instructional and School Leadership	3,716,220	-	3,716,220	2,033,083
Support Services				
Administrative Support Services	3,730,590	-	3,730,590	2,641,816
Ancillary Services				
Support Services- Non-Student Based	9,222,974	-	9,222,974	5,026,450
Support Services- Student (Pupil)	2,546,432	-	2,546,432	1,674,060
Debt Service	386,599	-	386,599	318,906
Total Expenses	<u>44,279,379</u>	<u>-</u>	<u>44,279,379</u>	<u>31,286,854</u>
Change in Net Assets	<u>-</u>	<u>(934,682)</u>	<u>(934,682)</u>	<u>1,712,362</u>
Net Assets, beginning of year	<u>1,122,613</u>	<u>6,113,473</u>	<u>7,236,086</u>	<u>5,523,724</u>
Net Assets, end of year	<u>\$ 1,122,613</u>	<u>\$ 5,178,791</u>	<u>\$ 6,301,404</u>	<u>\$ 7,236,086</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

	Program Services	Supporting Services			2019 Total	2018 Total
	Program Expense	General and Administrative	Fundraising	Total Supporting Services		
Expenses						
Salaries	\$ 21,824,357	\$ 2,536,572	\$ -	\$ 2,536,572	\$ 24,360,929	\$ 18,236,343
Payroll taxes	370,774	39,942	-	39,942	410,716	319,960
Employee benefits	2,139,173	241,194	-	241,194	2,380,367	1,720,020
Rental Expense	-	5,788,980	-	5,788,980	5,788,980	2,551,961
Maintenance and Repairs	-	1,151,988	-	1,151,988	1,151,988	752,233
Utilities	16,753	696,063	-	696,063	712,816	540,071
Depreciation and Amortization		1,091,826	-	1,091,826	1,091,826	903,966
Supplies	1,968,452	675,137	-	675,137	2,643,589	1,962,123
Travel	90,103	144,707	-	144,707	234,810	234,442
Equipment Lease	161,646	49,709	-	49,709	211,355	233,982
Insurance	-	57,870	-	57,870	57,870	49,370
Professional Fees	1,385,076	2,161,274	-	2,161,274	3,546,350	2,732,582
Training	36,598	10,125	-	10,125	46,723	33,522
Interest	-	368,590	-	368,590	368,590	300,897
Other	399,852	872,618	-	872,618	1,272,470	715,382
Total Expenses	\$ 28,392,784	\$ 15,886,595	\$ -	\$ 15,886,595	\$ 44,279,379	\$ 31,286,854

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (934,682)	\$ 1,712,362
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,073,817	885,957
Amortization expense	18,008	43,698
(Increase) Decrease in Grants Receivable	(110,036)	(1,845,723)
(Increase) Decrease in Other Receivable	65,007	424,329
(Increase) Decrease in Deposits	(794,836)	(287,624)
Increase (Decrease) in Accounts Payable	34,502	(54,453)
Increase (Decrease) in Accrued Liabilities	28,885	329,382
Increase (Decrease) in Accrued Wages	265,996	847,342
Increase (Decrease) in Payroll Tax Payable	60,421	31,671
Increase (Decrease) in Interest Payable	(5,372)	15,577
Increase (Decrease) in Deferred Rent	2,538,998	374,111
Total Adjustments	3,175,390	764,267
Net Cash Provided (Used) by Operating Activities	2,240,708	2,476,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	(2,700,036)	(678,323)
Net Cash Provided (Used) By Investing Activities	(2,700,036)	(678,323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loans	3,786,125	345,271
Repayment of Capital Lease	(112,925)	-
Repayment of Loans	(192,555)	(115,367)
Repayment of Bonds	(435,000)	(428,000)
Net Cash Provided (Used) By Financing Activities	3,045,645	(198,096)
NET INCREASE (DECREASE) IN CASH	2,586,317	1,600,210
CASH AT BEGINNING OF YEAR	4,959,827	3,359,617
CASH AT END OF YEAR	\$ 7,546,144	\$ 4,959,827
 <u>CASH PAID DURING THE YEAR FOR:</u>		
INTEREST	\$ 368,590	\$ 300,897

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

A. Organization:

The Riverwalk Education Foundation, Inc. (RWEF, Inc.) is a nonprofit organization that provides public education for students in grades K through 12. The foundation was incorporated in the State of Texas on September 6, 2002, under the Texas Non-Profit Corporation Act. On September 5, 2003, the Internal Revenue Service determined that the organization was exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

In conformance to its charter granted by the State Board of Education in accordance with Texas Education Code Section 12, Subchapter D, Open-Enrollment Charter School, the Organization operates as part of the state public school system subject to all federal and state laws and rules governing public schools. The Organization is also subject to all laws and rules pertaining to open-enrollment charter schools in section 12 of the Texas Education Code.

The charter holder, Riverwalk Education, Inc. operates charter schools and does not conduct any other charter or non-charter activities.

B. Summary of Significant Accounting Policies:

BASIS OF ACCOUNTING AND PRESENTATION

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. RWEF, Inc. reports its financial information based on the *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions

NEW ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Foundation, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for RWEF, Inc.'s fiscal year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. RWEF, Inc. adopted the ASU effective June 30, 2019. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

B. Summary of Significant Accounting Policies: (Continued)

CLASSIFICATION OF NET ASSETS

Net assets of RWEF, Inc. are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of RWEF, Inc. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

On occasion, the governing board may designate a portion of net assets without donor restrictions for a specific purpose. Designated net assets are not governed by donor-imposed restrictions and may be reversed by the governing board at any time.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all of RWEF, Inc.'s accounts. All significant interagency balances and transactions have been eliminated.

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

CASH DONATIONS AND DONATED SERVICES

Cash donations are considered to be available for unrestricted use unless specifically restricted by the donor. No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such donations. Nevertheless, a substantial number of volunteers have donated their time in connection with the program service and administration of the Organization.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

B. Summary of Significant Accounting Policies: (Continued)

CONTRIBUTIONS

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-605 Revenue Recognition*, contributions received are recorded as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor restrictions.

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions are recognized when the donor makes a promise to give a contribution to RWEF, Inc. that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

No provision has been made for uncollectible promises to give and accounts receivable as of the statement of financial position date, given that none have been identified.

PROPERTY AND EQUIPMENT

Property and equipment purchased by RWEF, Inc. are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All purchases and donations in excess of \$5,000 are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives of five years for equipment, seven years for furniture, fifteen years for building and land improvements, and thirty years for buildings. Gains or losses on retired or sold property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to net assets without donor restrictions.

FUNCTIONAL EXPENSES

Expenses are charged to each program based on direct expenditures incurred. Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the organization's multiple function expenditures.

INCOME TAXES

RWEF, Inc. qualifies as a tax-exempt organization under section 501(c) (3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

B. Summary of Significant Accounting Policies: (Continued)

CASH AND CASH EQUIVALENTS

RWEF, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in demand accounts with various banks. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account. At times, individual bank accounts exceeded federally insured limits. RWEF, Inc. has not experienced any losses on such accounts.

ESTIMATES

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

C. Pension Plan:

Plan Description

The charter school contributes to the Teacher Retirement System of Texas (“TRS”), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school but are the liability of the State of Texas. TRS administers the retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public-school systems of Texas. The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800- 223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

C. Pension Plan: (Continued)

The latest TRS Comprehensive Annual Financial Report available dated August 31, 2018 provided the following information (ABO refers to the accumulated benefit obligation):

<u>Pension Fund</u>	<u>Total Plan Assets 2018</u>	<u>ABO 2018</u>	<u>Percent Funded</u>
TRS	\$ 176,942,454,000	\$ 209,611,329,000	76.9%

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas State legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. State law provides for a member contribution rate of 7.7% for fiscal year 2019. The state's contribution rate as a non-employer contributing entity was 6.8% for fiscal year 2019. The charter school's employee contributions to the system for the year ended June 30, 2019 were \$1,794,332 equal to the required contributions for the year.

Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum were contributed at a rate of 6.8% totaling \$79,876 for the year ended June 30, 2019. The charter school's contributions into this plan do not represent more than 5% of the total contributions to the plan. The charter school was assessed a surcharge of \$13,730.

D. Budget:

The official school budget is prepared for adoption for required Governmental Fund Types. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board of Directors.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

E. Liquidity and Availability of Financial Assets:

The following reflects RWEF, Inc.'s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year-end:	
Cash and cash equivalents	\$ 7,546,144
Grants receivable	6,069,887
Total financial assets	<u>13,616,031</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions as to use	<u>1,526,029</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 13,090,002</u>

The Organization manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the Organization. Excess cash is invested in short-term investments such as certificates of deposit that have maturity dates of less than three months.

F. Operating Lease Commitment:

RWEF, Inc. leases equipment and facilities under non-cancelable operating leases. The minimum annual lease commitment is as follows:

<u>Twelve months ending June 30,</u>	<u>Amount</u>
2020	\$ 4,249,090
2021	5,517,322
2022	6,139,109
2023	6,691,853
2024	6,536,014
Thereafter	<u>234,162,578</u>
Total	<u>\$ 263,295,966</u>

Operating lease expense amounted to \$6,000,335 for the year ended June 30, 2019.

G. Deferred Rent:

RWEF, Inc. has entered into long-term lease agreements for the use of land and buildings. As an incentive to the signing of many of those lease agreements, landlords have offered RWEF, Inc. varying periods of free rent that range from five months to twenty-seven months. Those periods of free rent

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

G. Deferred Rent: (Continued)

have been recognized as liabilities and represent a reduction in rental expenses on a straight-line basis over the term of each respective lease agreement. Deferred rent for the period ended June 30, 2019 totaled \$2,913,110.

H. Capital Leases Payable:

RWEF, Inc. leases technology equipment under capital leases as follows:

Capital lease payable to technology equipment provider in the original amount of \$16,440 requiring monthly payments of \$516 over 36 months through November 2020 at an interest rate of 8.50%. The lease is secured by technology equipment.	\$ 8,284
Capital lease payable to technology equipment provider in the original amount of \$57,540 requiring monthly payments of \$1,819 over 36 months through January 2021 at an interest rate of 8.60%. The lease is secured by technology equipment.	32,205
Capital lease payable to technology equipment provider in the original amount of \$206,312 requiring monthly payments of \$6,249 over 36 months through August 2020 at an interest rate of 5.71%. The lease is secured by technology equipment.	84,447
Capital lease payable to technology equipment provider in the original amount of \$34,672 requiring monthly payments of \$1,049 over 36 months through September 2020 at an interest rate of 5.62%. The lease is secured by technology equipment.	15,158
Capital lease payable to technology equipment provider in the original amount of \$28,065 requiring monthly payments of \$841 over 36 months through August 2020 at an interest rate of 4.95%. The lease is secured by technology equipment.	11,411
Capital lease payable to technology equipment provider in the original amount of \$28,065 requiring monthly payments of \$841 over 36 months through August 2020 at an interest rate of 4.95%. The lease is secured by technology equipment.	872
	<u>\$ 152,377</u>

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

H. Capital Leases Payable: (Continued)

The future minimum lease payments under the capital leases and the net present value of future minimum lease payments as of June 30, 2019, are as follows:

<u>Twelve months ending June 30,</u>	<u>Amount</u>
2020	\$ 126,563
2021	33,292
Thereafter	<u>-</u>
Total future minimum lease payments	159,855
Less amount representing interest	<u>(7,478)</u>
Present value of future minimum lease payments	152,377
Less current portion	<u>(120,192)</u>
Net long-term capital leases payable	<u>\$ 32,185</u>

Interest expense for capital leases payable amounted to \$13,642 for the year ended June 30, 2019.

I. Future Build-to-Suit Lease Commitments

RWEF, Inc. is currently signatory to five build-to-suit lease agreements scheduled to enter into effect in the years subsequent to June 30, 2019. These agreements are contingent upon the execution of significant new construction on the part of landlords, and will commit RWEF, Inc. to future long-term lease expenses. Construction under the five agreements is at various phases of completion, with the first scheduled to enter service in July 2019 and the last of the five in the 2021 fiscal year. Each agreement is structured as a twenty-five-year lease agreement. All lease agreements are accompanied by an option to purchase the completed property in the first years of each lease term and through several years of the lease agreements thereafter at estimated prices that range from 103 percent to 125 percent of overall project costs. Early estimates of project costs indicate each site will cost approximately \$17 million. Management estimates each of the five lease agreements will result in annual lease commitments ranging from approximately \$700,000 to \$1,800,000 per leased site. Management estimates each lease agreement qualifies for operating lease treatment under current lease accounting standards.

J. Commitments and Contingencies:

The charter school receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency, and it is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency. The school is economically dependent on these charter school funds.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

K. Health Care Coverage:

During the year ended June 30, 2019, employees of RWEF, Inc. were covered by a Health Insurance Plan (the Plan). RWEF, Inc. contributed \$325 for teachers, \$425 for Assistant Principals and \$625 for Principals and \$825 for Superintendents per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers.

L. Notes Payable:

The organization's obligations under notes payable consists of the following:

Note payable to Rasanet Construction, LLC, dba Sam&m Trade and Construction. The note is dated October 15, 2011, at a 6.0% interest rate, payable in 120 installments of \$4,012 and a face amount of \$361,400. The date of maturity is December 15, 2021. The note is secured by equipment, machinery, furniture and personal property. \$ 111,518

Non-revolving credit facility in an amount not to exceed \$4,000,000. The note is dated July 27, 2018, at a variable rate of interest currently stated as 4.71%, payable in monthly installments until July 27, 2020 after which time a lump sum amount will be due as full payment. The date of maturity is July 27, 2020. The note is secured by unrestricted assets of the Organization. 3,812,315

Total notes payable	\$ 3,923,833
Less costs of issuance	(26,190)
Notes Payable net of issuance costs	3,897,643
Less current portion	(3,828,741)
Total notes payable	<u>\$ 68,902</u>

Future maturities of notes payable over the next five years are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,828,741	\$ 159,994	\$ 3,988,735
2021	45,244	2,903	48,147
2022	23,658	416	24,074
Total	<u>\$ 3,897,643</u>	<u>\$ 163,313</u>	<u>\$ 4,060,956</u>

RWEF, Inc. has access to an additional revolving line of credit in an amount up to \$45,000. The line of credit currently carries an interest rate equal to 9.5 percent and is secured by a personal guarantee. The line of credit carried a balance of \$-0- at June 30, 2019.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

M. Bonds Payable:

RWEF, Inc. has secured bond financing pursuant to Chapter 53 of the Texas Education Code of “Qualified Tax Exempt” Education Revenue Bonds, Series 2014A and Series 2016A in the amounts of \$7,420,000 and \$2,041,000, respectively. RWEF also has Taxable Educational Revenue Bonds, Series 2016B in the amount of \$196,000, respectively. The bonds are limited obligations of the issuer payable solely from revenues received by the issuer pursuant to a loan agreement between the issuer and the borrower. None of the state, the city, nor any political corporation, subdivision, or agency of the state is pledged to the payment of the principal of premium, or interest on the bonds.

Bonds payable at June 30, 2019 consist of the following:

2014 A Bonds, 2.0% interest; principle due annually commencing August 15, 2015 and interest due semi-annually commencing August 15, 2014. Maturity dates range from 2016 to 2035.	\$ 6,335,000
2016 A Bonds, 2.0% interest; principle due annually commencing August 15, 2016 and interest due semi-annually commencing August 15, 2016. Maturity dates range from 2016 to 2030	1,606,000
2016 B Bonds, 3.25% interest; principle due annually commencing August 15, 2016 and interest due semi-annually commencing August 15, 2016. Maturity dates range from 2016 to 2026	<u>166,000</u>
Total	\$ 8,107,000
Plus unamortized premium	188,433
Less unamortized issuance costs	(281,359)
Less current portion	<u>(450,000)</u>
	<u>\$ 7,564,074</u>

Future maturities of long-term debt at June 30, 2019 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 450,000	\$ 249,771	\$ 699,771
2021	458,000	240,485	698,485
2022	466,000	229,501	695,501
2023	480,000	216,704	696,704
2024	489,000	203,551	692,551
Thereafter	<u>5,764,000</u>	<u>1,393,383</u>	<u>7,157,383</u>
Total	<u>\$ 8,107,000</u>	<u>\$ 2,533,395</u>	<u>\$ 10,640,395</u>

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

N. Bond Debt Covenants:

The bond agreements contain certain restrictions and covenants. RWEF, Inc. is required to maintain a ratio of available revenue (without excluding any discretionary expenses incurred during the fiscal year) that must equal at least 1.10X the annual debt service requirements. Additionally, RWEF, Inc. is required to maintain an operating reserve that covers 45 days of expenses at the end of each fiscal year. Management believes RWEF, Inc. was in compliance with these covenants and all other applicable covenants contained in bond agreements for the year ended June 30, 2019.

O. Restricted Cash:

Restricted cash at June 30, 2019 consisted of debt service cash accounts. These funds are to be solely used in the repayment of bond liabilities and cannot be used for normal operating expenditures.

P. Nets Assets with Donor Restrictions:

Net assets with donor restrictions at June 30, 2019 are restricted as follows:

Subject to expenditure for specified purposes:

State-financed general charter school activities	\$ 4,053,878
Support of charter schools located in San Antonio	1,000,000
Support of new charter school in NW San Antonio	<u>124,913</u>
Total restricted funds	<u>\$ 5,178,791</u>

Q. Central Office:

During the fiscal year, RWEF, Inc. was approved for the implementation of a Central Office administrative unit to provide administrative services to each of the separate school districts in exchange for an interagency fee. During the fiscal year, the Central Office unit agreed to charge each district an administrative fee equal to approximately 10 percent of state foundation and available per capita school fund revenues. The School of Science and Technology main district and the School of Science and Technology – Discovery district paid the Central Office unit \$1,698,968 and \$2,088,242, respectively. These fees have been eliminated in the presentation of consolidated financial statements.

R. Comparative Totals:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30 of the prior year, from which the summarized information was derived.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

S. Subsequent Events:

In the period subsequent to June 30, 2019, RWEF, Inc. has entered into negotiations for the issuance of approximately \$120,000,000 in long-term bonds to be used for the purchase of educational facilities under current and future lease agreements that contain purchase options. The last of the bonds issued would mature in 35 years.

T. Evaluation of Subsequent Events:

RWEF, Inc. has evaluated subsequent events through November 1, 2019 the date which the financial statements were available to be issued.

GOMEZ & COMPANY
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HOUSTON, TX 77056
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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Riverwalk Education Foundation, Inc.
San Antonio, Texas

We have audited the financial statements of Riverwalk Education Foundation, Inc. (RWEF, Inc.) as of and for the year ended June 30, 2019, and have issued our report thereon dated November 1, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School dated June 30, 2019, and appearing on pages 20 to 37, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Houston, TX
November 1, 2019

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- MAIN

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,978,865	\$ 1,446,025
Restricted Cash	318,598	309,339
Grants Receivable	2,825,058	2,297,530
Other Receivables	-	65,007
Total Current Assets	5,122,521	4,117,901
Property and Equipment		
Land	864,700	864,700
Building and Improvements	8,014,281	7,622,767
Furniture and Equipment	1,298,081	822,550
	10,177,062	9,310,017
Less: Accumulated Depreciation	(3,753,311)	(3,284,609)
	6,423,751	6,025,408
Other Assets		
Deposits	375,405	52,799
TOTAL ASSETS	\$ 11,921,677	\$ 10,196,108
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 33,720	\$ 27,874
Wages Payable	1,110,301	1,208,651
Payroll Taxes Payable	129,983	129,690
Accrued Liabilities	319,958	360,057
Interest Payable	67,517	71,059
Current Portion of Deferred Rent	16,110	374,111
Current Portion of Capital Leases Payable	89,822	83,151
Current portion of Notes Payable	1,797,278	-
Current Portion of Bonds Payable	260,000	251,125
Total Current Liabilities	3,824,689	2,505,718
Long-term Liabilities		
Deferred Rent net of Current Portion	377,243	
Capital Leases net of Current Portion	18,068	108,961
Bonds Payable net of Premium, Issuance Costs, and Current Portion	5,131,333	5,390,014
Total Long-term Liabilities	5,526,644	5,498,975
TOTAL LIABILITIES	9,351,333	8,004,693
Net Assets		
Without Donor Restrictions	588,134	588,134
With Donor Restrictions	1,982,210	1,603,281
TOTAL NET ASSETS	2,570,344	2,191,415
TOTAL LIABILITIES AND NET ASSETS	\$ 11,921,677	\$ 10,196,108

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- DISCOVERY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash	\$ 4,280,490	\$ 3,002,787
Restricted Cash	207,431	201,676
Grants Receivable	3,244,829	3,662,321
Total Current Assets	<u>7,732,750</u>	<u>6,866,784</u>
Property and Equipment		
Building and Improvements	6,523,878	5,557,551
Furniture and Equipment	1,285,482	440,464
	<u>7,809,360</u>	<u>5,998,015</u>
Less: Accumulated Depreciation	(3,616,808)	(3,012,956)
	<u>4,192,552</u>	<u>2,985,059</u>
Other Assets		
Deposits	807,445	347,181
	<u>807,445</u>	<u>347,181</u>
TOTAL ASSETS	<u><u>\$ 12,732,747</u></u>	<u><u>\$ 10,199,024</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 30,692	\$ 12,139
Wages Payable	1,365,700	1,351,473
Payroll Taxes Payable	169,833	153,677
Accrued Liabilities	414,723	440,177
Interest Payable	27,870	29,700
Current Portion of Deferred Rent	65,289	-
Current Portion of Capital Leases Payable	30,370	29,770
Current Portion of Notes Payable	2,031,463	192,555
Current Portion of Bonds Payable	190,000	183,875
Total Current Liabilities	<u>4,325,940</u>	<u>2,393,366</u>
Long-term Liabilities		
Deferred Rent net of Current Portion	2,414,742	-
Capital Leases net of Current Portion	14,117	43,415
Notes Payable net of Current Portion and Issuance Costs	68,902	111,518
Bonds Payable net of Current Portion, Premium and Issuance Costs	2,432,741	2,606,054
Total Long-term Liabilities	<u>4,930,502</u>	<u>2,760,987</u>
	<u>9,256,442</u>	<u>5,154,353</u>
Net Assets		
Without Donor Restrictions	534,479	534,479
With Donor Restrictions	2,941,826	4,510,192
Total Net Assets	<u>3,476,305</u>	<u>5,044,671</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,732,747</u></u>	<u><u>\$ 10,199,024</u></u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- CENTRAL OFFICE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash	\$ 760,760	\$ -
Total Current Assets	760,760	-
Property and Equipment		
Building and Improvements	21,647	-
	21,647	-
Less: Accumulated Depreciation	(1,263)	-
Total Property and Equipment	20,384	-
Other Assets		
Deposits	11,966	-
	11,966	-
TOTAL ASSETS	793,110	-
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 10,100	\$ -
Wages Payable	350,119	-
Payroll Taxes Payable	43,973	-
Accrued Liabilities	94,438	-
Current Portion of Deferred Rent	8,994	-
Total Current Liabilities	507,624	-
Long-Term Liabilities		
Deferred Rent Net of Current Portion	30,731	-
Total Long-Term Liabilities	30,731	-
Total Liabilities	538,355	-
Net Assets		
Without Donor Restrictions	-	-
With Donor Restrictions	254,755	-
Total Net Assets	254,755	-
TOTAL LIABILITIES AND NET ASSETS	\$ 793,110	\$ -

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- MAIN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 31,161	\$ 500,000	\$ 531,161	\$ 8,494
5750 Revenue from Cocurricular Activities	499,578	-	499,578	422,548
Total Local Support	<u>530,739</u>	<u>500,000</u>	<u>1,030,739</u>	<u>431,042</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	16,271,963	16,271,963	13,387,309
5820 State Program Revenues Distributed by Texas Education Agency	-	52,920	52,920	215,256
Total State Program Revenues	<u>-</u>	<u>16,324,883</u>	<u>16,324,883</u>	<u>13,602,565</u>
Federal Program Revenues:				
5920 USDA Donated Commodities	-	1,223,100	1,223,100	1,241,008
Total Federal Program Revenues	<u>-</u>	<u>1,223,100</u>	<u>1,223,100</u>	<u>1,241,008</u>
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	17,669,054	(17,669,054)	-	-
Total Revenues	<u>18,199,793</u>	<u>378,929</u>	<u>18,578,722</u>	<u>15,274,615</u>
Expenses				
11 Instruction	10,591,306	-	10,591,306	9,512,956
12 Instructional Resources and Media Services	299	-	299	99
13 Curriculum Development and Instructional Staff Development	863,311	-	863,311	231,547
21 Instructional Leadership	1,063,980	-	1,063,980	
23 School Leadership	1,430,896	-	1,430,896	1,026,907
33 Health Services	2,141	-	2,141	2,647
35 Food Services	683,877	-	683,877	503,292
36 Cocurricular/Extracurricular Activities	392,175	-	392,175	325,700
41 General Administration	218,333	-	218,333	867,785
51 Plant Maintenance and Operations	2,627,176	-	2,627,176	2,318,233
52 Security and Monitoring Services	30,530	-	30,530	3,588
53 Data Processing Services	80,330	-	80,330	144,003
71 Debt Service	215,439	-	215,439	203,061
Total Expenses	<u>18,199,793</u>	<u>-</u>	<u>18,199,793</u>	<u>15,139,818</u>
Change in Net Assets	<u>-</u>	<u>378,929</u>	<u>378,929</u>	<u>134,797</u>
Net Assets, beginning of year	<u>588,134</u>	<u>1,603,281</u>	<u>2,191,415</u>	<u>2,056,618</u>
Net Assets, end of year	<u>\$ 588,134</u>	<u>\$ 1,982,210</u>	<u>\$ 2,570,344</u>	<u>\$ 2,191,415</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- DISCOVERY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 39,286	\$ 700,000	\$ 739,286	\$ 150,864
5750 Revenue from Cocurricular Activities	715,500	-	715,500	354,606
Total Local Support	<u>754,786</u>	<u>700,000</u>	<u>1,454,786</u>	<u>505,470</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	20,657,169	20,657,169	15,273,395
5820 State Program Revenues Distributed by Texas Education Agency	-	132,064	132,064	233,432
Total State Program Revenues	<u>-</u>	<u>20,789,233</u>	<u>20,789,233</u>	<u>15,506,827</u>
Federal Program Revenues:				
5920 USDA Donated Commodities	-	2,521,957	2,521,957	1,712,304
Total Federal Program Revenues	<u>-</u>	<u>2,521,957</u>	<u>2,521,957</u>	<u>1,712,304</u>
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	25,579,556	(25,579,556)	-	-
Total Revenues	<u>26,334,342</u>	<u>(1,568,366)</u>	<u>24,765,976</u>	<u>17,724,601</u>
Expenses				
11 Instruction	13,545,309	-	13,545,309	9,583,436
12 Instructional Resources and Media Services	40,838	-	40,838	-
13 Curriculum Development and Instructional Staff Development	1,042,598	-	1,042,598	264,500
21 Instructional Leadership	1,266,855	-	1,266,855	-
23 School Leadership	2,282,145	-	2,282,145	1,006,176
33 Health Services	22,201	-	22,201	1,166
35 Food Services	947,163	-	947,163	576,493
36 Cocurricular/Extracurricular Activities	498,875	-	498,875	264,761
41 General Administration	174,592	-	174,592	1,774,032
51 Plant Maintenance and Operations	6,325,893	-	6,325,893	2,513,377
52 Security and Monitoring Services	2,195	-	2,195	-
53 Data Processing Services	14,518	-	14,518	47,250
71 Debt Service	171,160	-	171,160	115,845
Total Expenses	<u>26,334,342</u>	<u>-</u>	<u>26,334,342</u>	<u>16,147,036</u>
Change in Net Assets	<u>-</u>	<u>(1,568,366)</u>	<u>(1,568,366)</u>	<u>1,577,565</u>
Net Assets, beginning of year	<u>534,479</u>	<u>4,510,192</u>	<u>5,044,671</u>	<u>3,467,106</u>
Net Assets, end of year	<u>\$ 534,479</u>	<u>\$ 2,941,826</u>	<u>\$ 3,476,305</u>	<u>\$ 5,044,671</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- CENTRAL OFFICE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ 3,787,211	\$ 3,787,211	\$ -
Total Local Support	<u>-</u>	<u>3,787,211</u>	<u>3,787,211</u>	<u>-</u>
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	3,532,456	(3,532,456)	-	-
Total Revenues	<u>3,532,456</u>	<u>254,755</u>	<u>3,787,211</u>	<u>-</u>
Expenses				
13 Curriculum Development and Instructional				
Staff Development	52,457	-	52,457	-
41 General Administration	3,337,664	-	3,337,664	-
51 Plant Maintenance and Operations	142,335	-	142,335	-
Total Expenses	<u>3,532,456</u>	<u>-</u>	<u>3,532,456</u>	<u>-</u>
Change in Net Assets	<u>-</u>	<u>254,755</u>	<u>254,755</u>	<u>-</u>
Net Assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, end of year	<u>\$ -</u>	<u>\$ 254,755</u>	<u>\$ 254,755</u>	<u>\$ -</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- MAIN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 378,929	\$ 134,797
Adjustments to reconcile change in net assets to net Cash Provided (Used) by Operating Activities:		
Depreciation expense	468,702	347,012
Amortization expense	1,320	27,010
(Increase) Decrease in Grants Receivable	(527,528)	(438,083)
(Increase) Decrease in Other Receivable	65,007	189,794
(Increase) Decrease in Deposits	(322,606)	(35,000)
Increase (Decrease) in Accounts Payable	5,849	(3,085)
Increase (Decrease) in Accrued Liabilities	(40,099)	134,356
Increase (Decrease) in Accrued Wages	(98,350)	373,457
Increase (Decrease) in Payroll Taxes Payable	293	13,181
Increase (Decrease) in Interest Payable	(3,542)	2,644
Increase (Decrease) in Deferred Rent	19,242	374,111
Total Adjustments	(431,712)	985,397
Net Cash Provided (Used) By Operating Activities	(52,783)	1,120,194
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	(867,045)	(482,645)
Net Cash Provided (Used) By Investing Activities	(867,045)	(482,645)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loans	1,797,278	253,533
Repayment of Loans	-	(61,420)
Repayment of Capital Leases	(84,226)	-
Repayments of Bonds	(251,125)	(246,775)
Net Cash Provided (Used) By Financing Activities	1,461,927	(54,662)
 NET INCREASE (DECREASE) IN CASH	542,099	582,887
 CASH AT BEGINNING OF YEAR	1,755,364	1,172,477
 CASH AT END OF YEAR	\$ 2,297,463	\$ 1,755,364
 CASH PAID DURING THE YEAR FOR:		
INTEREST	\$ 214,118	\$ 201,741

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- DISCOVERY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,568,366)	\$ 1,577,565
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	603,852	538,945
Amortization expense	16,688	16,688
(Increase) Decrease in Grants Receivable	417,492	(1,407,640)
(Increase) Decrease in Other Receivable	-	234,535
(Increase) Decrease in Deposits	(460,264)	(252,624)
Increase (Decrease) in Accounts Payable	18,553	(51,371)
Increase (Decrease) in Accrued Liabilities	(25,454)	195,025
Increase (Decrease) in Accrued Wages	14,227	473,885
Increase (Decrease) in Payroll Taxes Payable	16,155	18,490
Increase (Decrease) in Interest Payable	(1,830)	12,933
Increase (Decrease) in Deferred Rent	2,480,031	-
Total Adjustments	<u>3,079,450</u>	<u>(221,134)</u>
Net Cash Provided (Used) By Operating Activities	<u>1,511,084</u>	<u>1,356,431</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	<u>(1,811,343)</u>	<u>(195,675)</u>
Net Cash Provided (Used) By Investing Activities	<u>(1,811,343)</u>	<u>(195,675)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loans	1,988,847	91,739
Repayment of Loans	(192,555)	(53,947)
Repayment of Capital Leases	(28,699)	
Repayments of Bonds	<u>(183,875)</u>	<u>(181,225)</u>
Net Cash Provided (Used) By Financing Activities	<u>1,583,718</u>	<u>(143,433)</u>
NET INCREASE (DECREASE) IN CASH	<u>1,283,459</u>	<u>1,017,323</u>
CASH AT BEGINNING OF YEAR	<u>3,204,462</u>	<u>2,187,139</u>
CASH AT END OF YEAR	<u>\$ 4,487,921</u>	<u>\$ 3,204,462</u>
CASH PAID DURING THE YEAR FOR:		
INTEREST	<u>\$ 154,471</u>	<u>\$ 99,156</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- CENTRAL OFFICE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 254,755	\$ -
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,263	-
(Increase) Decrease in Deposits	(11,966)	-
Increase (Decrease) in Accounts Payable	10,100	-
Increase (Decrease) in Accrued Liabilities	94,438	-
Increase (Decrease) in Accrued Wages	350,119	-
Increase (Decrease) in Payroll Taxes Payable	43,973	-
Increase (Decrease) in Deferred Rent	39,725	-
Total Adjustments	527,652	-
Net Cash Provided (Used) By Operating Activities	782,407	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	(21,647)	-
Net Cash Provided (Used) By Investing Activities	(21,647)	-
NET INCREASE (DECREASE) IN CASH	760,760	-
CASH AT BEGINNING OF YEAR	-	-
CASH AT END OF YEAR	\$ 760,760	\$ -
CASH PAID DURING THE YEAR FOR:		
INTEREST	\$ -	\$ -

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- MAIN
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

EXPENSES	2019	2018
6100 Payroll Costs	\$ 10,717,357	\$ 9,654,918
6200 Professional and Contracted Services	5,192,493	3,313,822
6300 Supplies and Materials	880,972	1,108,930
6400 Other Operating Costs	1,193,532	859,087
6500 Debt	215,439	203,061
Total Expenses	\$ 18,199,793	\$ 15,139,818

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- DISCOVERY
SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

	2019	2018
EXPENSES		
6100 Payroll Costs	\$ 13,675,706	\$ 10,621,405
6200 Professional and Contracted Services	9,554,582	3,530,529
6300 Supplies and Materials	1,693,173	853,193
6400 Other Operating Costs	1,239,720	1,026,064
6500 Debt	171,160	115,845
Total Expenses	\$ 26,334,341	\$ 16,147,036

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- CENTRAL OFFICE
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Period Ended June 30, 2018)

	2019	2018
EXPENSES		
6100 Payroll Costs	\$ 2,758,948	\$ -
6200 Professional and Contracted Services	498,348	-
6300 Supplies and Materials	69,443	-
6400 Other Operating Costs	205,717	-
Total Expenses	\$ 3,532,456	\$ -

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- MAIN
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 62,822	\$ 2,234,641	\$ -
1510 Land	-	864,700	-
1520 Building and Improvements	20,540	7,993,741	-
1549 Furniture and Equipment	-	646,441	104,692
1559 Capital Leases	-	546,948	-
	-	-	-
Total Capital Assets	\$ 83,362	\$ 12,286,471	\$ 104,692

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- DISCOVERY
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 132,577	\$ 4,344,385	\$ 10,959
1520 Building and Improvements	61,094	6,462,784	
1549 Furniture and Equipment		1,090,597	92,896
1559 Capital Leases		91,739	
1569 Library Books and Media			10,250
Total Capital Assets	\$ 193,671	\$ 11,989,505	\$ 114,105

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- CENTRAL OFFICE
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	760,760	\$ -
1520 Building and Improvements	-	21,647	-
Total Capital Assets	\$ -	\$ 782,407	\$ -

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- MAIN
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 150,000	\$ 33,335	\$ 531,161	\$ 497,826
5750 Revenue from Cocurricular Activities	559,700	537,700	499,578	(38,122)
Total Local Support	<u>709,700</u>	<u>571,035</u>	<u>1,030,739</u>	<u>459,704</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	16,989,683	16,900,575	16,271,963	(628,612)
5820 State Program Revenues Distributed by Texas Education Agency	28,900	51,718	52,920	1,202
Total State Program Revenues	<u>17,018,583</u>	<u>16,952,293</u>	<u>16,324,883</u>	<u>(627,410)</u>
Federal Program Revenues:				
5920 Federal Revenue Distributed by TEA	986,361	1,170,917	1,223,100	52,183
Total Federal Program Revenues	<u>986,361</u>	<u>1,170,917</u>	<u>1,223,100</u>	<u>52,183</u>
Total Revenues	<u>18,714,644</u>	<u>18,694,245</u>	<u>18,578,722</u>	<u>(115,523)</u>
EXPENSES				
11 Instruction	10,516,608	10,344,221	10,591,306	(247,085)
12 Instructional Resources and Media Services	299	299	299	-
13 Curriculum Development and Instructional Staff Development	716,200	863,800	863,311	489
21 Instructional Leadership	975,000	1,064,000	1,063,980	20
23 School Leadership	1,044,058	1,429,558	1,430,896	(1,338)
33 Health Services	5,600	2,240	2,141	99
35 Food Services	504,200	640,200	683,877	(43,677)
36 Cocurricular/Extracurricular Activities	409,500	392,526	392,175	351
41 General Administration	85,000	218,333	218,333	-
51 Plant Maintenance and Operations	2,506,701	2,625,901	2,627,176	(1,275)
52 Security and Monitoring Services	4,800	30,800	30,530	270
53 Data Processing Services	141,442	80,480	80,330	150
71 Debt Service	206,966	193,188	215,439	(22,251)
Total Expenses	<u>17,116,374</u>	<u>17,885,546</u>	<u>18,199,793</u>	<u>(314,247)</u>
Change in Net Assets	<u>1,598,270</u>	<u>808,699</u>	<u>378,929</u>	<u>(429,770)</u>
Net Assets, beginning of year	<u>2,191,415</u>	<u>2,191,415</u>	<u>2,191,415</u>	
Net Assets, end of year	<u>\$ 3,789,685</u>	<u>\$ 3,000,114</u>	<u>\$ 2,570,344</u>	<u>\$ (429,770)</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- DISCOVERY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 340,053	\$ 243,566	\$ 739,286	\$ 495,720
5750 Revenue from Cocurricular Activities	569,689	758,594	715,500	(43,094)
Total Local Support	<u>909,742</u>	<u>1,002,160</u>	<u>1,454,786</u>	<u>452,626</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	21,062,367	21,725,123	20,657,169	(1,067,954)
5820 State Program Revenues Distributed by Texas Education Agency	46,160	132,160	132,064	(96)
Total State Program Revenues	<u>21,108,527</u>	<u>21,857,283</u>	<u>20,789,233</u>	<u>(1,068,050)</u>
Federal Program Revenues:				
5920 Federal Revenue Distributed by TEA	2,251,570	2,436,570	2,521,957	85,387
Total Federal Program Revenues	<u>2,251,570</u>	<u>2,436,570</u>	<u>2,521,957</u>	<u>85,387</u>
Total Revenues	<u>24,269,839</u>	<u>25,296,013</u>	<u>24,765,976</u>	<u>(530,037)</u>
Expenses				
11 Instruction	12,780,668	12,931,477	13,545,309	(613,832)
12 Instructional Resources and Media Services	500	41,350	40,838	512
13 Curriculum Development and Instructional Staff Development	1,003,698	1,073,698	1,042,598	31,100
21 Instructional Leadership	1,285,530	1,285,530	1,266,855	18,675
23 School Leadership	2,515,067	2,282,145	2,282,145	0
33 Health Services	39,650	22,350	22,201	149
35 Food Services	672,946	837,213	947,163	(109,950)
36 Cocurricular/Extracurricular Activities	512,250	534,252	498,875	35,377
41 General Administration	99,000	175,539	174,592	947
51 Plant Maintenance and Operations	4,366,878	3,507,549	6,325,893	(2,818,344)
52 Security and Monitoring Services	15,400	2,200	2,195	5
53 Data Processing Services	69,038	15,038	14,518	520
71 Debt Service	102,668	153,568	171,160	(17,592)
Total Expenses	<u>23,463,293</u>	<u>22,861,909</u>	<u>26,334,342</u>	<u>(3,472,433)</u>
Change in Net Assets	<u>806,546</u>	<u>2,434,104</u>	<u>(1,568,366)</u>	<u>(4,002,470)</u>
Net Assets, beginning of year	<u>5,044,671</u>	<u>5,044,671</u>	<u>5,044,671</u>	
Net Assets, end of year	<u>\$ 5,851,217</u>	<u>\$ 7,478,775</u>	<u>\$ 3,476,305</u>	<u>\$ (4,002,470)</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY- CENTRAL OFFICE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 3,719,054	\$ 3,787,211	\$ 3,787,211	\$ -
Total Local Support	<u>3,719,054</u>	<u>3,787,211</u>	<u>3,787,211</u>	<u>-</u>
Total Revenues	<u>3,719,054</u>	<u>3,787,211</u>	<u>3,787,211</u>	<u>-</u>
Expenses				
13 Curriculum Development and Instructional				
Staff Development	1,101,000	52,000	52,457	(457)
41 General Administration	2,563,241	3,343,241	3,337,664	5,577
51 Plant Maintenance and Operations	-	123,000	142,335	(19,335)
Total Expenses	<u>3,664,241</u>	<u>3,518,241</u>	<u>3,532,456</u>	<u>(14,215)</u>
Change in Net Assets	<u>54,813</u>	<u>268,970</u>	<u>254,755</u>	<u>(14,215)</u>
Net Assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, end of year	<u>\$ 54,813</u>	<u>\$ 268,970</u>	<u>\$ 254,755</u>	<u>\$ (14,215)</u>

See accompanying notes to financial statements.

GOMEZ & COMPANY
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Riverwalk Education Foundation, Inc.
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Riverwalk Education Foundation, Inc. (RWEF, Inc.) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RWEF, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RWEF, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of RWEF, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RWEF, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Ramirez & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX
November 1, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Riverwalk Education Foundation, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Riverwalk Education Foundation, Inc. (RWEF, Inc.)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of RWEF, Inc.'s major federal programs for the year ended June 30, 2019. RWEF, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of RWEF, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RWEF, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of RWEF, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Riverwalk Education Foundation, Inc. (RWEF, Inc.) complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

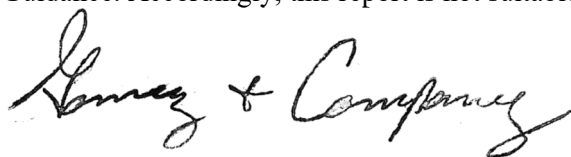
Report on Internal Control Over Compliance

Management of RWEF, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RWEF, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RWEF, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Houston, TX
November 1, 2019

RIVERWALK EDUCATION FOUNDATION, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses on internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any audit findings which are required to be reported in accordance with 2 CFR section 200.516(a).

7. Major programs:

U.S. Department of Agriculture	
Passed – Through Texas Education Agency	
Title I, Part A	84.010

8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. RWEF, Inc. qualifies as a low-risk auditee.

<u>Current Year Findings</u>	<u>Questioned Costs</u>
No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a).	\$-0-

* Denotes cluster

RIVERWALK EDUCATION FOUNDATION, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

No findings were noted as per governmental auditing standards and 2 CFR section 200.516(a) for the year ended June 30, 2018.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed - Through Texas Education Agency:			
Title I, Part A-Improving Basic Programs	84.010A	19610101015827	\$ 345,257
Title I, Part A-Improving Basic Programs	84.010A	19610101015831	518,248
IDEA, Part B-Formula	84.027A	196600010158276000	209,898
IDEA, Part B-Formula	84.027A	196600010158316000	232,778
IDEA, Part B-High Cost Risk Pool	84.027A	66001806	57,309
2016-2018 PCSP Start-up grant	84.282A	165900037110007	9,814
2016-2018 PCSP Start-up grant	84.282A	185901017110008	388,205
2016-2018 PCSP Start-up grant	84.282A	185901017110009	363,207
Title II, Part A-Teacher & Principal Training	84.367A	19694501015827	50,384
Title II, Part A-Teacher & Principal Training	84.367A	19694501015831	61,445
<u>U.S. Department of Education</u>			
Passed - Through Education Service Center:			
Title III, Part A-LEP	84.365A	19671001015827	18,592
Title III, Part A-LEP	84.365A	19671001015831	14,755
Title IV, Part A, Subpart 1	84.424A	19680101015827	17,573
Title IV, Part A, Subpart 1	84.424A	19680101015831	28,519
Total U.S. Department of Education			<u>2,315,984</u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
Breakfast	10.553	71401801	43,636
Breakfast	10.553	71401901	229,587
Lunch	10.555	71301801	157,892
Lunch	10.555	71301901	905,491
Passed - Through Texas Department of Agriculture			
USDA Commodity Food Distribution	10.555		<u>92,467</u>
Total U.S. Department of Agriculture			<u>1,429,073</u>
Total Federal Financial Assistance			<u>\$ 3,745,057</u>

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of federal awards (the Schedule) includes the federal grant activity of Riverwalk Education Foundation, Inc. (RWEF, Inc.) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of RWEF, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of RWEF, Inc.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

RWEF, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Subrecipients

The Organization did not provide federal awards to subrecipients.

Federal Revenue Reconciliation

The organization received federal contributions from the Texas Education Agency and presents them on an accrual basis as follows: