

RIVERWALK EDUCATION FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2016

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RIVERWALK EDUCATION FOUNDATION, INC.

015-827

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(Federal Employer Identification Number: 01-0758906)

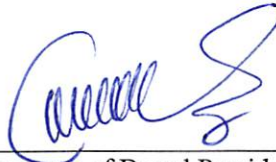
CERTIFICATE OF BOARD

June 30, 2016

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, 2016, at a meeting of the governing body of said charter school on the 15 day of November, 2016.



Signature of Board Secretary



Signature of Board President

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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, 2016, 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.

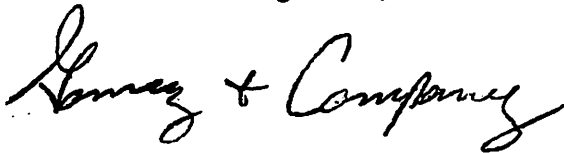
Other Matters

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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 information 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 October 21, 2016, 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 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 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
October 21, 2016

RIVERWALK EDUCATION FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(With Comparative Totals for June 30, 2015)

ASSETS

	2016	2015
Current Assets:		
Cash	\$ 4,194,019	\$ 3,072,770
Restricted Cash	2,134,625	320,428
Grants Receivable	2,849,255	2,790,984
Other Receivables	4,078	6,730
Total Current Assets:	<u>9,181,977</u>	<u>6,190,912</u>
Property & Equipment:		
Land	864,700	864,700
Buildings and Improvements	11,729,193	10,820,594
Furniture and Equipment	445,744	359,141
	<u>13,039,637</u>	<u>12,044,435</u>
Less: Accumulated Depreciation	<u>(4,700,606)</u>	<u>(4,128,203)</u>
	<u>8,339,031</u>	<u>7,916,232</u>
Other Assets:		
Prepaid Expenses		33,801
Deposits	112,356	93,046
Bond Issuance Cost	310,468	81,721
	<u>422,824</u>	<u>208,568</u>
Total Assets	<u>\$ 17,943,832</u>	<u>\$ 14,315,712</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 860,322	\$ 29,169
Wages Payable	1,100,020	969,670
Payroll Taxes Payable	157,433	135,393
Accrued Liabilities	306,468	288,076
Interest Payable	94,023	89,456
Current Portion of Notes Payable	86,279	119,292
Current Portion of Bonds Payable	422,000	265,000
Total Current Liabilities	<u>3,026,545</u>	<u>1,896,056</u>
Long-term Liabilities:		
Notes Payable Net of Current Portion	189,466	267,460
Bonds Payable Net of Premium/Discount and Current Portion	9,133,517	7,327,643
	<u>9,322,983</u>	<u>7,595,103</u>
Total Liabilities	<u>12,349,528</u>	<u>9,491,159</u>
Net Assets:		
Unrestricted	1,122,613	1,122,613
Temporarily Restricted	4,471,691	3,701,940
	<u>5,594,304</u>	<u>4,824,553</u>
Total Net Assets	<u>5,594,304</u>	<u>4,824,553</u>
Total Liabilities and Net Assets	<u>\$ 17,943,832</u>	<u>\$ 14,315,712</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Period Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Total	2015
SUPPORT AND REVENUE				
Federal Grants	\$	\$ 1,233,642	\$ 1,233,642	\$ 1,348,190
State and Local Grants		16,898,237	16,898,237	15,552,855
Interest Income	232		232	33
Other Income	574,238		574,238	588,170
Net Assets Released From Restrictions	<u>17,362,128</u>	<u>(17,362,128)</u>		
Total Revenues	<u>17,936,598</u>	<u>769,751</u>	<u>18,706,349</u>	<u>17,489,248</u>
EXPENSES				
Salaries	9,691,435		9,691,435	8,416,888
Employee Benefits	914,827		914,827	780,217
Payroll Tax Expense	172,205		172,205	176,007
Professional Fees	1,978,291		1,978,291	2,142,021
Occupancy	1,573,668		1,573,668	1,544,596
Equipment Lease	170,474		170,474	127,367
Supplies	922,227		922,227	901,056
Interest	246,998		246,998	250,082
Repairs & Maintenance	467,610		467,610	154,341
Utilities	303,051		303,051	335,039
Travel	163,932		163,932	152,315
Training	38,221		38,221	38,923
Insurance	72,811		72,811	61,355
Other Expense	637,023		637,023	513,568
Depreciation	572,403		572,403	636,946
Amortization	11,422		11,422	214,336
Total Expenses	<u>17,936,598</u>		<u>17,936,598</u>	<u>16,445,057</u>
Change In Net Assets		<u>769,751</u>	<u>769,751</u>	<u>1,044,191</u>
Net Assets, Beginning of Year	<u>1,122,613</u>	<u>3,701,940</u>	<u>4,824,553</u>	<u>3,780,362</u>
Net assets, End of Year	<u>\$ 1,122,613</u>	<u>\$ 4,471,691</u>	<u>\$ 5,594,304</u>	<u>\$ 4,824,553</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Period Ended June 30, 2015)

	2016	2015
Cash Flows From Operating Activities		
Change in Net Assets	\$ 769,751	\$ 1,044,191
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	572,403	636,947
Amortization	11,422	214,336
(Increase) Decrease in Grants Receivable	(58,271)	(402,613)
(Increase) Decrease in Other Receivable	2,653	110,790
(Increase) Decrease in Other Assets	(210,906)	(48,943)
Increase (Decrease) in Accounts Payable	807,254	(44,505)
Increase (Decrease) in Accrued Liabilities	18,392	23,684
Increase (Decrease) in Accrued Wages	130,350	97,291
Increase (Decrease) in Payroll Tax Payable	22,040	8,621
Increase (Decrease) in Interest Payable	4,567	64,145
Total Adjustments	1,299,903	659,753
Net Cash Provided (Used) by Operating Activities	2,069,654	1,703,944
Cash Flows From Investing Activities		
Purchase of Fixed Assets	(995,200)	(816,075)
Net Cash Provided (Used) By Investing Activities	(995,200)	(816,075)
Cash Flows From Financing Activities		
Proceeds From Loans	11,002	42,838
Proceeds From Bonds	2,237,000	
Repayment of Loans	(122,010)	(111,236)
Repayment Bonds	(265,000)	(310,000)
Net Cash Provided (Used) By Financing Activities	1,860,992	(378,398)
NET INCREASE (DECREASE) IN CASH	2,935,446	509,471
CASH AT BEGINNING OF YEAR	3,393,198	2,883,727
CASH AT END OF YEAR	\$ 6,328,644	\$ 3,393,198
Cash Paid During the Year For:		
Interest	\$ 246,998	\$ 250,082

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 operations 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 PRESENTATION

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization.

Temporarily restricted net assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Permanently restricted net assets

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

B. Summary of Significant Accounting Policies: (Continued)

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all of the agencies accounts. All significant intercompany 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.

CONTRIBUTIONS

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 605 Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

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 unrestricted net assets.

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 unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

B. Summary of Significant Accounting Policies: (Continued)

PLEDGES AND ACCOUNTS RECEIVABLE (Continued)

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.

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.

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 at a bank. The account at this institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. The bank account, at times, 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.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

C. Pension Plan: (Continued)

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 form 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. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2015 indicated the following:

Pension	Total Plan Assets	ABO	Percent
Fund	2015	2015	Funded
TRS	\$ 149,780,062,000	\$ 163,887,375,000	78.43%

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% 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 7.2% for fiscal year 2016, and 7.7% for fiscal year 2017. The state's contribution rate as a non-employer contributing entity was 6.8% for fiscal year 2016. The charter school's employee contributions to the system for the year ended June 30, 2016 were \$719,384 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 \$44,655 for the year ending June 30, 2016. The charter school's contributions into this plan do not represent more than 5% of the total contributions to the plan and was not assessed a surcharge.

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, 2016

E. 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>
2017	\$ 2,360,194
2018	2,277,869
2019	1,763,141
2020	764,504
2021	536,104
Total	<u>\$ 7,701,812</u>

Operating lease expense amounted to \$1,745,118 for the year ended June 30, 2016.

F. Health Care Coverage:

During the year ended June 30, 2016, 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.

G. 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.

H. Note Payable:

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

Note payable to Resanet 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. \$ 225,077

Note payable to East West Bank. The note is dated January 15, 2014, at a 5.0% interest rate, payable in 36 installments of \$5,400 and a face value of \$180,000. The date of maturity is February 1, 2017. The note is unsecured. 42,381

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

H. Note Payable: (Continued)

Revolving line of credit for \$45,000 with BBVA. Monthly payments are 2% of monthly balance which includes interest. Interest is calculated as lender's prime rate, currently 3.73%, plus a margin of 4.25%, with an interest rate ceiling of 18%. Line of credit is due on demand. The note is secured by personal guarantee.

	8,287
Total notes payable	275,745
Less current portion	(86,279)
Total notes payable	<u>\$ 189,466</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>
2017	\$ 86,279	\$ 13,349	\$ 99,628
2018	37,808	10,339	48,147
2019	40,140	8,008	48,148
2020	42,616	5,532	48,148
2021	45,244	2,903	48,147
Thereafter	23,658	436	24,094
Total	<u>\$ 275,745</u>	<u>\$ 40,567</u>	<u>\$ 316,312</u>

I. 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 2014B and 2016B in the amounts of \$310,000 and \$196,000, respectively. The bond is 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, 2016 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. \$ 7,155,000

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 2,041,000

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

I. Bonds Payable: (Continued)

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	196,000
Total	\$ 9,392,000
Plus unamortized premium	223,528
Less unamortized discount	(60,011)
Less current portion	(422,000)
	<u>\$ 9,133,517</u>

Future maturities of long-term debt at June 30, 2016 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 422,000	\$ 265,003	\$ 687,003
2018	428,000	267,520	695,520
2019	435,000	258,778	693,778
2020	450,000	249,771	699,771
2021	458,000	240,485	698,485
Thereafter	7,199,000	1,861,014	9,060,014
Total	<u>\$ 9,392,000</u>	<u>\$ 3,142,571</u>	<u>\$ 12,534,571</u>

RWEF, Inc. is not required to maintain debt service reserve accounts for Series 2014A and Series 2014B bonds.

J. Bond Debt Covenants:

The bond agreements contain the following 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 be at least equal to 1.10X the annual debt service requirements. RWEF, Inc.'s minimum available excess revenue requirement totaled \$550,990. At June 30, 2016, RWEF, Inc. met the covenant requirement by holding available revenue of \$1,660,574. Additionally, RWEF, Inc. is required to maintain an operating reserve that covers 45 days of budgeted expenses at the end of each fiscal year. For the fiscal year ending June 30, 2016, RWEF, Inc. was required to have \$2,177,514 in their operating accounts. At June 30, 2016, RWEF, Inc. met the covenant with an available cash balance of \$4,124,276.

K. Restricted Cash:

Restricted cash at June 30, 2016 consisted of debt service and debt service reserve fund cash accounts. These funds are to be solely used in the repayment of bond liabilities and cannot be used for normal operating expenditures.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

L. Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2016, are available for the following periods:

Periods after June 30, 2016	\$ 4,471,691
Total restricted funds	<u>\$ 4,471,691</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

State Funds	\$ 16,128,486
Federal Funds	<u>1,233,642</u>
Total restrictions released	<u>\$ 17,362,128</u>

M. Shared Services Arrangement:

During the year ended June 30, 2016, RWEF, Inc. participated in a shared services arrangement with Region 20 for the following program:

ESEA, Title III, Part A – Academic Achievement for Limited English Proficient

RWEF, Inc. participates in a shared services arrangement to be used to improve English proficiency by providing language instruction to limited English proficient students. The shared services arrangement is funded under ESEA, Title III, Part A – Limited English Proficient. RWEF, Inc. neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region 20, nor does RWEF, Inc. have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to RWEF, Inc. The fiscal agent is responsible for part of the financial activities of the shared services arrangement. Region 20 is reporting \$14,423 as expenditures incurred on behalf of RWEF, Inc.

N. Evaluation of Subsequent Events:

RWEF, Inc. has evaluated subsequent events through October 21, 2016 the date which the financial statements were available to be issued.

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

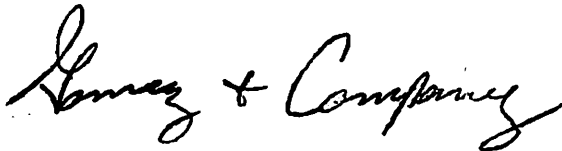
FAX: (713) 666-1049

<http://www.gomezandco.com>

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, 2016, and have issued our report thereon dated October 21, 2016 which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements dated as a whole. The Schedules for Individual Charter School dated June 30, 2016, pages 15 to 26 is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Houston, TX
October 21, 2016

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash	\$ 1,865,654	\$ 1,683,651
Restricted Cash	1,113,615	269,977
Grants Receivable	1,227,225	1,223,287
Other Receivables	<u>935</u>	<u>935</u>
	<u>4,207,429</u>	<u>3,177,850</u>
Property & Equipment:		
Land	864,700	864,700
Building and Improvements	7,270,041	7,088,314
Furniture and Equipment	<u>234,689</u>	<u>211,463</u>
	8,369,430	8,164,477
Accumulated Depreciation	<u>(2,678,009)</u>	<u>(2,451,860)</u>
	<u>5,691,421</u>	<u>5,712,617</u>
Other Assets:		
Deposits	17,799	17,799
Bond Issuance Cost	<u>160,974</u>	<u>65,377</u>
Total Assets	<u>\$ 10,077,623</u>	<u>\$ 8,973,643</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 222,325	\$ 16,521
Wages Payable	534,013	449,065
Payroll Taxes Payable	73,261	59,749
Accrued Liabilities	141,810	135,412
Interest Payable	72,761	71,565
Current Portion of Notes Payable	42,381	60,949
Current Portion of Bonds Payable	<u>278,725</u>	<u>212,000</u>
Total Current Liabilities	<u>1,365,276</u>	<u>1,005,261</u>
Long-term Liabilities:		
Notes Payable Net of Current Portion		42,383
Bonds Payable Net of Premium/Discount and Current Portion	<u>6,523,361</u>	<u>5,857,611</u>
Total Liabilities	<u>7,888,637</u>	<u>6,905,255</u>
Net Assets:		
Unrestricted	588,134	588,134
Temporarily Restricted	<u>1,600,852</u>	<u>1,480,254</u>
Total Net Assets	<u>2,188,986</u>	<u>2,068,388</u>
Total Liabilities and Net Assets	<u>\$ 10,077,623</u>	<u>\$ 8,973,643</u>

See accompanying notes to financial statements.

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash	\$ 2,328,365	\$ 1,452,792
Restricted Cash	1,021,010	50,451
Grants Receivable	1,622,030	1,504,024
Other Receivable	<u>3,143</u>	<u>5,795</u>
Total Current Assets	<u>4,974,548</u>	<u>3,013,062</u>
Property & Equipment:		
Building and Improvements	4,459,152	3,732,280
Furniture and Equipment	<u>211,055</u>	<u>147,678</u>
	4,670,207	3,879,958
Accumulated Depreciation	<u>(2,022,597)</u>	<u>(1,676,343)</u>
	<u>2,647,610</u>	<u>2,203,615</u>
Other Assets:		
Deposits	94,557	75,247
Prepaid Expenses		33,801
Bond Issuance Cost	<u>149,494</u>	<u>16,344</u>
Total Assets	<u>\$ 7,866,209</u>	<u>\$ 5,342,069</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 637,997	\$ 12,648
Wages Payable	566,007	520,605
Payroll Taxes Payable	84,172	75,644
Accrued Liabilities	164,658	152,664
Interest Payable	21,262	17,891
Current Portion of Notes Payable	43,898	58,343
Current Portion of Bonds Payable	<u>143,275</u>	<u>53,000</u>
Total Current Liabilities	<u>1,661,269</u>	<u>890,795</u>
Long-term Liabilities:		
Notes Payable Net of Current Portion	189,466	225,077
Bonds Payable Net of Premium/Discount and Current Portion	<u>2,610,156</u>	<u>1,470,032</u>
Total Liabilities	<u>4,460,891</u>	<u>2,585,904</u>
Net Assets:		
Unrestricted	534,479	534,479
Temporarily Restricted	<u>2,870,839</u>	<u>2,221,686</u>
Total Net Assets	<u>3,405,318</u>	<u>2,756,165</u>
Total Liabilities and Net Assets	<u>\$ 7,866,209</u>	<u>\$ 5,342,069</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE AND TECHNOLOGY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

(With Comparative Totals for the Period Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Total	2015
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 20,346	\$	\$ 20,346	\$ 24,934
5750 Revenue from Cocurricular Activities	247,003		247,003	221,765
Total Local Program Revenues	267,349		267,349	246,699
State Program Revenues				
5810 Foundation School Program Act Revenues		7,198,949	7,198,949	6,820,451
5820 State Program Revenues Distributed by Texas Education Agency		93,508	93,508	103,810
Total State Program Revenues		7,292,457	7,292,457	6,924,261
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency		527,161	527,161	555,371
Total Federal Program Revenues		527,161	527,161	555,371
Net assets released from restrictions:				
Restrictions satisfied by payments	7,699,020	(7,699,020)		
Total Revenues	7,966,369	120,598	8,086,967	7,726,331
EXPENSES				
11 Instruction	4,268,772		4,268,772	3,813,906
12 Instructional Resources and Media Services	208		208	
13 Curriculum Development and Instructional Staff Development	283,905		283,905	217,000
21 Instructional Leadership	18,546		18,546	19,675
23 School Leadership	898,371		898,371	922,854
33 Health Services	922		922	395
35 Food Service	241,093		241,093	280,617
36 Cocurricular/Extracurricular Activities	184,963		184,963	148,754
41 General Administration	938,000		938,000	474,465
51 Plant Maintenance and Operations	921,638		921,638	970,207
52 Security and Monitoring Services	4,999		4,999	4,845
53 Data Processing Services	11,138		11,138	39,530
71 Debt Service	193,814		193,814	195,927
Total Expenses	7,966,369		7,966,369	7,088,175
Change in Net Assets		120,598	120,598	638,156
Net Assets, Beginning of Year	588,134	1,480,254	2,068,388	1,430,232
Net Assets, End of Year	<u>\$ 588,134</u>	<u>\$ 1,600,852</u>	<u>\$ 2,188,986</u>	<u>\$ 2,068,388</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, 2016

(With Comparative Totals for the Period Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Total	2015
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 29,884	\$	\$ 29,884	\$ 26,059
5750 Revenue from Cocurricular Activities	<u>277,237</u>	<u></u>	<u>277,237</u>	<u>315,445</u>
Total Local Program Revenues	307,121		307,121	341,504
State Program Revenues				
5810 Foundation School Program Act Revenues		9,504,502	9,504,502	8,517,665
5820 State Program Revenues Distributed by Texas Education Agency	<u></u>	<u>101,278</u>	<u>101,278</u>	<u>110,929</u>
Total State Program Revenues		9,605,780	9,605,780	8,628,594
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	<u></u>	<u>706,481</u>	<u>706,481</u>	<u>792,819</u>
Total Federal Program Revenues		706,481	706,481	792,819
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>9,663,108</u>	<u>(9,663,108)</u>	<u></u>	<u></u>
Total Revenues	<u>9,970,229</u>	<u>649,153</u>	<u>10,619,382</u>	<u>9,762,917</u>
EXPENSES				
11 Instruction	5,296,044		5,296,044	4,656,397
12 Instructional Resources and Media Services	17,118		17,118	1,669
13 Curriculum Development and Instructional Staff Development	276,687		276,687	183,601
21 Instructional Leadership	38,174		38,174	22,161
23 School Leadership	1,046,393		1,046,393	1,004,548
33 Health Services	752		752	1,643
35 Food Service	384,875		384,875	392,224
36 Cocurricular/Extracurricular Activities	183,229		183,229	235,822
41 General Administration	516,573		516,573	613,690
51 Plant Maintenance and Operations	2,134,198		2,134,198	2,161,916
53 Data Processing Services	10,527		10,527	16,580
71 Debt Service	<u>65,659</u>	<u></u>	<u>65,659</u>	<u>66,631</u>
Total Expenses	<u>9,970,229</u>	<u></u>	<u>9,970,229</u>	<u>9,356,882</u>
Change in Net Assets		649,153	649,153	406,035
Net Assets, Beginning of Year	<u>534,479</u>	<u>2,221,686</u>	<u>2,756,165</u>	<u>2,350,130</u>
Net Assets, End of Year	<u>\$ 534,479</u>	<u>\$ 2,870,839</u>	<u>\$ 3,405,318</u>	<u>\$ 2,756,165</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE AND TECHNOLOGY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Period Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 120,598	\$ 638,156
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided (Used) By Operating Activities		
Depreciation	226,148	310,740
Amortization	7,730	171,469
(Increase) Decrease in Grants Receivable	(3,938)	(96,179)
(Increase) Decrease in Other Receivable		61,274
(Increase) Decrease in Other Assets	(92,918)	(8,931)
Increase (Decrease) in Accounts Payable	189,145	5,314
Increase (Decrease) in Accrued Liabilities	6,398	736
Increase (Decrease) in Accrued Wages	84,948	14,129
Increase (Decrease) in Payroll Taxes Payable	13,512	(1,667)
Increase (Decrease) in Interest Payable	<u>1,196</u>	<u>49,435</u>
Total Adjustments	<u>432,221</u>	<u>506,320</u>
Net Cash Provided (Used) By Operating Activities	<u>552,819</u>	<u>1,144,476</u>
Purchase of Fixed Assets	<u>(204,952)</u>	<u>(14,020)</u>
Net Cash Provided (Used) By Investing Activities	<u>(204,952)</u>	<u>(14,020)</u>
Cash Flows From Financing Activities		
Proceeds From Bonds	950,725	
Repayment of Loans	(60,951)	(57,950)
Repayment of Bonds	<u>(212,000)</u>	<u>(248,000)</u>
Net Cash Provided (Used) By Financing Activities	<u>677,774</u>	<u>(305,950)</u>
NET INCREASE (DECREASE) IN CASH	<u>1,025,641</u>	<u>824,506</u>
CASH AT BEGINNING OF YEAR	<u>1,953,628</u>	<u>1,129,122</u>
CASH AT END OF YEAR	<u>\$ 2,979,269</u>	<u>\$ 1,953,628</u>
<u>Cash Paid During the Year For:</u>		
Interest	<u>\$ 184,885</u>	<u>\$ 186,998</u>

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, 2016
(With Comparative Totals for the Period Ended June 30, 2015)

	2016	2015
Cash Flows From Operating Activities		
Change in Net Assets	\$ 649,153	\$ 406,035
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided (Used) By Operating Activities		
Depreciation	346,255	326,207
Amortization	3,692	42,867
(Increase) Decrease in Grants Receivable	(54,333)	(306,435)
(Increase) Decrease in Other Receivable	2,653	49,516
(Increase) Decrease in Other Assets	(117,988)	(40,011)
Increase (Decrease) in Accounts Payable	618,108	(49,821)
Increase (Decrease) in Accrued Liabilities	11,994	22,947
Increase (Decrease) in Accrued Wages	45,402	83,162
Increase (Decrease) in Payroll Taxes	8,528	10,289
Increase (Decrease) in Interest Payable	3,371	14,710
Total Adjustments	867,682	153,431
Net Cash Provided (Used) By Operating Activities	1,516,835	559,466
Cash Flows From Investing Activities		
Purchase of Fixed Assets	(790,248)	(802,055)
Net Cash Provided (Used) By Investing Activities	(790,248)	(802,055)
Cash Flows From Financing Activities		
Proceeds from Loans	11,002	42,838
Proceeds from Bonds	1,286,275	
Repayment of Loans	(61,059)	(53,286)
Repayment of Bonds	(53,000)	(62,000)
Net Cash Provided (Used) By Financing Activities	1,183,218	(72,448)
NET INCREASE (DECREASE) IN CASH	1,909,805	(315,037)
CASH AT BEGINNING OF YEAR	1,439,570	1,754,607
CASH AT END OF YEAR	\$ 3,349,375	\$ 1,439,570
Cash Paid During the Year For:		
Interest	\$ 62,113	\$ 63,084

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

(With Comparative Totals for the Period Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Expenses		
6100 Payroll Costs	\$ 5,120,896	\$ 4,217,310
6200 Professional and Contracted Services	1,570,142	1,523,010
6300 Supplies and Materials	429,098	343,525
6400 Other Operating Costs	653,618	645,863
6500 Debt	<u>192,615</u>	<u>358,467</u>
Total Expenses	<u>\$ 7,966,369</u>	<u>\$ 7,088,175</u>

See accompanying notes to financial statements.

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

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Period Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Expenses		
6100 Payroll Costs	\$ 5,657,571	\$ 5,155,802
6200 Professional and Contracted Services	2,961,174	2,814,554
6300 Supplies and Materials	493,129	562,254
6400 Other Operating Costs	792,550	718,320
6500 Debt	<u>65,805</u>	<u>105,952</u>
Total Expenses	<u>\$ 9,970,229</u>	<u>\$ 9,356,882</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY

SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2016

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 55,096	\$ 2,924,173	\$
1510 Land and Improvements		864,700	
1520 Building and Improvements		7,270,041	
1539 Furniture and Equipment		234,689	
Total Property and Equipment	<u>\$ 55,096</u>	<u>\$ 11,293,603</u>	<u>\$</u>

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, 2016

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 43,071	\$ 3,306,304	\$
1520 Building and Improvements		4,459,152	
1539 Furniture and Equipment		211,055	
Total Property and Equipment	<u>\$ 43,071</u>	<u>\$ 7,976,511</u>	<u>\$</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>from Final</u> <u>Budget</u>
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 16,000	\$ 20,346	\$ 20,346	\$
5750 Revenue from Cocurricular Activities	<u>227,000</u>	<u>243,600</u>	<u>247,003</u>	<u>3,403</u>
Total Local Support	<u>243,000</u>	<u>263,946</u>	<u>267,349</u>	<u>3,403</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	6,774,400	7,272,456	7,198,949	(73,507)
5820 State Program Revenues Distributed by Texas Education Agency	<u>115,848</u>	<u>93,508</u>	<u>93,508</u>	
Total State Program Revenues	<u>6,890,248</u>	<u>7,365,964</u>	<u>7,292,457</u>	<u>(73,506)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	<u>581,529</u>	<u>528,446</u>	<u>527,161</u>	<u>(1,285)</u>
Total Federal Program Revenues	<u>581,529</u>	<u>528,446</u>	<u>527,161</u>	<u>(1,285)</u>
Total Revenues	<u>7,714,777</u>	<u>8,158,356</u>	<u>8,086,967</u>	<u>(71,389)</u>
EXPENSES				
11 Instruction	3,891,679	4,198,939	4,268,772	(69,833)
12 Instructional Resources and Media Services	3,000	209	208	1
13 Curriculum Development and Instructional Staff Development	240,313	252,000	283,905	(31,905)
21 Instructional Leadership	20,323	18,546	18,546	
23 School Leadership	1,010,678	898,044	898,371	(327)
33 Health Services	5,000	923	922	1
35 Food Service	311,000	242,000	241,093	907
36 Cocurricular/Extracurricular Activities	93,400	184,962	184,963	(1)
41 General Administration	499,942	898,000	938,000	(40,000)
51 Plant Maintenance and Operations	1,010,502	1,198,475	921,638	276,837
52 Security and Monitoring Services	15,000	5,000	4,999	1
53 Data Processing Services	21,162	57,400	11,138	46,262
71 Debt Services	<u>240,000</u>	<u>193,900</u>	<u>193,814</u>	<u>86</u>
Total Expenses	<u>7,361,999</u>	<u>8,148,398</u>	<u>7,966,369</u>	<u>182,029</u>
Change in Net Assets	<u>352,778</u>	<u>9,958</u>	<u>120,598</u>	<u>110,640</u>
Net Assets, Beginning of Year, as restated	<u>2,068,388</u>	<u>2,068,388</u>	<u>2,068,388</u>	
Net Assets at End of Year	<u>\$ 2,421,166</u>	<u>\$ 2,078,346</u>	<u>\$ 2,188,986</u>	<u>\$ 110,640</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, 2016

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 33,909	\$ 29,892	\$ 29,884	\$ (8)
5750 Revenue from Cocurricular Activities	387,300	277,293	277,237	(56)
Total Local Support	421,209	307,185	307,121	(64)
State Program Revenues:				
5810 Foundation School Program Act Revenues	8,853,180	9,505,465	9,504,502	(963)
5820 State Program Revenues Distributed by Texas Education Agency	44,882	102,000	101,278	(722)
Total State Program Revenues	8,898,062	9,607,465	9,605,780	(1,685)
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	784,926	714,690	706,481	(8,209)
Total Federal Program Revenues	784,926	714,690	706,481	(8,209)
Total Revenues	10,104,197	10,629,340	10,619,382	(9,958)
EXPENSES				
11 Instruction	4,853,797	5,300,000	5,296,044	3,956
12 Instructional Resources and Media Services	57,598	17,000	17,118	(118)
13 Curriculum Development and Instructional Staff Development	261,999	234,999	276,687	(41,688)
21 Instructional Leadership	27,377	38,000	38,174	(174)
23 School Leadership	1,053,853	1,039,000	1,046,393	(7,393)
33 Health Services	1,000	755	752	3
35 Food Service	445,600	387,190	384,875	2,315
36 Cocurricular/Extracurricular Activities	290,600	182,996	183,229	(233)
41 General Administration	462,989	538,000	516,573	21,427
51 Plant Maintenance and Operations	2,100,830	2,284,352	2,134,198	150,154
52 Security and Monitoring Services	5,400			
53 Data Processing Services	70,628	10,080	10,527	(447)
71 Debt Services	110,000	65,110	65,659	(549)
Total Expenses	9,741,671	10,097,482	9,970,229	127,253
Change in Net Assets	362,526	531,858	649,153	117,295
Net Assets, Beginning of Year	2,756,165	2,756,165	2,756,165	
Net Assets, End of Year	\$ 3,118,691	\$ 3,288,023	\$ 3,405,318	\$ 117,295

See accompanying notes to financial statements.

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2016.

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.

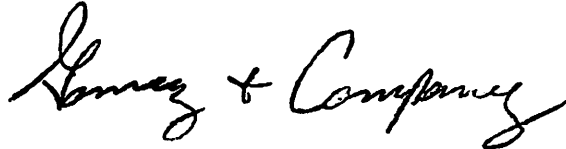
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 black ink that reads "Ramirez + Company". The signature is written in a cursive, flowing style.

Houston, TX
October 21, 2016

GOMEZ & COMPANY

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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, 2016. 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, 2016.

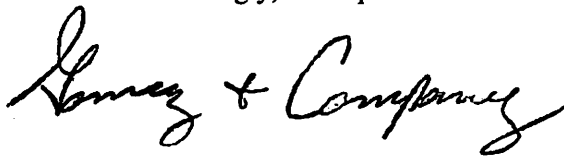
Report on Internal Control Over Compliance

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
October 21, 2016

RIVERWALK EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

Current Year Findings

No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a).

	Questioned Costs
	\$ -0-

RIVERWALK EDUCATION FOUNDATION, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2016

No audit findings were noted as per section .300 (f) of OMB A-133 for the period ended June 30, 2015	\$	-0-
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RIVERWALK EDUCATION FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

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	84.010A	16610101015827	\$ 170,089
Title I, Part A-Improving Basic	84.010A	16610101015831	219,297
Idea-B Formula	84.027A	166600010158276000	113,210
Idea-B Formula	84.027A	166600010158316000	138,304
Title II, Part A-Teacher & Prin.	84.367A	16694501015827	52,805
Title II, Part A-Teacher & Prin.	84.367A	16694501015831	57,867
<u>U.S. Department of Education</u>			
Passed - Through Education Service Center:			
Title III, Part A-LEP	84.365A	15671001015950	343
Title III, Part A-LEP	84.365A	16671001015950	<u>14,080</u>
Total U.S. Department of Education			\$ <u>765,995</u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
Breakfast	10.553	71401501	\$ 13,052
Breakfast	10.553	71401601	56,298
Lunch	10.555	71301501	70,557
Lunch	10.555	71301601	<u>327,740</u>
Total U.S. Department of Agriculture			\$ <u>467,647</u>
Total Federal Financial Assistance			\$ <u><u>1,233,642</u></u>

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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.