

RIVERWALK EDUCATION FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2017

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RIVERWALK EDUCATION FOUNDATION, INC.

015-827

015-831

(Federal Employer Identification Number: 01-0758906)

CERTIFICATE OF BOARD

June 30, 2017

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, 2017, at a meeting of the governing body of said charter school on the 14 day of Nov, 2017.



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, 2017, 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, 2017, 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

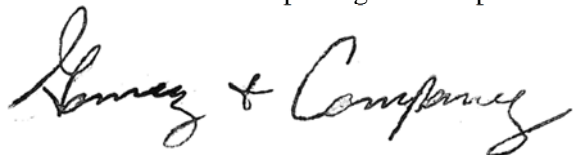
We have previously audited RWEF's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, 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, 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 November 14, 2017, 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 14, 2017

RIVERWALK EDUCATION FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

ASSETS	2017	2016
Current Assets:		
Cash	\$ 2,890,779	\$ 4,194,019
Restricted Cash	348,125	2,134,625
Grants Receivable	4,114,128	2,849,255
Other Receivables	489,336	262,680
Total Current Assets:	7,842,368	9,440,579
Property & Equipment:		
Land	864,700	864,700
Buildings and Improvements	13,075,055	11,729,193
Furniture and Equipment	715,644	445,744
	14,655,399	13,039,637
Less: Accumulated Depreciation	(5,411,608)	(4,700,606)
	9,243,791	8,339,031
Other Assets:		
Deposits	112,356	112,356
Total Assets	\$ 17,198,515	\$ 17,891,966
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 94,468	\$ 860,322
Wages Payable	1,712,782	1,100,020
Payroll Taxes Payable	251,696	157,433
Accrued Liabilities	470,853	306,468
Interest Payable	85,182	94,023
Current Portion of Notes Payable	37,808	86,279
Current Portion of Bonds Payable	409,991	403,991
Total Current Liabilities	3,062,780	3,008,536
Long-term Liabilities:		
Notes Payable Net of Current Portion	301,657	189,466
Bonds Payable Net of Premium, Issuance Costs and Current Portion	8,431,067	8,841,058
Total Liabilities	11,795,504	12,039,060
Net Assets:		
Unrestricted	1,122,613	1,122,613
Temporarily Restricted	4,280,398	4,730,293
Total Net Assets	5,403,011	5,852,906
Total Liabilities and Net Assets	\$ 17,198,515	\$ 17,891,966

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017
 (With Comparative Totals for the Period Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Total	2016
SUPPORT AND REVENUE				
Federal Grants	\$	\$ 2,542,934	\$ 2,542,934	\$ 1,233,642
State and Local Grants		22,932,581	22,932,581	16,898,237
Interest Income	1,984		1,984	232
Other Income	774,856		774,856	574,238
Net Assets Released From Restrictions	<u>25,925,410</u>	<u>(25,925,410)</u>	<u>26,252,355</u>	<u>18,706,349</u>
Total Revenues	<u>26,702,250</u>	<u>(449,895)</u>	<u>26,252,355</u>	<u>18,706,349</u>
EXPENSES				
Salaries	15,127,444		15,127,444	9,691,435
Employee Benefits	1,344,054		1,344,054	914,827
Payroll Tax Expense	277,119		277,119	172,205
Professional Fees	2,373,474		2,373,474	1,978,291
Occupancy	1,980,828		1,980,828	1,497,355
Equipment Lease	205,824		205,824	121,227
Supplies	1,899,869		1,899,869	922,227
Interest	304,598		304,598	246,998
Repairs & Maintenance	740,938		740,938	467,610
Utilities	458,831		458,831	303,051
Travel	245,712		245,712	163,932
Training	24,801		24,801	38,221
Insurance	89,145		89,145	72,811
Other Expense	918,611		918,611	637,023
Depreciation	711,002		711,002	572,403
Amortization				<u>11,422</u>
Total Expenses	<u>26,702,250</u>	<u> </u>	<u>26,702,250</u>	<u>17,811,038</u>
Change In Net Assets		<u>(449,895)</u>	<u>(449,895)</u>	<u>895,311</u>
Net Assets, Beginning of Year, as Restated	<u>1,122,613</u>	<u>4,730,293</u>	<u>5,852,906</u>	<u>4,957,595</u>
Net assets, End of Year	<u>\$ 1,122,613</u>	<u>\$ 4,280,398</u>	<u>\$ 5,403,011</u>	<u>\$ 5,852,906</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Period Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ (449,895)	\$ 895,311
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	711,002	572,403
Amortization	18,009	39,251
(Increase) Decrease in Grants Receivable	(1,264,873)	(121,944)
(Increase) Decrease in Other Receivable	(226,656)	(46,538)
(Increase) Decrease in Other Assets	0	33,801
(Increase) Decrease in Deposits	0	(19,310)
Increase (Decrease) in Accounts Payable	(765,854)	831,153
Increase (Decrease) in Accrued Liabilities	164,385	18,392
Increase (Decrease) in Accrued Wages	612,762	130,350
Increase (Decrease) in Payroll Tax Payable	94,263	22,040
Increase (Decrease) in Interest Payable	<u>(8,841)</u>	<u>4,567</u>
Total Adjustments	<u>(665,803)</u>	<u>1,464,165</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,115,698)</u>	<u>2,359,476</u>
Cash Flows From Investing Activities		
Purchase of Fixed Assets	<u>(1,615,762)</u>	<u>(995,200)</u>
Net Cash Provided (Used) By Investing Activities	<u>(1,615,762)</u>	<u>(995,200)</u>
Cash Flows From Financing Activities		
Proceeds From Loans	150,000	11,002
Proceeds From Bonds		2,237,000
Issuance Cost		(236,820)
Repayment of Loans	(86,280)	(122,012)
Repayment Bonds	<u>(422,000)</u>	<u>(318,000)</u>
Net Cash Provided (Used) By Financing Activities	<u>(358,280)</u>	<u>1,571,170</u>
NET INCREASE (DECREASE) IN CASH	<u>(3,089,740)</u>	<u>2,935,446</u>
CASH AT BEGINNING OF YEAR	<u>6,328,644</u>	<u>3,393,198</u>
CASH AT END OF YEAR	<u>\$ 3,238,904</u>	<u>\$ 6,328,644</u>
<u>Cash Paid During the Year For:</u>		
Interest	<u>\$ 304,598</u>	<u>\$ 250,082</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 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, 2017

B. Summary of Significant Accounting Policies: (Continued)

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all of the agency's accounts. All significant intercompany balances and transactions have been eliminated.

CHANGE FOR NEW ACCOUNTING PRONOUNCEMENT

Effective July 1, 2016, RWEF, Inc. retroactively changed its method for presenting debt issuance costs within the statement of financial position to conform with Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. The pronouncement requires that debt issuance costs related to debt be reported within the statement of financial position as a direct deduction from the face amount of the debt and that amortization of debt issuance costs be reported as interest expense. The pronouncement does not affect current guidance regarding the recognition and measurement of debt issuance costs. RWEF, Inc. reclassified issuance costs from other assets and netted the amounts against current and long-term bonds payable amounts.

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.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

B. Summary of Significant Accounting Policies: (Continued)

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.

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 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.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

C. Pension Plan: (Continued)

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. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2016 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2016	ABO 2016	Percent Funded
TRS	\$ 152,925,647,000	\$ 171,797,150,000	78.00%

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 7.7% for fiscal year 2017. The state’s contribution rate as a non-employer contributing entity was 6.8% for fiscal year 2017. The charter school’s employee contributions to the system for the year ended June 30, 2017 were \$1,058,056 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 \$41,205 for the year ended June 30, 2017. 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 not assessed a surcharge.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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>
2018	\$ 2,055,348
2019	1,577,501
2020	888,215
2021	540,906
2022	528,000
Total	<u>\$ 5,589,970</u>

Operating lease expense amounted to \$2,186,652 for the year ended June 30, 2017.

F. Health Care Coverage:

During the year ended June 30, 2017, 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.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

H. Note 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. \$ 189,465

Revolving line of credit in the amount of \$150,000. The note is dated December 1, 2016, at a variable rate of interest currently stated as 5.75%, payable in 24 installments of interest-only repayment, and a lump sum amount of \$150,000 at maturity. The date of maturity is December 1, 2018. The note is unsecured. 150,000

Total notes payable	339,465
Less current portion	(37,808)
Total notes payable	\$ 301,657

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

Year ending June 30,	Principal	Interest	Total
2018	\$ 37,808	\$ 18,964	\$ 56,772
2019	190,139	11,601	201,740
2020	42,616	5,532	48,148
2021	45,244	2,903	48,147
2022	23,658	416	24,074
Thereafter	-	-	-
Total	\$ 339,465	\$ 39,416	\$ 378,881

RWEF, Inc. has access to a revolving line of credit in an amount up to \$45,000. The line of credit currently carries an interest rate equal to the prime rate plus a margin of 4.25 percent, not to exceed 18 percent. The line of credit is secured by a personal guarantee. The line of credit carried a balance of \$-0- at June 30, 2017.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 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, 2017 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.	\$ 6,890,000
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	1,896,000
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>184,000</u>
Total	\$ 8,970,000
Plus unamortized premium	211,830
Less unamortized issuance costs	(340,772)
Less current portion	<u>(409,991)</u>
	<u>\$ 8,431,067</u>

Future maturities of long-term debt at June 30, 2017 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2022	466,000	229,501	695,501
Thereafter	<u>6,733,000</u>	<u>1,631,513</u>	<u>8,364,513</u>
Total	<u>\$ 8,970,000</u>	<u>\$ 2,877,568</u>	<u>\$ 11,847,568</u>

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

J. 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. RWEF, Inc.'s minimum available excess revenue requirement totaled \$373,070. At June 30, 2017, RWEF, Inc. met the covenant requirement by holding available revenue of \$565,706. 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, 2017, RWEF, Inc. was required to have \$3,197,286 in their operating accounts. At June 30, 2017, RWEF, Inc. held an available cash balance of \$2,855,392.

K. Restricted Cash:

Restricted cash at June 30, 2017 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.

L. Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2017, are available for the following periods:

Periods after June 30, 2017	\$ 4,280,398
Total restricted funds	<u>\$ 4,280,398</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	\$ 23,382,476
Federal Funds	2,542,934
Total restrictions released	<u>\$ 25,925,410</u>

M. Shared Services Arrangement:

During the year ended June 30, 2017, 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 \$17,823 as expenditures incurred on behalf of RWEF, Inc.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

N. Prior Period Adjustment:

RWEF, Inc. successfully applied for property tax exemptions relating to properties leased in San Antonio and Corpus Christi. The tax exemptions changed the current and prior year presentations of other receivables on the statement of financial position, and occupancy expense on the statement of activities. The tax exemptions also resulted in the following adjustments to prior period financial statements:

<u>District</u>	<u>Net Assets June 30, 2016</u>	<u>Prior Period Effect For Tax Refund</u>	<u>Net Assets at June 30, 2016, as Restated</u>
SST	\$ 2,188,986	\$ 182,233	\$ 2,371,219
Discovery	<u>3,405,318</u>	<u>76,369</u>	<u>3,481,687</u>
Consolidated	<u>\$ 5,594,304</u>	<u>\$ 258,602</u>	<u>\$ 5,852,906</u>

O. 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.

P. Evaluation of Subsequent Events:

RWEF, Inc. has evaluated subsequent events through November 14, 2017 the date which the financial statements were available to be issued.

GOMEZ & COMPANY
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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, 2017, and our report thereon dated November 14, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. 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, 2017, and appearing on pages 16 to 27, 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 14, 2017

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

	2017	2016
ASSETS		
Current Assets:		
Cash	\$ 849,727	\$ 1,865,654
Restricted Cash	300,320	597,250
Grants Receivable	1,859,447	1,227,225
Other Receivables	254,801	183,168
	3,264,295	3,873,297
Property & Equipment:		
Land	864,700	864,700
Building and Improvements	7,585,504	7,270,041
Furniture and Equipment	377,168	234,689
	8,827,372	8,369,430
Accumulated Depreciation	(2,937,597)	(2,678,009)
	5,889,775	5,691,421
Other Assets:		
Deposits	17,799	17,799
Total Assets	\$ 9,171,869	\$ 9,582,517
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 30,958	\$ 222,325
Wages Payable	835,194	534,013
Payroll Taxes Payable	116,509	73,261
Accrued Liabilities	225,701	141,810
Interest Payable	68,415	72,761
Current Portion of Notes Payable		42,381
Current Portion of Bonds Payable	246,440	239,140
Total Current Liabilities	1,523,217	1,325,691
Long-term Liabilities:		
Bonds Payable Net of Premium, Issuance Costs and Current Portion	5,614,464	5,885,607
Total Liabilities	7,137,681	7,211,298
Net Assets:		
Unrestricted	588,134	588,134
Temporarily Restricted	1,446,054	1,783,085
Total Net Assets	2,034,188	2,371,219
Total Liabilities and Net Assets	\$ 9,171,869	\$ 9,582,517

See accompanying notes to financial statements.

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

	2017	2016
ASSETS		
Current Assets:		
Cash	\$ 2,041,052	\$ 2,328,365
Restricted Cash	47,804	1,537,375
Grants Receivable	2,254,681	1,622,030
Other Receivable	234,535	79,512
Total Current Assets	4,578,072	5,567,282
Property & Equipment:		
Building and Improvements	5,489,551	4,459,152
Furniture and Equipment	338,476	211,055
	5,828,027	4,670,207
Accumulated Depreciation	(2,474,011)	(2,022,597)
	3,354,016	2,647,610
Other Assets:		
Deposits	94,557	94,557
Total Assets	\$ 8,026,645	\$ 8,309,449
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 63,510	\$ 637,997
Wages Payable	877,588	566,007
Payroll Taxes Payable	135,187	84,172
Accrued Liabilities	245,152	164,658
Interest Payable	16,767	21,262
Current Portion of Notes Payable	43,898	43,898
Current Portion of Bonds Payable	163,551	164,851
Total Current Liabilities	1,545,653	1,682,845
Long-term Liabilities:		
Notes Payable Net of Current Portion	295,567	189,466
Bonds Payable Net of Premium, Issuance Costs and Current Portion	2,816,602	2,955,451
Total Liabilities	4,657,822	4,827,762
Net Assets:		
Unrestricted	534,479	534,479
Temporarily Restricted	2,834,344	2,947,208
Total Net Assets	3,368,823	3,481,687
Total Liabilities and Net Assets	\$ 8,026,645	\$ 8,309,449

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE AND TECHNOLOGY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

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

	Unrestricted	Temporarily Restricted	Total	2016
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 21,160	\$	\$ 21,160	\$ 20,346
5750 Revenue from Cocurricular Activities	440,900	_____	440,900	247,003
Total Local Program Revenues	462,060		462,060	267,349
State Program Revenues				
5810 Foundation School Program Act Revenues		10,251,170	10,251,170	7,198,949
5820 State Program Revenues Distributed by				
Texas Education Agency		105,830	105,830	93,508
Total State Program Revenues		10,357,000	10,357,000	7,292,457
Federal Program Revenues:				
5920 Federal Revenues Distributed by				
Texas Education Agency		1,110,392	1,110,392	527,161
Total Federal Program Revenues		1,110,392	1,110,392	527,161
Net assets released from restrictions:				
Restrictions satisfied by payments	11,804,423	(11,804,423)	_____	_____
Total Revenues	12,266,483	(337,031)	11,929,452	8,086,967
EXPENSES				
11 Instruction	7,662,402		7,662,402	4,268,772
12 Instructional Resources and Media Services	145		145	208
13 Curriculum Development and Instructional				
Staff Development	160,737		160,737	283,905
21 Instructional Leadership	18,791		18,791	18,546
23 School Leadership	663,257		663,257	898,371
33 Health Services	5,483		5,483	922
35 Food Service	375,787		375,787	241,093
36 Cocurricular/Extracurricular Activities	324,680		324,680	184,963
41 General Administration	1,016,868		1,016,868	938,000
51 Plant Maintenance and Operations	1,570,843		1,570,843	872,447
52 Security and Monitoring Services	4,820		4,820	4,999
53 Data Processing Services	253,433		253,433	11,138
71 Debt Service	209,237		209,237	193,814
Total Expenses	12,266,483		12,266,483	7,917,178
Change in Net Assets		(337,031)	(337,031)	169,789
Net Assets, Beginning of Year, as Restated	588,134	1,783,085	2,371,219	2,201,430
Net Assets, End of Year	<u>\$ 588,134</u>	<u>\$ 1,446,054</u>	<u>\$ 2,034,188</u>	<u>\$ 2,371,219</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, 2017

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

	Unrestricted	Temporarily Restricted	Total	2016
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 824	\$	\$ 824	\$ 29,884
5750 Revenue from Cocurricular Activities	313,956		313,956	277,237
Total Local Program Revenues	314,780		314,780	307,121
State Program Revenues				
5810 Foundation School Program Act Revenues		12,397,034	12,397,034	9,504,502
5820 State Program Revenues Distributed by				
Texas Education Agency	178,547		178,547	101,278
Total State Program Revenues	12,575,581	12,575,581	12,575,581	9,605,780
Federal Program Revenues:				
5920 Federal Revenues Distributed by				
Texas Education Agency	1,432,543		1,432,543	706,481
Total Federal Program Revenues	1,432,543	1,432,543	1,432,543	706,481
Net assets released from restrictions:				
Restrictions satisfied by payments	14,120,988	(14,120,988)		
Total Revenues	14,435,768	(112,864)	14,322,904	10,619,382
EXPENSES				
11 Instruction	9,062,590		9,062,590	5,296,044
12 Instructional Resources and Media Services	748		748	17,118
13 Curriculum Development and Instructional				
Staff Development	235,245		235,245	276,687
21 Instructional Leadership	23,946		23,946	38,174
23 School Leadership	864,903		864,903	1,046,393
33 Health Services	2,349		2,349	752
35 Food Service	483,385		483,385	384,875
36 Cocurricular/Extracurricular Activities	210,664		210,664	183,229
41 General Administration	769,522		769,522	516,573
51 Plant Maintenance and Operations	2,425,793		2,425,793	2,057,829
52 Security and Monitoring Services	14,035		14,035	
53 Data Processing Services	238,627		238,627	10,527
71 Debt Service	103,961		103,961	65,659
Total Expenses	14,435,768		14,435,768	9,893,860
Change in Net Assets		(112,864)	(112,864)	725,522
Net Assets, Beginning of Year, as Restated	534,479	2,947,208	3,481,687	2,756,165
Net Assets, End of Year	\$ 534,479	\$ 2,834,344	\$ 3,368,823	\$ 3,481,687

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, 2017
(With Comparative Totals for the Period Ended June 30, 2016)

	2017	2016
Cash Flows From Operating Activities		
Change in Net Assets	\$ (337,031)	\$ 169,789
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities		
Depreciation	259,588	226,148
Amortization	14,882	35,481
(Increase) Decrease in Grants Receivable	(632,222)	(3,938)
(Increase) Decrease in Other Receivable	(71,633)	(49,190)
Increase (Decrease) in Accounts Payable	(191,367)	205,804
Increase (Decrease) in Accrued Liabilities	83,891	6,398
Increase (Decrease) in Accrued Wages	301,181	84,948
Increase (Decrease) in Payroll Taxes Payable	43,248	13,512
Increase (Decrease) in Interest Payable	(4,346)	1,196
Total Adjustments	(196,778)	520,359
Net Cash Provided (Used) By Operating Activities	(533,809)	690,148
Purchase of Fixed Assets	(457,942)	(204,952)
Net Cash Provided (Used) By Investing Activities	(457,942)	(204,952)
Cash Flows From Financing Activities		
Proceeds From Bonds		391,475
Issuance Cost		(41,444)
Repayment of Loans	(42,381)	(60,951)
Repayment of Bonds	(278,725)	(265,000)
Net Cash Provided (Used) By Financing Activities	(321,106)	24,080
NET INCREASE (DECREASE) IN CASH	(1,312,857)	509,276
CASH AT BEGINNING OF YEAR	2,462,904	1,953,628
CASH AT END OF YEAR	\$ 1,150,047	\$ 2,462,904
<u>Cash Paid During the Year For:</u>		
Interest	\$ 200,637	\$ 184,885

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, 2017
(With Comparative Totals for the Period Ended June 30, 2016)

	2017	2016
Cash Flows From Operating Activities		
Change in Net Assets	\$ (112,864)	\$ 725,522
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities		
Depreciation	451,414	346,255
Amortization	3,126	3,772
(Increase) Decrease in Grants Receivable	(632,651)	(118,006)
(Increase) Decrease in Other Receivable	(155,023)	2,652
(Increase) Decrease in Other Assets		33,801
(Increase) Decrease in Deposits		(19,310)
Increase (Decrease) in Accounts Payable	(574,487)	625,349
Increase (Decrease) in Accrued Liabilities	80,494	11,994
Increase (Decrease) in Accrued Wages	311,581	45,402
Increase (Decrease) in Payroll Taxes	51,015	8,528
Increase (Decrease) in Interest Payable	(4,495)	3,371
Total Adjustments	(469,026)	943,808
Net Cash Provided (Used) By Operating Activities	(581,890)	1,669,330
Cash Flows From Investing Activities		
Purchase of Fixed Assets	(1,157,820)	(790,249)
Net Cash Provided (Used) By Investing Activities	(1,157,820)	(790,249)
Cash Flows From Financing Activities		
Proceeds from Loans	150,000	11,002
Proceeds from Bonds		1,845,525
Issuance Cost		(195,377)
Repayment of Loans	(43,899)	(61,061)
Repayment of Bonds	(143,275)	(53,000)
Net Cash Provided (Used) By Financing Activities	(37,174)	1,547,089
NET INCREASE (DECREASE) IN CASH	(1,776,884)	2,426,170
CASH AT BEGINNING OF YEAR	3,865,740	1,439,570
CASH AT END OF YEAR	\$ 2,088,856	\$ 3,865,740
<u>Cash Paid During the Year For:</u>		
Interest	\$ 103,961	\$ 62,113

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

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

	<u>2017</u>	<u>2016</u>
Expenses		
6100 Payroll Costs	\$ 7,936,761	\$ 5,120,896
6200 Professional and Contracted Services	2,394,926	1,520,951
6300 Supplies and Materials	808,729	429,098
6400 Other Operating Costs	925,431	653,618
6500 Debt	<u>200,636</u>	<u>192,615</u>
Total Expenses	<u>\$ 12,266,483</u>	<u>\$ 7,917,178</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, 2017
(With Comparative Totals for the Period Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Expenses		
6100 Payroll Costs	\$ 8,843,349	\$ 5,657,571
6200 Professional and Contracted Services	3,389,770	2,884,805
6300 Supplies and Materials	1,091,140	493,129
6400 Other Operating Costs	1,007,548	792,550
6500 Debt	<u>103,961</u>	<u>65,805</u>
Total Expenses	<u>\$ 14,435,768</u>	<u>\$ 9,893,860</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, 2017

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 41,352	\$ 1,108,695	\$
1510 Land and Improvements		864,700	
1520 Building and Improvements		7,585,504	
1539 Furniture and Equipment		377,168	
Total Property and Equipment	\$ 41,352	\$ 9,936,067	\$

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, 2017

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 32,492	\$ 2,056,364	\$
1520 Building and Improvements		5,489,551	
1539 Furniture and Equipment		<u>338,476</u>	
Total Property and Equipment	<u>\$ 32,492</u>	<u>\$ 7,884,391</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, 2017

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 34,000	\$ 20,235	\$ 21,160	\$ 925
5750 Revenue from Cocurricular Activities	<u>375,000</u>	<u>444,082</u>	<u>440,900</u>	<u>(3,182)</u>
Total Local Support	409,000	464,317	462,060	(2,257)
State Program Revenues:				
5810 Foundation School Program Act Revenues	10,630,214	10,794,110	10,251,170	(542,940)
5820 State Program Revenues Distributed by Texas Education Agency	<u>130,403</u>	<u>106,654</u>	<u>105,830</u>	<u>(824)</u>
Total State Program Revenues	10,760,617	10,900,764	10,357,000	(543,764)
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	<u>720,951</u>	<u>1,098,000</u>	<u>1,110,392</u>	<u>12,392</u>
Total Federal Program Revenues	720,951	1,098,000	1,110,392	12,392
Total Revenues	<u>11,890,568</u>	<u>12,463,081</u>	<u>11,929,452</u>	<u>(533,629)</u>
EXPENSES				
11 Instruction	6,341,948	7,705,001	7,662,402	42,599
12 Instructional Resources and Media Services	8,000	150	145	5
13 Curriculum Development and Instructional Staff Development	240,155	185,485	160,737	24,748
21 Instructional Leadership		19,000	18,791	209
23 School Leadership	1,326,460	663,885	663,257	628
33 Health Services	8,000	5,570	5,483	87
35 Food Service	457,000	362,000	375,787	(13,787)
36 Cocurricular/Extracurricular Activities	290,000	325,000	324,680	320
41 General Administration	876,254	1,100,000	1,016,868	83,132
51 Plant Maintenance and Operations	1,969,284	1,600,000	1,570,843	29,157
52 Security and Monitoring Services	14,000	4,900	4,820	80
53 Data Processing Services	81,161	253,524	253,433	91
71 Debt Services	<u>195,633</u>	<u>209,000</u>	<u>209,237</u>	<u>(237)</u>
Total Expenses	<u>11,807,895</u>	<u>12,433,515</u>	<u>12,266,483</u>	<u>167,032</u>
Change in Net Assets	<u>82,673</u>	<u>29,566</u>	<u>(337,031)</u>	<u>(366,597)</u>
Net Assets, Beginning of Year, as Restated	<u>2,371,219</u>	<u>2,371,219</u>	<u>2,371,219</u>	
Net Assets at End of Year	<u>\$ 2,453,892</u>	<u>\$ 2,400,785</u>	<u>\$ 2,034,188</u>	<u>\$ (366,597)</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, 2017

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 49,700	\$ 236	\$ 824	\$ 588
5750 Revenue from Cocurricular Activities	<u>444,000</u>	<u>324,868</u>	<u>313,956</u>	<u>(10,912)</u>
Total Local Support	493,700	325,104	314,780	(10,324)
State Program Revenues:				
5810 Foundation School Program Act Revenues	13,984,440	12,467,637	12,397,034	(70,603)
5820 State Program Revenues Distributed by Texas Education Agency	<u>219,941</u>	<u>187,997</u>	<u>178,547</u>	<u>(9,450)</u>
Total State Program Revenues	14,204,381	12,655,634	12,575,581	(80,053)
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	<u>1,100,344</u>	<u>1,539,409</u>	<u>1,432,543</u>	<u>(106,866)</u>
Total Federal Program Revenues	1,100,344	1,539,409	1,432,543	(106,866)
 Total Revenues	 <u>15,798,425</u>	 <u>14,520,147</u>	 <u>14,322,904</u>	 <u>(197,243)</u>
EXPENSES				
11 Instruction	8,462,517	9,028,001	9,062,590	(34,589)
12 Instructional Resources and Media Services	34,777	800	748	52
13 Curriculum Development and Instructional Staff Development	274,529	236,095	235,245	850
21 Instructional Leadership		24,057	23,946	111
23 School Leadership	1,555,373	864,565	864,903	(338)
33 Health Services	7,500	2,400	2,349	51
35 Food Service	562,000	470,215	483,385	(13,170)
36 Cocurricular/Extracurricular Activities	317,000	210,665	210,664	1
41 General Administration	1,071,627	769,850	769,522	328
51 Plant Maintenance and Operations	2,835,663	2,569,982	2,425,793	144,189
52 Security and Monitoring Services	32,700	15,000	14,035	965
53 Data Processing Services	85,998	239,000	238,627	373
71 Debt Services	<u>99,339</u>	<u>85,000</u>	<u>103,961</u>	<u>(18,961)</u>
 Total Expenses	 <u>15,339,023</u>	 <u>14,515,630</u>	 <u>14,435,768</u>	 <u>79,862</u>
Change in Net Assets	<u>459,402</u>	<u>4,517</u>	<u>(112,864)</u>	<u>(117,381)</u>
Net Assets, Beginning of Year, as Restated	<u>3,481,687</u>	<u>3,481,687</u>	<u>3,481,687</u>	
Net Assets, End of Year	<u>\$ 3,941,089</u>	<u>\$ 3,486,204</u>	<u>\$ 3,368,823</u>	<u>\$ (117,381)</u>

See accompanying notes to financial statements.

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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, 2017, 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 November 14, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Item 2017-001.

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*.

Riverwalk Education Foundation, Inc.'s Response to Findings

RWEF, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. RWEF, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 "Honey & Company". The signature is written in a cursive, flowing style.

Houston, TX
November 14, 2017

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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, 2017. 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, 2017.

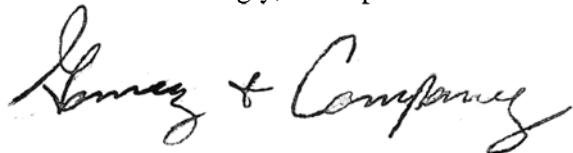
Report on Internal Control Over Compliance

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.

A handwritten signature in cursive script that reads "Ramey & Company". The signature is written in dark ink and is positioned above the typed name and date.

Houston, TX
November 14, 2017

RIVERWALK EDUCATION FOUNDATION, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2017

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. There is one significant deficiency that is not material to internal control over financial statements. Item 2017-001.
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 Education	
Passed – Through Texas Education Agency	
Public Charter School Program Start-Up Grant	84.282A

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>
2017-001	
Failure to properly reconcile restricted cash related to bond debt.	\$ -0-

Condition:

During the fiscal year, RWEF, Inc. failed to properly reconcile restricted cash accounts related to debt during several months of the fiscal year and at year-end.

Criteria:

Cash reconciliations are generally viewed as a basic feature of internal control for achieving and providing 'reasonable assurance' regarding the achievement of objectives in the reliability of financial reporting.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

2017-001: (Continued)

Failure to properly reconcile restricted cash related to bond debt. Questioned Costs

Cause:

Accounting personnel lack the requisite experience and direction for performing proper cash reconciliations related to debt proceeds within the entity's accounting software system.

Effect:

Failure to properly reconcile cash accounts related to debt proceeds resulted in misstated balances for debt, restricted cash, and construction in progress.

Recommendation:

We recommend that the entity review its internal processes and procure the necessary training and support for personnel tasked with recording all of the entity's complex transactions.

Views of Responsible Officials and Planned Corrective Actions:

See Management's corrective action plan at page 35.

RIVERWALK EDUCATION FOUNDATION, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2017

No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a) for the year ended June 30, 2016.

RIVERWALK EDUCATION FOUNDATION, INC.

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2017

2017-001

Failure to properly reconcile restricted cash related to bond debt.

Condition:

During the fiscal year, RWEF, Inc. failed to properly reconcile restricted cash accounts related to debt during several months of the fiscal year and at year-end.

Views of Responsible Officials and Planned Corrective Actions:

Corrective Action Taken:

Management of RWEF, Inc. will take necessary actions to give training to its finance staff to properly reconcile restricted cash accounts related to debt every month and at year-end. If needed, SST will look for resources from Region 20 and experienced financial accountants.

Chief Finance Officer (CFO) will be responsible for this corrective action plan. The plan will start soon and reconciliation will be done starting December 2017. RWEF, Inc. believes in two months the school administration will make it accurate and on time.

Effective Date: December 1, 2017

Responsible Party: Chief Financial Officer

Estimated Completion Date: December 31, 2017

RIVERWALK EDUCATION FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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	17610101015827	\$ 240,727
Title I, Part A-Improving Basic Programs	84.010A	17610101015831	370,670
IDEA, Part B-Formula	84.027A	176600010158276000	106,851
IDEA, Part B-Formula	84.027A	176600010158316000	139,594
IDEA, Part B-High Cost Risk Pool	84.027A	176600060158316000	74,517
2016-2018 PCSP Start-up grant	84.282A	165900037110006	448,114
2016-2018 PCSP Start-up grant	84.282A	165900037110007	404,407
Title II, Part A-Teacher & Principal Training	84.367A	17694501015827	29,874
Title II, Part A-Teacher & Principal Training	84.367A	17694501015831	34,388
<u>U.S. Department of Education</u>			
Passed - Through Education Service Center:			
Title III, Part A-LEP	84.365A	17671001015950	<u>17,823</u>
Total U.S. Department of Education			<u>1,866,965</u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
Breakfast	10.553	71401601	18,064
Breakfast	10.553	71401701	93,985
Lunch	10.555	71301601	86,901
Lunch	10.555	71301701	449,766
Passed - Through Texas Department of Agriculture			
USDA Commodity Food Distribution	10.555		<u>27,253</u>
Total U.S. Department of Agriculture			<u>675,969</u>
Total Federal Financial Assistance			<u>\$ 2,542,934</u>

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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.