

RIVERWALK EDUCATION FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2018

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RIVERWALK EDUCATION FOUNDATION, INC.

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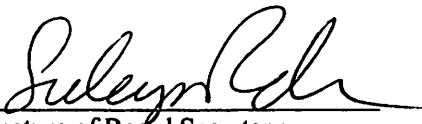
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(Federal Employer Identification Number: 01-0758906)

CERTIFICATE OF BOARD

June 30, 2018

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, 2018, at a meeting of the governing body of said charter school on the 16th day of November, 2018.



Signature of Board Secretary



Signature of Board President

GOMEZ & COMPANY
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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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

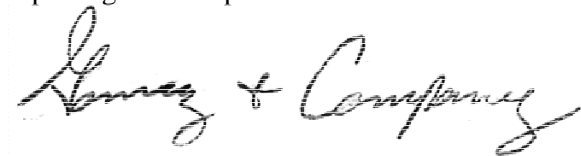
We have previously audited RWEF's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is 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 7, 2018, 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 7, 2018

RIVERWALK EDUCATION FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals for June 30, 2017)

ASSETS	2018	2017
Current Assets:		
Cash	\$ 4,448,811	\$ 3,011,492
Restricted Cash	511,016	348,125
Grants Receivable	5,959,851	4,114,128
Other Receivables	65,007	489,336
Total Current Assets:	10,984,685	7,963,081
Property & Equipment:		
Land	864,700	864,700
Buildings and Improvements	13,180,318	13,075,055
Furniture and Equipment	1,263,014	715,644
	15,308,032	14,655,399
Less: Accumulated Depreciation	(6,297,565)	(5,411,608)
	9,010,467	9,243,791
Other Assets:		
Deposits	399,980	112,356
Total Assets	\$ 20,395,132	\$ 17,319,228
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 40,013	\$ 94,468
Wages Payable	2,560,124	1,712,782
Payroll Taxes Payable	283,367	251,696
Accrued Liabilities	800,235	470,853
Interest Payable	100,759	85,182
Deferred Rent	374,111	
Current Portion of Capital Leases Payable	112,921	
Current Portion of Notes Payable	192,555	37,808
Current Portion of Bonds Payable	435,000	428,000
Total Current Liabilities	4,899,085	3,080,789
Long-term Liabilities:		
Capital Leases Payable Net of Current Portion	152,376	
Notes Payable Net of Current Portion	111,518	301,657
Bonds Payable Net of Premium, Issuance Costs and Current Portion	7,996,067	8,413,058
Total Liabilities	13,159,046	11,795,504
Net Assets:		
Unrestricted	1,122,613	1,122,613
Temporarily Restricted	6,113,473	4,401,111
Total Net Assets	7,236,086	5,523,724
Total Liabilities and Net Assets	\$ 20,395,132	\$ 17,319,228

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

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

	Unrestricted	Temporarily Restricted	Total	2017
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 159,358	\$	\$ 159,358	\$ 21,984
5750 Revenue from Cocurricular Activities	<u>777,154</u>		<u>777,154</u>	<u>754,856</u>
Total Local Program Revenues	936,512		936,512	776,840
State Program Revenues				
5810 Foundation School Program Act Revenues		28,660,704	28,660,704	22,648,204
5820 State Program Revenues Distributed by Texas Education Agency		<u>448,688</u>	<u>448,688</u>	<u>284,377</u>
Total State Program Revenues		29,109,392	29,109,392	22,932,581
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency		<u>2,953,312</u>	<u>2,953,312</u>	<u>2,542,934</u>
Total Federal Program Revenues		2,953,312	2,953,312	2,542,934
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>30,350,342</u>	<u>(30,350,342)</u>		
Total Revenues	<u>31,286,854</u>	<u>1,712,362</u>	<u>32,999,216</u>	<u>26,252,355</u>
EXPENSES				
11 Instruction	19,096,393		19,096,393	16,724,990
12 Instructional Resources and Media Services	99		99	893
13 Curriculum Development and Instructional Staff Development	496,047		496,047	395,983
21 Instructional Leadership				42,737
23 School Leadership	2,033,083		2,033,083	1,528,161
33 Health Services	3,814		3,814	7,831
35 Food Service	1,079,785		1,079,785	859,172
36 Cocurricular/Extracurricular Activities	590,461		590,461	535,344
41 General Administration	2,641,816		2,641,816	1,786,390
51 Plant Maintenance and Operations	4,831,609		4,831,609	3,996,636
52 Security and Monitoring Services	3,588		3,588	18,855
53 Data Processing Services	191,253		191,253	492,060
71 Debt Service	<u>318,906</u>		<u>318,906</u>	<u>313,198</u>
Total Expenses	<u>31,286,854</u>		<u>31,286,854</u>	<u>26,702,250</u>
Change in Net Assets		<u>1,712,362</u>	<u>1,712,362</u>	<u>(449,895)</u>
Net Assets, Beginning of Year, as Restated	<u>1,122,613</u>	<u>4,401,111</u>	<u>5,523,724</u>	<u>5,973,619</u>
Net Assets, End of Year	<u>\$ 1,122,613</u>	<u>\$ 6,113,473</u>	<u>\$ 7,236,086</u>	<u>\$ 5,523,724</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018
 (With Comparative Totals for the Period Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 1,712,362	\$ (449,895)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	885,957	711,002
Amortization	43,698	18,009
(Increase) Decrease in Grants Receivable	(1,845,723)	(1,264,873)
(Increase) Decrease in Other Receivable	424,329	(226,656)
(Increase) Decrease in Deposits	(287,624)	
Increase (Decrease) in Accounts Payable	(54,453)	(765,854)
Increase (Decrease) in Accrued Liabilities	329,382	164,385
Increase (Decrease) in Accrued Wages	847,342	612,762
Increase (Decrease) in Payroll Tax Payable	31,671	94,263
Increase (Decrease) in Interest Payable	15,577	(8,841)
Increase (Decrease) in Deferred Rent	<u>374,111</u>	
Total Adjustments	<u>764,267</u>	<u>(665,803)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,476,629</u>	<u>(1,115,698)</u>
Cash Flows From Investing Activities		
Purchase of Fixed Assets	<u>(678,323)</u>	<u>(1,615,762)</u>
Net Cash Provided (Used) By Investing Activities	<u>(678,323)</u>	<u>(1,615,762)</u>
Cash Flows From Financing Activities		
Proceeds From Loans	345,271	150,000
Repayment of Loans	(115,367)	(86,280)
Repayment Bonds	<u>(428,000)</u>	<u>(422,000)</u>
Net Cash Provided (Used) By Financing Activities	<u>(198,096)</u>	<u>(358,280)</u>
NET INCREASE (DECREASE) IN CASH	<u>1,600,210</u>	<u>(3,089,740)</u>
CASH AT BEGINNING OF YEAR	<u>3,359,617</u>	<u>6,449,357</u>
CASH AT END OF YEAR	<u>\$ 4,959,827</u>	<u>\$ 3,359,617</u>
<u>Cash Paid During the Year For:</u>		
Interest	<u>\$ 300,897</u>	<u>\$ 304,598</u>

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

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.

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.

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.

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, 2018

B. Summary of Significant Accounting Policies: (Continued)

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.

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.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

C. Pension Plan: (Continued)

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, 2017 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2017	ABO 2017	Percent Funded
TRS	\$ 165,379,342,000	\$ 179,336,535,000	82.17%

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 2018. The state’s contribution rate as a non-employer contributing entity was 6.8% for fiscal year 2018. The charter school’s employee contributions to the system for the year ended June 30, 2018 were \$1,293,085 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 \$107,982 for the year ended June 30, 2018. 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.

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, 2018

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>
2019	\$ 3,173,332
2020	2,591,842
2021	2,374,105
2022	2,353,345
2023	1,869,345
Total	<u>\$ 12,361,969</u>

Operating lease expense amounted to \$2,761,571 for the year ended June 30, 2018.

F. Capital Leases Payable:

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

Capital lease payable to technology equipment provider in the original amount of \$16,440 requiring monthly payments of \$516 over 36 months through November 2020 at an interest rate of 8.50%. The lease is secured by technology equipment.	\$ 13,562
Capital lease payable to technology equipment provider in the original amount of \$57,540 requiring monthly payments of \$1,819 over 36 months through January 2021 at an interest rate of 8.60%. The lease is secured by technology equipment.	50,405
Capital lease payable to technology equipment provider in the original amount of \$206,312 requiring monthly payments of \$6,249 over 36 months through August 2020 at an interest rate of 5.71%. The lease is secured by technology equipment.	153,061
Capital lease payable to technology equipment provider in the original amount of \$34,672 requiring monthly payments of \$1,049 over 36 months through September 2020 at an interest rate of 5.62%. The lease is secured by technology equipment.	26,543
Capital lease payable to technology equipment provider in the original amount of \$28,065 requiring monthly payments of \$841 over 36 months through August 2020 at an interest rate of 4.95%. The lease is secured by technology equipment.	20,682
Capital lease payable to technology equipment provider in the original amount of \$28,065 requiring monthly payments of \$841 over 36 months through August 2020 at an interest rate of 4.95%. The lease is secured by technology equipment.	1,611
	<u>\$ 265,864</u>

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

F. Capital Leases Payable: (Continued)

The future minimum lease payments under the capital leases and the net present value of future minimum lease payments as of June 30, 2018, are as follows:

<u>Twelve months ending June 30,</u>	<u>Amount</u>
2019	\$ 126,563
2020	126,563
2021	33,292
Thereafter	<u>-</u>
Total future minimum lease payments	286,418
Less amount representing interest	<u>(20,554)</u>
Present value of future minimum lease payments	265,864
Less current portion	<u>(112,921)</u>
Net long-term capital leases payable	<u>\$ 152,943</u>

Interest expense for capital leases payable amounted to \$13,864 for the year ended June 30, 2018.

G. Future Build-to-Suit Lease Commitments

In fiscal years subsequent to June 30, 2018, RWEF, Inc. has entered into three build-to-suit lease agreements that will commit the charter school to future long-term lease expenses and landlords to significant new construction. Construction under all three agreements is scheduled to begin in the 2018 calendar year and estimated for completion between January and July 2019. Each agreement is structured as a twenty-five-year lease agreement, with one of those lease agreements cancellable after the twentieth lease year. All three lease agreements are accompanied by an option to purchase the completed property in the first years of each lease term and through several years of the lease agreements thereafter at estimated prices that range from 103 percent to 125 percent of overall project costs. Early estimates of project costs indicate each site will cost approximately \$16 million. Management estimates each of the three lease agreements will result in annual lease commitments of approximately \$1,000,000 to \$1,500,000 per leased site. Management estimates each lease agreement qualifies for operating lease treatment under current lease accounting standards.

H. 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, 2018

I. Health Care Coverage:

During the year ended June 30, 2018, 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.

J. Notes Payable:

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

Note payable to Rasanet Construction, LLC, dba Sam&m Trade and Construction. The note is dated October 15, 2011, at a 6.0% interest rate, payable in 120 installments of \$4,012 and a face amount of \$361,400. The date of maturity is December 15, 2021. The note is secured by equipment, machinery, furniture and personal property. \$ 154,895

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. 149,178

Total notes payable	304,073
Less current portion	(192,555)
Total notes payable	\$ 111,518

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

Year ending June 30,	Principal	Interest	Total
2019	\$ 192,555	\$ 18,907	\$ 211,462
2020	42,616	5,532	48,148
2021	45,244	2,903	48,147
2022	23,658	416	24,074
2023	-	-	-
Thereafter	-	-	-
Total	\$ 304,073	\$ 27,758	\$ 331,831

RWEF, Inc. has access to an additional revolving line of credit in an amount up to \$45,000. The line of credit currently carries an interest rate equal to 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, 2018.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

K. 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, 2018 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.	\$ 6,615,000
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	1,751,000
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>176,000</u>
Total	\$ 8,542,000
Plus unamortized premium	200,132
Less unamortized issuance costs	(311,065)
Less current portion	<u>(435,000)</u>
	<u>\$ 7,996,067</u>

Future maturities of long-term debt at June 30, 2018 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2023	480,000	216,704	696,704
Thereafter	<u>6,253,000</u>	<u>1,414,809</u>	<u>7,667,809</u>
Total	<u>\$ 8,542,000</u>	<u>\$ 2,610,048</u>	<u>\$ 11,152,048</u>

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

L. Bond Debt Covenants:

The bond agreements contain certain restrictions and covenants. RWEF, Inc. is required to maintain a ratio of available revenue (without excluding any discretionary expenses incurred during the fiscal year) that must equal at least 1.10X the annual debt service requirements. Additionally, RWEF, Inc. is required to maintain an operating reserve that covers 45 days of expenses at the end of each fiscal year. Management believes RWEF, Inc. was in compliance with these covenants and all other applicable covenants contained in bond agreements for the year ended June 30, 2018.

M. Restricted Cash:

Restricted cash at June 30, 2018 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.

N. Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2018, are available for the following periods:

Periods after June 30, 2018	\$ 6,113,473
Total restricted funds	<u>\$ 6,113,473</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	\$ 27,397,030
Federal Funds	2,953,312
Total restrictions released	<u>\$ 30,350,342</u>

O. Shared Services Arrangement:

During the year ended June 30, 2018, 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 \$107 as expenditures incurred on behalf of RWEF, Inc.

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

P. Prior Period Adjustment:

RWEF, Inc. accumulated several uncollected checks dating to prior fiscal years and recorded a prior period adjustment to correct cash balances, restate prior year net assets, and reverse the uncollected checks from respective bank reconciliations. The prior period adjustment affected the San Antonio and Discovery campuses and consolidated balance sheets as follows:

<u>District</u>	<u>Net Assets June 30, 2017</u>	<u>Prior Period Effect of Check Write-off</u>	<u>Net Assets at June 30, 2017, as Restated</u>
SST	\$ 2,034,188	\$ 22,430	\$ 2,056,618
Discovery	3,368,823	98,283	3,467,106
Consolidated	<u>\$ 5,403,011</u>	<u>\$ 120,713</u>	<u>\$ 5,523,724</u>

Q. 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.

R. Subsequent Events:

In the period subsequent to June 30, 2018, RWEF, Inc. has entered into a loan agreement with a bank that will provide up to \$4,000,000 in borrowed funds on a non-revolving basis for the renovation, acquisition, and equipping of educational facilities. The credit facility carries a rate of interest equal to the LIBOR rate, a maturity date of July 27, 2020, and is limited to \$2,000,000 until such time as an unqualified audit for the fiscal year ended June 30, 2018 is available. The loan is secured by revenues of RWEF, Inc. In the period through November 7, 2018, RWEF, Inc. received \$1,797,620 in advances on this credit facility.

S. Evaluation of Subsequent Events:

RWEF, Inc. has evaluated subsequent events through November 7, 2018 the date which the financial statements were available to be issued.

GOMEZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
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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, 2018, and our report thereon dated November 7, 2018, which contained 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 as a whole. The Schedules for Individual Charter School dated June 30, 2018, and appearing on pages 17 to 28, 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 7, 2018

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals for June 30, 2017)

	2018	2017
ASSETS		
Current Assets:		
Cash	\$ 1,446,025	\$ 872,157
Restricted Cash	309,339	300,320
Grants Receivable	2,297,530	1,859,447
Other Receivables	65,007	254,801
	4,117,901	3,286,725
Property & Equipment:		
Land	864,700	864,700
Building and Improvements	7,622,767	7,585,504
Furniture and Equipment	822,550	377,168
	9,310,017	8,827,372
Accumulated Depreciation	(3,284,609)	(2,937,597)
	6,025,408	5,889,775
Other Assets:		
Deposits	52,799	17,799
Total Assets	\$ 10,196,108	\$ 9,194,299
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 27,874	\$ 30,958
Wages Payable	1,208,651	835,194
Payroll Taxes Payable	129,690	116,509
Accrued Liabilities	360,057	225,701
Interest Payable	71,059	68,415
Deferred Rent	374,111	
Current Portion of Capital Leases Payable	83,151	
Current Portion of Bonds Payable	251,125	246,775
Total Current Liabilities	2,505,718	1,523,552
Long-term Liabilities:		
Capital Leases Payable Net of Current Portion	108,961	
Bonds Payable Net of Premium, Issuance Costs and Current Portion	5,390,014	5,614,129
Total Liabilities	8,004,693	7,137,681
Net Assets:		
Unrestricted	588,134	588,134
Temporarily Restricted	1,603,281	1,468,484
Total Net Assets	2,191,415	2,056,618
Total Liabilities and Net Assets	\$ 10,196,108	\$ 9,194,299

See accompanying notes to financial statements.

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

STATEMENT OF FINANCIAL POSITION

(With Comparative Totals for June 30, 2017)

	2018	2017
ASSETS		
Current Assets:		
Cash	\$ 3,002,787	\$ 2,139,335
Restricted Cash	201,676	47,804
Grants Receivable	3,662,321	2,254,681
Other Receivable		234,535
Total Current Assets	6,866,784	4,676,355
Property & Equipment:		
Building and Improvements	5,557,551	5,489,551
Furniture and Equipment	440,464	338,476
	5,998,015	5,828,027
Accumulated Depreciation	(3,012,956)	(2,474,011)
	2,985,059	3,354,016
Other Assets:		
Deposits	347,181	94,557
Total Assets	\$ 10,199,024	\$ 8,124,928
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 12,139	\$ 63,510
Wages Payable	1,351,473	877,588
Payroll Taxes Payable	153,677	135,187
Accrued Liabilities	440,177	245,152
Interest Payable	29,700	16,767
Current Portion of Capital Lease Payable	29,770	
Current Portion of Notes Payable	192,555	43,898
Current Portion of Bonds Payable	183,875	181,225
Total Current Liabilities	2,393,366	1,563,327
Long-term Liabilities:		
Capital Lease Payable Net of Current Portion	43,415	
Notes Payable Net of Current Portion	111,518	295,567
Bonds Payable Net of Premium, Issuance Costs and Current Portion	2,606,054	2,798,928
Total Liabilities	5,154,353	4,657,822
Net Assets:		
Unrestricted	534,479	534,479
Temporarily Restricted	4,510,192	2,932,627
Total Net Assets	5,044,671	3,467,106
Total Liabilities and Net Assets	\$ 10,199,024	\$ 8,124,928

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE AND TECHNOLOGY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

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

	Unrestricted	Temporarily Restricted	Total	2017
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 8,494	\$	\$ 8,494	\$ 21,160
5750 Revenue from Cocurricular Activities	422,548	_____	422,548	440,900
Total Local Program Revenues	431,042		431,042	462,060
State Program Revenues				
5810 Foundation School Program Act Revenues		13,387,309	13,387,309	10,251,170
5820 State Program Revenues Distributed by Texas Education Agency		215,256	215,256	105,830
Total State Program Revenues		13,602,565	13,602,565	10,357,000
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency		1,241,008	1,241,008	1,110,392
Total Federal Program Revenues		1,241,008	1,241,008	1,110,392
Net assets released from restrictions:				
Restrictions satisfied by payments	14,708,776	(14,708,776)		
Total Revenues	15,139,818	134,797	15,274,615	11,929,452
EXPENSES				
11 Instruction	9,512,956		9,512,956	7,662,402
12 Instructional Resources and Media Services	99		99	145
13 Curriculum Development and Instructional Staff Development	231,547		231,547	160,737
21 Instructional Leadership				18,791
23 School Leadership	1,026,907		1,026,907	663,257
33 Health Services	2,647		2,647	5,483
35 Food Service	503,292		503,292	375,787
36 Cocurricular/Extracurricular Activities	325,700		325,700	324,680
41 General Administration	867,785		867,785	1,016,868
51 Plant Maintenance and Operations	2,318,233		2,318,233	1,570,843
52 Security and Monitoring Services	3,588		3,588	4,820
53 Data Processing Services	144,003		144,003	253,433
71 Debt Service	203,061		203,061	209,237
Total Expenses	15,139,818		15,139,818	12,266,483
Change in Net Assets		134,797	134,797	(337,031)
Net Assets, Beginning of Year, as Restated	588,134	1,468,484	2,056,618	2,393,649
Net Assets, End of Year	<u>\$ 588,134</u>	<u>\$ 1,603,281</u>	<u>\$ 2,191,415</u>	<u>\$ 2,056,618</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, 2018

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

	Unrestricted	Temporarily Restricted	Total	2017
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 150,864	\$	\$ 150,864	\$ 824
5750 Revenue from Cocurricular Activities	<u>354,606</u>	<u> </u>	<u>354,606</u>	<u>313,956</u>
Total Local Program Revenues	505,470		505,470	314,780
State Program Revenues				
5810 Foundation School Program Act Revenues		15,273,395	15,273,395	12,397,034
5820 State Program Revenues Distributed by Texas Education Agency		<u>233,432</u>	<u>233,432</u>	<u>178,547</u>
Total State Program Revenues		<u>15,506,827</u>	<u>15,506,827</u>	<u>12,575,581</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency		<u>1,712,304</u>	<u>1,712,304</u>	<u>1,432,543</u>
Total Federal Program Revenues		1,712,304	1,712,304	1,432,543
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>15,641,566</u>	<u>(15,641,566)</u>		
Total Revenues	<u>16,147,036</u>	<u>1,577,565</u>	<u>17,724,601</u>	<u>14,322,904</u>
EXPENSES				
11 Instruction	9,583,436		9,583,436	9,062,590
12 Instructional Resources and Media Services				748
13 Curriculum Development and Instructional Staff Development	264,500		264,500	235,245
21 Instructional Leadership				23,946
23 School Leadership	1,006,176		1,006,176	864,903
33 Health Services	1,166		1,166	2,349
35 Food Service	576,493		576,493	483,385
36 Cocurricular/Extracurricular Activities	264,761		264,761	210,664
41 General Administration	1,774,032		1,774,032	769,522
51 Plant Maintenance and Operations	2,513,377		2,513,377	2,425,793
52 Security and Monitoring Services				14,035
53 Data Processing Services	47,250		47,250	238,627
71 Debt Service	<u>115,845</u>		<u>115,845</u>	<u>103,961</u>
Total Expenses	<u>16,147,036</u>		<u>16,147,036</u>	<u>14,435,768</u>
Change in Net Assets		<u>1,577,565</u>	<u>1,577,565</u>	<u>(112,864)</u>
Net Assets, Beginning of Year, as Restated	<u>534,479</u>	<u>2,932,627</u>	<u>3,467,106</u>	<u>3,579,970</u>
Net Assets, End of Year	<u>\$ 534,479</u>	<u>\$ 4,510,192</u>	<u>\$ 5,044,671</u>	<u>\$ 3,467,106</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, 2018
(With Comparative Totals for the Period Ended June 30, 2017)

	2018	2017
Cash Flows From Operating Activities		
Change in Net Assets	\$ 134,797	\$ (337,031)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities		
Depreciation	347,012	259,588
Amortization	27,010	14,882
(Increase) Decrease in Grants Receivable	(438,083)	(632,222)
(Increase) Decrease in Other Receivable	189,794	(71,633)
(Increase) Decrease in Deposits	(35,000)	
Increase (Decrease) in Accounts Payable	(3,085)	(191,367)
Increase (Decrease) in Accrued Liabilities	134,356	83,891
Increase (Decrease) in Accrued Wages	373,457	301,181
Increase (Decrease) in Payroll Taxes Payable	13,181	43,248
Increase (Decrease) in Interest Payable	2,644	(4,346)
Increase (Decrease) in Deferred Rent	374,111	
Total Adjustments	985,397	(196,778)
Net Cash Provided (Used) By Operating Activities	1,120,194	(533,809)
Purchase of Fixed Assets	(482,645)	(457,942)
Net Cash Provided (Used) By Investing Activities	(482,645)	(457,942)
Cash Flows From Financing Activities		
Proceeds From Loans	253,533	
Repayment of Loans	(61,420)	(42,381)
Repayment of Bonds	(246,775)	(278,725)
Net Cash Provided (Used) By Financing Activities	(54,662)	(321,106)
NET INCREASE (DECREASE) IN CASH	582,887	(1,312,857)
CASH AT BEGINNING OF YEAR	1,172,477	2,485,334
CASH AT END OF YEAR	\$ 1,755,364	\$ 1,172,477
<u>Cash Paid During the Year For:</u>		
Interest	\$ 201,741	\$ 200,637

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, 2018
(With Comparative Totals for the Period Ended June 30, 2017)

	2018	2017
Cash Flows From Operating Activities		
Change in Net Assets	\$ 1,577,565	\$ (112,864)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities		
Depreciation	538,945	451,414
Amortization	16,688	3,126
(Increase) Decrease in Grants Receivable	(1,407,640)	(632,651)
(Increase) Decrease in Other Receivable	234,535	(155,023)
(Increase) Decrease in Deposits	(252,624)	
Increase (Decrease) in Accounts Payable	(51,371)	(574,487)
Increase (Decrease) in Accrued Liabilities	195,025	80,494
Increase (Decrease) in Accrued Wages	473,885	311,581
Increase (Decrease) in Payroll Taxes	18,490	51,015
Increase (Decrease) in Interest Payable	12,933	(4,495)
Total Adjustments	(221,134)	(469,026)
Net Cash Provided (Used) By Operating Activities	1,356,431	(581,890)
Cash Flows From Investing Activities		
Purchase of Fixed Assets	(195,675)	(1,157,820)
Net Cash Provided (Used) By Investing Activities	(195,675)	(1,157,820)
Cash Flows From Financing Activities		
Proceeds from Loans	91,739	150,000
Repayment of Loans	(53,947)	(43,899)
Repayment of Bonds	(181,225)	(143,275)
Net Cash Provided (Used) By Financing Activities	(143,433)	(37,174)
NET INCREASE (DECREASE) IN CASH	1,017,323	(1,776,884)
CASH AT BEGINNING OF YEAR	2,187,139	3,964,023
CASH AT END OF YEAR	\$ 3,204,462	\$ 2,187,139
<u>Cash Paid During the Year For:</u>		
Interest	\$ 99,156	\$ 103,961

See accompanying notes to financial statements.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHOOL OF SCIENCE & TECHNOLOGY

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

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

	<u>2018</u>	<u>2017</u>
Expenses		
6100 Payroll Costs	\$ 9,654,918	\$ 7,936,761
6200 Professional and Contracted Services	3,313,822	2,394,926
6300 Supplies and Materials	1,108,930	808,729
6400 Other Operating Costs	859,087	925,431
6500 Debt	<u>203,061</u>	<u>200,636</u>
Total Expenses	<u>\$ 15,139,818</u>	<u>\$ 12,266,483</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, 2018
(With Comparative Totals for the Period Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Expenses		
6100 Payroll Costs	\$ 10,621,405	\$ 8,843,349
6200 Professional and Contracted Services	3,530,529	3,389,770
6300 Supplies and Materials	853,193	1,091,140
6400 Other Operating Costs	1,026,064	1,007,548
6500 Debt	<u>115,845</u>	<u>103,961</u>
Total Expenses	<u>\$ 16,147,036</u>	<u>\$14,435,768</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, 2018

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 46,751	\$ 1,708,612	\$
1510 Land and Improvements		864,700	
1520 Building and Improvements		7,622,767	
1539 Furniture and Equipment		822,550	
Total Property and Equipment	\$ 46,751	\$ 11,018,629	\$

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, 2018

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 41,208	\$ 3,163,254	\$
1520 Building and Improvements		5,557,551	
1539 Furniture and Equipment		440,464	
Total Property and Equipment	<u>\$ 41,208</u>	<u>\$ 9,161,269</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, 2018

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 34,000	\$ 8,494	\$ 8,494	\$ (0)
5750 Revenue from Cocurricular Activities		418,000	422,548	4,548
Total Local Support	34,000	426,494	431,042	4,548
State Program Revenues:				
5810 Foundation School Program Act Revenues	12,863,585	13,360,347	13,387,309	26,962
5820 State Program Revenues Distributed by Texas Education Agency		226,507	215,256	(11,251)
Total State Program Revenues	12,863,585	13,586,854	13,602,565	15,711
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency		1,221,248	1,241,008	19,760
Total Federal Program Revenues		1,221,248	1,241,008	19,760
Total Revenues	12,897,585	15,234,596	15,274,615	40,020
EXPENSES				
11 Instruction	7,647,771	9,247,635	9,512,956	(265,321)
12 Instructional Resources and Media Services	1,700	99	99	
13 Curriculum Development and Instructional Staff Development	208,422	231,851	231,547	304
23 School Leadership	1,566,495	1,006,289	1,026,907	(20,618)
33 Health Services	4,600	2,647	2,647	(0)
35 Food Service		482,500	503,292	(20,792)
36 Cocurricular/Extracurricular Activities		326,065	325,700	365
41 General Administration	993,582	888,779	867,785	20,994
51 Plant Maintenance and Operations	1,941,932	1,923,098	2,318,233	(395,135)
52 Security and Monitoring Services	7,800	3,588	3,588	
53 Data Processing Services	46,358	144,474	144,003	471
71 Debt Services	206,966	206,966	203,061	3,905
Total Expenses	12,625,626	14,463,991	15,139,818	(675,827)
Change in Net Assets	271,959	770,605	134,797	(635,808)
Net Assets, Beginning of Year, as Restated			2,056,618	2,056,618
Net Assets at End of Year	\$ 271,959	\$ 770,605	\$ 2,191,415	\$ 1,420,810

See accompanying notes to financial statements.

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

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 49,700	\$ 150,000	\$ 150,864	\$ 864
5750 Revenue from Cocurricular Activities		340,634	354,606	13,972
Total Local Support	49,700	490,634	505,470	14,836
State Program Revenues:				
5810 Foundation School Program Act Revenues	13,520,440	14,213,920	15,273,395	1,059,475
5820 State Program Revenues Distributed by Texas Education Agency		226,247	233,432	7,185
Total State Program Revenues	13,520,440	14,440,167	15,506,827	1,066,660
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency		1,681,036	1,712,304	31,268
Total Federal Program Revenues		1,681,036	1,712,304	31,268
Total Revenues	13,570,140	16,611,837	17,724,601	1,112,764
EXPENSES				
11 Instruction	7,609,471	9,382,725	9,583,436	(200,711)
12 Instructional Resources and Media Services	500	500		500
13 Curriculum Development and Instructional Staff Development	283,795	261,736	264,500	(2,764)
21 Instructional Leadership	162,905			
23 School Leadership	1,381,140	1,001,454	1,006,176	(4,722)
33 Health Services	2,250	1,167	1,166	1
35 Food Service		494,500	576,493	(81,993)
36 Cocurricular/Extracurricular Activities		247,750	264,761	(17,011)
41 General Administration	1,272,237	1,778,421	1,774,032	4,389
51 Plant Maintenance and Operations	2,505,226	2,565,850	2,513,377	52,473
52 Security and Monitoring Services	7,000	7,000		7,000
53 Data Processing Services	60,201	46,750	47,250	(500)
71 Debt Services	83,329	112,668	115,845	(3,177)
Total Expenses	13,368,054	15,900,521	16,147,036	(246,515)
Change in Net Assets	202,086	711,316	1,577,565	866,249
Net Assets, Beginning of Year, as Restated			3,467,106	3,467,106
Net Assets, End of Year	<u>\$ 202,086</u>	<u>\$ 711,316</u>	<u>\$ 5,044,671</u>	<u>\$ 4,333,355</u>

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, 2018, 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 7, 2018.

Internal Control over Financial Reporting

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

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

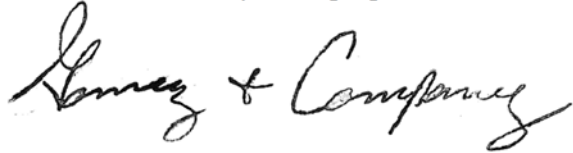
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

Houston, TX
November 7, 2018

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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, 2018. 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, 2018.

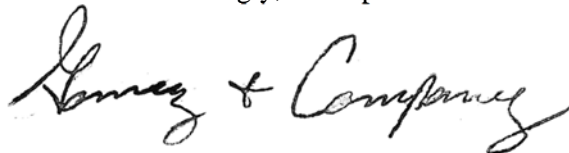
Report on Internal Control Over Compliance

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

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

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

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



Houston, TX
November 7, 2018

RIVERWALK EDUCATION FOUNDATION, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018

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	
National School Lunch Program*	CFDA 10.555
School Breakfast Program*	CFDA 10.553
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>	Questioned Costs
No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a).	\$-0-

* Denotes cluster

RIVERWALK EDUCATION FOUNDATION, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

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.

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.

Current Status:

The recommendation was adopted in January 2018. No similar findings were noted in the June 30, 2018 audit.

RIVERWALK EDUCATION FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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	18610101015827	\$ 262,998
Title I, Part A-Improving Basic Programs	84.010A	18610101015831	439,575
IDEA, Part B-Formula	84.027A	186600010158276000	161,786
IDEA, Part B-Formula	84.027A	186600010158316000	235,335
IDEA, Part B-High Cost Risk Pool	84.027A	66001715	56,262
2016-2018 PCSP Start-up grant	84.282A	165900037110006	336,165
2016-2018 PCSP Start-up grant	84.282A	165900037110007	345,529
Title II, Part A-Teacher & Principal Training	84.367A	18694501015827	41,548
Title II, Part A-Teacher & Principal Training	84.367A	18694501015831	107,753
Title III, Part A-LEP	84.365A	18671001015827	11,652
Title III, Part A-LEP	84.365A	18671001015831	16,082
Title IV, Part A, Subpart 1	84.424A	18680101015827	10,000
Title IV, Part A, Subpart 1	84.424A	18680101015831	10,000
<u>U.S. Department of Education</u>			
Passed - Through Education Service Center:			
Title III, Part A-LEP	84.365A	17671001015950	<u>107</u>
Total U.S. Department of Education			<u>2,034,792</u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
Breakfast	10.553	71401701	20,815
Breakfast	10.553	71401801	126,143
Lunch	10.555	71301701	86,631
Lunch	10.555	71301801	626,855
Passed - Through Texas Department of Agriculture			
USDA Commodity Food Distribution	10.555		<u>58,076</u>
Total U.S. Department of Agriculture			<u>918,520</u>
Total Federal Financial Assistance			<u>\$ 2,953,312</u>

RIVERWALK EDUCATION FOUNDATION, INC.

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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.