



Katherine Anne Porter School

Financial Statements

For the Year Ended August 31, 2018

Paul J. Christensen & Associates, LLC
Certified Public Accountants
Waco, Texas

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Katherine Anne Porter School

Certificate of Board

Katherine Anne Porter School
Name of Charter Holder

74-2767913
Federal Employer ID Number

Katherine Anne Porter School
Name of Charter School

Hays
County

105-801
Co. Distr. Number

We, the undersigned, certify that the attached Financial and Compliance Report of Katherine Anne Porter School was reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2018 at a meeting of governing body of the charter holder on the 22nd day of January, 2019.

Gary Woolfolk

Signature of Board Secretary

Ronnie Pinkerton

Signature of Board President

If the governing body of the charter holder does not approve the Independent Auditor's Report, it must forward a written statement discussing the reason(s) for not approving the report.

Paul J. Christensen & Associates, LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Katherine Anne Porter School
Wimberley, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Katherine Anne Porter School (a nonprofit organization) which comprise the statement of financial position as of August 31, 2018, and the related statements of activities 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 Katherine Anne Porter School, as of August 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

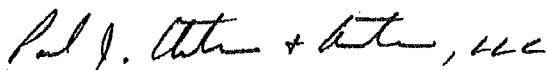
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 January 22, 2019, on our consideration of Katherine Anne Porter School'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 Katherine Anne Porter School'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 Katherine Anne Porter School's internal control over financial reporting and compliance.



Waco, Texas
January 22, 2019

FINANCIAL STATEMENTS

Katherine Anne Porter School
Statement of Financial Position
August 31, 2018

Assets

Current Assets	
Cash and cash equivalents	\$ 278,388
Due from governments	186,118
Other assets	3,058
Total current assets	<u>467,564</u>
Property and equipment, net	<u>875,520</u>
Total Assets	<u><u>\$ 1,343,084</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 47,046
Accrued wages payable	60,144
Payroll deductions and withholdings	30,320
Deferred revenue	1,500
Current portion of long-term debt	39,036
Total current liabilities	<u>178,046</u>
Long-Term Liabilities	
Long-term debt - net of current portion	<u>179,964</u>
Total long-term liabilities	<u>179,964</u>
Total Liabilities	<u>358,010</u>
Net Assets	
Unrestricted	218,106
Temporarily restricted	766,968
Total Net Assets	<u>985,074</u>
Total Liabilities and Net Assets	<u><u>\$ 1,343,084</u></u>

The accompanying notes are an integral part of these financial statements.

Katherine Anne Porter School
Statement of Activities
For the Year Ended August 31, 2018

	Unrestricted	Temporarily	Total
Revenues			
Local support:			
Gifts and bequests	\$ 66,675	\$ -	\$ 66,675
Enterprising services	23,447	-	23,447
Interest income	1,388	-	1,388
Other income	10,580	-	10,580
Total local support	102,090	-	102,090
State program revenues:			
Foundation school program act	-	1,430,592	1,430,592
Other state aid	-	19,348	19,348
Total state program revenues	-	1,449,940	1,449,940
Federal program revenues:			
ESEA, Title I, Part A	-	28,424	28,424
IDEA-Part B, Formula	-	50,299	50,299
National School Lunch and Breakfast Program	-	31,569	31,569
ESEA, Title II, Part A	-	4,274	4,274
ESEA, Title IV, Part B, 21st Century Community Learning Centers	-	148,403	148,403
Rural Education Achievement Program	-	24,250	24,250
Title IV, Part A, Subpart 1	-	9,565	9,565
Total federal program revenues	-	296,784	296,784
Net assets released from restrictions:			
Restrictions satisfied by payments	1,132,428	(1,132,428)	-
Total Revenues	1,234,518	614,296	1,848,814
Expenses			
Program Services:			
Instruction and instructional - related services	946,361	-	946,361
Instructional and school leadership	210,650	-	210,650
Support services:			
Administrative support services	192,487	-	192,487
Ancillary services	389	-	389
Support services - non-student based	218,554	-	218,554
Support services - student (pupil)	327,324	-	327,324
Debt service	6,325	-	6,325
Fund raising	26,811	-	26,811
Total Expenses	1,928,901	-	1,928,901
Change in Net Assets	(694,383)	614,296	(80,087)
Net Assets, Beginning of Year	912,489	152,672	1,065,161
Net Assets, End of Year	\$ 218,106	\$ 766,968	\$ 985,074

The accompanying notes are an integral part of these financial statements.

Katherine Anne Porter School
Statement of Cash Flows
For the Year Ended August 31, 2018

Cash Flows from Operating Activities:

Foundation school program payments	\$ 1,466,779
Grant payments	263,503
Miscellaneous sources	109,273
Payments to vendors for goods and services rendered	(440,245)
Payments to charter school personnel for services rendered	(1,388,775)
Interest payments	(6,325)
Net Cash Provided/(Used) by Operating Activities	<u>4,210</u>

Cash Flows from Investing Activities:

Purchase of capital assets	(93,420)
Net Cash Provided/(Used) by Investing Activities	<u>(93,420)</u>

Cash Flows from Financing Activities:

Issuance of long-term debt	219,000
Principal payments on long-term debt	(155,259)
Net Cash Provided/(Used) by Financing Activities	<u>63,741</u>

Net Increase (Decrease) in Cash	(25,469)
Cash at Beginning of Year	<u>303,857</u>
Cash at End of Year	<u><u>\$ 278,388</u></u>

**Reconciliation of Change in Net Assets to Net Cash Provided
by Operating Activities:**

Change in Net Assets	\$ (80,087)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	52,997
(Increase) Decrease in assets:	
Due from governments	(11,188)
Other receivables	5,683
Prepaid expenses	(3,058)
Increase (Decrease) in liabilities:	
Accounts payable	50,392
Payroll deductions	(5,714)
Accrued liabilities	(11,759)
Accrued expenses	10,698
Deferred revenue	1,500
Due to governments	(5,254)
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ 4,210</u></u>

The accompanying notes are an integral part of these financial statements.

Katherine Anne Porter School
Notes To Financial Statements
August 31, 2018

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of Katherine Anne Porter School (School) (a nonprofit organization) were prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The School is a not-for-profit organization incorporated in the State of Texas in 1998 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The School is governed by a Board of Directors comprised of seven members. The Board of Directors is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint the chief executive officer, significantly influence operations, and has primary accountability for the fiscal affairs of the School.

Since the School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

The State Board of Education of the State of Texas granted the School an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Katherine Anne Porter School was opened. Katherine Anne Porter School was organized to educate and empower students in grades nine through twelve with knowledge, skills, and practices to be successful and compassionate in school and life. The School does not conduct any other charter or non-charter activities.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School and/or the passage of time. When a restriction expires, 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 required to be maintained in perpetuity with only the income to be used for the School's activities due to donor-imposed restrictions. The School did not have any permanently restricted net assets as of August 31, 2018.

Katherine Anne Porter School
Notes To Financial Statements
August 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Contributions

The School accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, the School considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, and furniture and equipment are reported in the financial statements. Capital assets are defined by the School as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from four to forty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Due From Governments

The School considers all government grants and contracts as exchange transactions rather than contributions. The School recognizes revenue from fee-for-service transactions as services are rendered and, for grants, as eligible expenditures are incurred. Advances from government agencies are recorded as deferred revenues. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables.

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with terms of the grant contract.

Impairment of Long-Lived Assets

The School reviews the carrying value of capital assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. The School did not recognize an impairment loss during the year ended August 31, 2018.

Katherine Anne Porter School
Notes To Financial Statements
August 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

State Funding

The amount of state foundation school program act revenue the School earns may vary until the time when final values for all factors in the state aid formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation school program act revenue estimate for the year ended August 31, 2018 will change.

Revenue Recognition

Revenues from the State of Texas are based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met.

Donated Services and Assets

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and which would typically need to be purchased if not provided by donation are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Contributions of donated noncash assets are recorded at acquisition cost, which is the price that would be paid to acquire the assets at the acquisition date.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the School which will only be resolved when one or more future events occur or fail to occur. The School's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the School or unasserted claims that may result in such proceedings, the School's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is possible that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the School's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Katherine Anne Porter School
Notes To Financial Statements
August 31, 2018

Fair Value Measurements and Disclosures

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification ("ASC") apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *Fair Value Measurements and Disclosures* also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets or liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

At August 31, 2018, the School had no investments.

The fair value of the School's cash and cash equivalents, due from governments, prepaid expenses, accounts payable, and due to governments approximates the carrying amounts of such instruments due to their short-term maturity.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents as of August 31, 2018 consist of the following:

Checking accounts	\$ 143,636
Money market accounts	<u>134,752</u>
	<u>\$ 278,388</u>

Note 3 - Due from Governments

Amounts due from governments consist of the following:

Texas Department of Education, Texas Education Agency	\$ 132,356
U.S. Department of Education passed through Texas Education Agency	<u>53,763</u>
Total	<u>\$ 186,118</u>

Katherine Anne Porter School
Notes To Financial Statements
August 31, 2018

Note 4 - Capital Assets

A summary of changes in capital assets is as follows:

Property and Equipment:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Land	\$ 140,000	\$ -	\$ -	\$ 140,000	\$ -	\$ 140,000
Buildings	995,875	103,800	-	1,099,675	392,096	707,579
Furniture and equipment	60,414	-	-	60,414	60,323	91
Vehicles	292,249	-	-	292,249	264,399	27,850
Total	<u>\$1,488,538</u>	<u>\$103,800</u>	<u>\$ -</u>	<u>\$1,592,338</u>	<u>\$ 716,818</u>	<u>\$ 875,520</u>

Capital assets acquired with public funds received by the School for the operation of Katherine Anne Porter School constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified in the Schedule of Capital Assets.

Depreciation expense for the year ended August 31, 2018 was \$52,997.

Note 5 - Long-Term Debt

On May 21, 2013, the School entered into a financing agreement with Ozone National Bank in the amount of \$355,000, with an interest rate of 5.25%. The note is secured by the building. It is payable in 84 monthly installments of \$5,067, including interest. The loan was paid in full on July 11, 2018.

On July 11, 2018, the School entered into a financing agreement with Amplify Credit Union in the amount of \$219,000, with an interest rate of 5.75%. The note is secured by the building. It is payable in 60 monthly installments of \$4,217, including interest.

At August 31, 2018, future debt service requirements for the note payable is as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 39,036	\$ 11,574	\$ 50,610
2020	41,340	9,351	50,691
2021	43,781	6,910	50,691
2022	48,478	2,213	50,691
2023	46,366	3,622	49,988
	<u>\$ 219,000</u>	<u>\$ 33,670</u>	<u>\$ 252,670</u>

Interest expense for the year ended August 31, 2018 was \$6,325.

Katherine Anne Porter School
Notes To Financial Statements
August 31, 2018

Note 6 - Pension Plan Obligations

The School contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiemployer defined benefit pension plan with one exception: all risks and costs are not shared by the School but are the liability of the state of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River Austin, Texas 78701-2698 or by calling (800) 877-0123.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$176,942,453,923
Accumulated Benefit Obligations - \$209,611,328,793
The plan is 74% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 7.7% of their annual covered salary, and the state of Texas contributes an amount equal to 6.8% of the School's covered payroll. The School's contribution to TRS for the year ended August 31, 2018 was \$37,485, which includes \$16,293 in Non-OASDI participation surcharges. The School's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

Note 7 - Health Care Coverage

During the year ended August 31, 2018, employees of the School were covered by a health insurance plan. The School contributed \$225 per month per employee for the year ended August 31, 2018 to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 8 - Risk Management Program

Worker's compensation coverage, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have historically not exceeded commercial coverage.

Katherine Anne Porter School
Notes To Financial Statements
August 31, 2018

Note 9 - Income Tax

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business taxable income. The School has no material unrelated business income for the year ended August 31, 2018.

Generally accepted accounting principles requires that the School recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the tax position. The requirements also provide guidance on measurement, classification, interest and penalties, and disclosure.

Tax positions taken related to the School's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. Accordingly, the School has not recorded an income tax liability for uncertain tax benefits. For the year ended August 31, 2018, there were no interest or penalties related to income taxes recorded or included in the financial statements. As of August 31, 2018, the School's tax years 2015 through 2017 remain subject to examination.

Note 11 - Credit Risk

Financial instruments that potentially subject the School to credit risk consist of cash at financial institutions. At times, the balances in cash accounts may be in excess of FDIC insurance limits. The financial institution pledges investment securities to compensate for deposits in excess of FDIC insurance limits.

Note 12 - Commitments and Contingencies

The 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 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 School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

Note 13 - Evaluation of Subsequent Events

The School has evaluated subsequent events through January 22, 2019, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Katherine Anne Porter School
Schedule of Expenses
For the Year Ended August 31, 2018

Expenses

6100	Payroll costs	\$	1,399,472
6200	Professional and contracted services		267,185
6300	Supplies and materials		139,408
6400	Other operating costs		116,511
6500	Debt		6,325
Total Expenses		\$	<u>1,928,901</u>

The accompanying notes are an integral part of these financial statements.

Katherine Anne Porter School
Schedule of Capital Assets
August 31, 2018

		Ownership Interest		
		Local	State	Federal
1510	Land	\$ 140,000		
1520	Buildings and Improvements	1,080,182	-	19,493
1531	Vehicles	23,900	-	-
1539	Furniture and equipment	6,198	54,216	-
1541	Vehicles	268,349	-	-
		<u>\$ 1,518,629</u>	<u>\$ 54,216</u>	<u>\$ 19,493</u>

The accompanying notes are an integral part of these financial statements.

Katherine Anne Porter School
Budgetary Comparison Schedule
For the Year Ended August 31, 2018

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 89,611	\$ 89,000	\$ 78,643	\$ (10,357)
5750 Revenues from cocurricular, enterprising services or activities	30,000	30,000	23,447	(6,553)
Total local support	119,611	119,000	102,090	(16,910)
State program revenues:				
5810 Foundation school program act	1,442,636	1,440,000	1,430,592	(9,408)
5820 State program revenues distributed by Texas Education Agency	25,000	25,000	19,348	(5,652)
Total state program revenues	1,467,636	1,465,000	1,449,940	(15,060)
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	307,281	280,000	296,784	16,784
Total federal program revenues	307,281	280,000	296,784	16,784
Total Revenues	1,894,528	1,864,000	1,848,814	(15,186)
Expenses				
11 Instruction	846,376	892,000	934,360	(42,360)
13 Curriculum development and instructional staff development	16,500	7,000	12,001	(5,001)
21 Instructional leadership	47,700	200	4,765	(4,565)
23 School leadership	172,117	197,500	205,886	(8,386)
31 Guidance, counseling and evaluation services	115,542	103,500	106,971	(3,471)
33 Health services	1,275	1,000	850	150
34 Student (Pupil) Transportation	129,109	135,000	164,700	(29,700)
35 Food services	46,000	55,800	53,937	1,863
36 Cocurricular/extracurricular activities	3,500	1,000	865	135
41 General administration	147,850	184,000	192,487	(8,487)
51 Plant maintenance and operations	112,000	121,000	150,325	(29,325)
52 Security and monitoring services	50	-	-	-
53 Data processing services	42,814	64,275	68,229	(3,954)
61 Community services	500	500	389	111
71 Debt service	61,000	61,000	6,325	54,675
81 Fund raising	28,784	28,750	26,811	1,939
Total Expenses	1,771,117	1,852,525	1,928,901	(76,376)
Change in Net Assets	123,411	11,475	(80,087)	(91,562)
Net Assets, Beginning of Year	1,065,161	1,065,161	1,065,161	-
Net Assets, End of Year	\$ 1,188,572	\$ 1,076,636	\$ 985,074	\$ (91,562)

The accompanying notes are an integral part of these financial statements.

COMPLIANCE AND INTERNAL CONTROLS SECTION

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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

Board of Directors
Katherine Anne Porter School
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 Katherine Anne Porter School (the "Corporation") (a nonprofit organization), which comprise the statement of financial position as of August 31, 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 January 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Katherine Anne Porter School'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 Katherine Anne Porter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Katherine Anne Porter School'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.

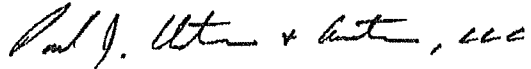
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Katherine Anne Porter School'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 Katherine Anne Porter School's internal control or on compliance. This report is in integral part of an audit performed in accordance with *Government Auditing Standards* in considering Katherine Anne Porter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Waco, Texas

January 22, 2019

Katherine Anne Porter School
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2018

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiencies(s) identified that are not
considered to be material weaknesses?

___ Yes X No

Noncompliance material to financial statements noted?

___ Yes X No

Katherine Anne Porter School
Schedule of Prior Audit Findings
For the Year Ended August 31, 2018

Findings/Noncompliance

Expenses reported in the general ledger for the IDEA-B and 21st Century Community Learning Centers grant funds did not tie to the final expenditure reports provided for those grants. Expenses were reclassified out of these funds to match the amount received as reimbursement and reported as revenues in these funds.

Status of Prior Year's Finding/Noncompliance

The Organization more closely monitored revenues and expenditures in grant funds and reconciled the recorded revenues and expenditures recorded in the general ledger supporting documentation.

Findings/Noncompliance

Credit/Debit card purchases did not have the proper supporting receipts to support the purchase.

Status of Prior Year's Finding/Noncompliance

The Organization more closely monitored all credit/debit card purchases during the year to ensure supporting documentation receipts are acquired.