

Katherine Anne Porter School

Financial Statements

For the Year Ended August 31, 2019

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, 2019 at a meeting of governing body of the charter holder on the 21st day of January, 2020.



Signature of Board Secretary



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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Katherine Anne Porter School as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

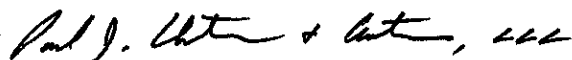
Other Matters

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 21, 2020, 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 21, 2020

FINANCIAL STATEMENTS

Katherine Anne Porter School
Statement of Financial Position
August 31, 2019

Assets

Current Assets	
Cash and cash equivalents	\$ 291,472
Due from governments	183,315
Other assets	3,224
Total current assets	<u>478,011</u>
Property and equipment, net	<u>841,935</u>
Total Assets	<u><u>\$ 1,319,946</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 21,321
Accrued wages payable	60,144
Payroll deductions and withholdings	26,140
Deferred revenue	1,500
Current portion of long-term debt	41,340
Total current liabilities	<u>150,445</u>
Long-Term Liabilities	
Long-term debt - net of current portion	<u>138,791</u>
Total long-term liabilities	<u>138,791</u>
Total Liabilities	<u>289,236</u>
Net Assets	
Without donor restrictions	229,713
With donor restrictions	<u>800,997</u>
Total Net Assets	<u>1,030,710</u>
Total Liabilities and Net Assets	<u><u>\$ 1,319,946</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, 2019

	Without Donor Restriction	With Donor Restrictions	Total
Revenues			
Local support:			
Gifts and bequests	\$ 25,889	\$ -	\$ 25,889
Enterprising services	22,284	-	22,284
Interest income	1,192	-	1,192
Other income	10,967	-	10,967
Total local support	60,332	-	60,332
State program revenues:			
Foundation school program act	-	1,525,756	1,525,756
Other state aid	-	7,561	7,561
Total state program revenues	-	1,533,317	1,533,317
Federal program revenues:			
ESEA, Title I, Part A - Improving Basic Programs	-	129,922	129,922
IDEA-Part B, Formula	-	50,867	50,867
National School Lunch and Breakfast Program	-	28,539	28,539
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	-	4,343	4,343
Title IV, Part B - 21st Century Community Learning Centers	-	156,592	156,592
Rural Education Achievement Program	-	5,588	5,588
Title IV, Part A, Subpart 1 - Student Support and Academic Enrichment Program	-	10,434	10,434
Total federal program revenues	-	386,285	386,285
Net assets released from restrictions:			
Restrictions satisfied by payments	1,885,573	(1,885,573)	-
Total Revenues	1,945,905	34,029	1,979,934
Expenses			
Program Services:			
11 Instruction	940,816	-	940,816
13 Curriculum development and Instructional and school leadership	2,058	-	2,058
21 Instructional leadership	66,196	-	66,196
23 School leadership	193,109	-	193,109
31 Guidance, counseling and evaluation services	99,979	-	99,979
34 Student (Pupil) transportation	157,789	-	157,789
35 Food services	55,084	-	55,084
36 Cocurricular/ extracurricular activities	595	-	595
Total Program Services	1,515,626	-	1,515,626
Support Services:			
41 General administration	178,181	-	178,181
51 Plant maintenance and operations	156,679	-	156,679
53 Data processing services	57,887	-	57,887
61 Community services	725	-	725
71 Debt services	11,741	-	11,741
Total Support Services	405,213	-	405,213
Fundraising Services:			
81 Fundraising	13,459	-	13,459
Total Fundraising Services	13,459	-	13,459
Total Expenses	1,934,298	-	1,934,298
Change in Net Assets	11,607	34,029	45,636
Net Assets, Beginning of Year	218,106	766,968	985,074
Net Assets, End of Year	\$ 229,713	\$ 800,997	\$ 1,030,710

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

Katherine Anne Porter School
Statement of Functional Expenses
For the Year Ended August 31, 2019

	Program Services	Supporting Services	Fundraising Services	Total
Expenses				
Salaries and wages	\$ 1,124,340	\$ 153,983	\$ 12,125	\$ 1,290,448
Benefits	87,752	7,335	1,063	96,150
Payroll taxes	21,121	2,739	171	24,031
Total Payroll Expenses	<u>1,233,213</u>	<u>164,057</u>	<u>13,359</u>	<u>1,410,629</u>
Professional services	16,328	22,550	-	38,878
Education service center	-	20,198	-	20,198
Repairs and maintenance	28,233	25,020	-	53,253
Utilities	-	34,894	-	34,894
Rentals	14,441	3,450	-	17,891
Miscellaneous contract services	60,840	39,970	100	100,910
Fuel - Vehicles	24,436	-	-	24,436
Maintenance supplies	1,441	8,318	-	9,759
Textbooks	3,939	-	-	3,939
Food	27,533	-	-	27,533
General supplies	62,002	1,996	-	63,998
Travel	15,853	1,801	-	17,654
Insurance	-	32,381	-	32,381
Depreciation	14,307	28,778	-	43,085
Interest	-	11,741	-	11,741
Miscellaneous	13,060	10,059	-	23,119
Total Non-payroll Expenses	<u>282,413</u>	<u>241,156</u>	<u>100</u>	<u>523,669</u>
Total Expenses	<u>\$ 1,515,626</u>	<u>\$ 405,213</u>	<u>\$ 13,459</u>	<u>\$ 1,934,298</u>

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, 2019

Cash Flows from Operating Activities:

Foundation school program payments	\$ 1,518,059
Grant payments	404,346
Miscellaneous sources	60,332
Payments to vendors for goods and services rendered	(498,914)
Payments to charter school personnel for services rendered	(1,410,629)
Interest payments	(11,741)
Net Cash Provided/(Used) by Operating Activities	<u>61,453</u>

Cash Flows from Investing Activities:

Purchase of capital assets	<u>(9,500)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(9,500)</u>

Cash Flows from Financing Activities:

Principal payments on long-term debt	<u>(38,869)</u>
Net Cash Provided/(Used) by Financing Activities	<u>(38,869)</u>

Net Increase (Decrease) in Cash	13,084
Cash at Beginning of Year	<u>278,388</u>

Cash at End of Year	<u><u>\$ 291,472</u></u>
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Reconciliation of Change in Net Assets to Net Cash Provided

by Operating Activities:

Change in Net Assets	\$ 45,636
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	43,085
(Increase) Decrease in assets:	
Due from governments	2,803
Prepaid expenses	(166)
Increase (Decrease) in liabilities:	
Accounts payable	(29,905)
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ 61,453</u></u>

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

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 accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The more significant of the Corporation's accounting policies are described below:

The School is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

Net Assets With Donor Restrictions - net assets subject to donor-imposed restrictions that are more restrictive than the Corporation's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Contributions

The School accounts for contributions as support without donor restrictions and with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2019.

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, 2019 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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 the estimated fair market value in the period received.

Contributions of donated noncash assets are recorded at the estimated fair market value in the period received.

Functional Allocation of Expenses

The School provides educational services to all students. The relationship between functional expense classifications as summarized on the statement of activities and their natural expense classifications is presented in the statement of functional expenses.

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.

New Accounting Pronouncement

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. The ASU generally should be applied retrospectively to all prior periods presents. In prior reports, the organization presented the classification of net assets as unrestricted, temporarily restricted, and permanently restricted. The new guidance requires two categories of net assets: with donor restrictions and without donor restrictions. In addition, the new guidance requires the organization to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents as of August 31, 2019 consist of the following:

Checking accounts	\$ 179,144
Money market accounts	112,328
	<u>\$ 291,472</u>

Katherine Anne Porter School
Notes To Financial Statements
August 31, 2019

Note 3 - Due from Governments

At August 31, 2019, due from governments consisted of the following:

Foundation Program 2018-2019	\$ 140,670
ESEA, Title I Part A	6,943
School Breakfast	631
National School Lunch Program	1,253
21st Century Community Learning Center	33,818
Total	<u>\$ 183,315</u>

Note 4 - Restrictions on Net Assets

Net assets with donor restrictions are restricted for the benefit of the students of the Katherine Anne Porter School, the Foundation School Program, and for any activities supported by federal and local grants. Net assets with donor restrictions are comprised of local funds of the following as of August 31, 2019:

Federal sources	\$ 228,522
Local sources	1,192
	<u>\$ 229,713</u>

The assets with donor restrictions of federal and local funds are restricted to incur the expenditures for the grant purposes stipulated in the grant contracts.

Note 5 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors. During the year ended August 31, 2019, the Corporation increased \$11,607 of funds with donor restrictions related to the federal grants and local grants.

Note 6 - 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	1,099,675	-	-	1,099,675	420,874	678,801
Furniture and equipment	60,414	-	-	60,414	60,414	-
Vehicles	292,249	9,500	-	301,749	278,615	23,134
Total	<u>\$1,592,338</u>	<u>\$ 9,500</u>	<u>\$ -</u>	<u>\$1,601,838</u>	<u>\$ 759,903</u>	<u>\$ 841,935</u>

Katherine Anne Porter School
Notes To Financial Statements
August 31, 2019

Note 6 - Capital Assets (continued)

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, 2019 was \$43,085.

Note 7 - Long-Term Debt

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, 2019, future debt service requirements for the note payable are as follows:

Year Ending August 31,	Principal	Interest	Total
2020	\$ 41,340	\$ 9,270	\$ 50,610
2021	43,781	6,829	50,610
2022	48,478	4,244	52,722
2023	46,532	1,507	48,038
	<u>\$ 180,131</u>	<u>\$ 21,850</u>	<u>\$ 201,980</u>

Interest expense for the year ended August 31, 2019 was \$11,740.

Note 8 - Pension Plan Obligations

Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), 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 administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas.

The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

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

Note 8 - Pension Plan Obligations (continued)

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 31 years, the period would be increased by such action.

Contributions

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, 2019 was \$45,643, which includes \$16,715 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 9 - Health Care Coverage

During the year ended August 31, 2019, 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, 2019 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 10 - 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.

Note 11- 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, 2019.

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, 2019, there were no interest or penalties related to income taxes recorded or included in the financial statements. As of August 31, 2019, the School's tax years 2016 through 2018 remain subject to examination.

Katherine Anne Porter School
Notes To Financial Statements
August 31, 2019

Note 12 - 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 13 - 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 14 - Liquidity and Availability of Financial Resources

The School has approximately \$325,842 of financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures. This consist of cash and cash equivalents of \$291,472 and receivables of \$183,315, net of accounts payable, accrued wages and related payroll liabilities of \$107,605 and the current portion of long-term debt of \$41,340 as of year-end. Although some of the financial assets are subject to donor or other contractual restrictions, restrictions are part of the School's mission that make them available for general expenditure within one year of the statement of financial position date.

Note 15 - Evaluation of Subsequent Events

The School has evaluated subsequent events through January 21, 2020, 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, 2019

Expenses

6100	Payroll costs	\$	1,410,627
6200	Professional and contracted services		266,025
6300	Supplies and materials		129,665
6400	Other operating costs		116,240
6500	Debt		11,741
Total Expenses		\$	<u>1,934,298</u>

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

Katherine Anne Porter School
Schedule of Capital Assets
August 31, 2019

		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	277,849	-	-
		<u>\$ 1,528,129</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, 2019

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 1,000	\$ 1,500	\$ 38,048	\$ 36,548
5750 Revenues from cocurricular, enterprising services or activities	81,000	54,500	22,284	(32,216)
Total local support	82,000	56,000	60,332	4,332
State program revenues:				
5810 Foundation school program act	1,652,534	1,499,500	1,525,756	26,256
5820 State program revenues distributed by Texas Education Agency	10,713	5,394	7,561	2,167
Total state program revenues	1,663,247	1,504,894	1,533,317	28,423
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	256,450	381,357	386,285	4,928
Total federal program revenues	256,450	381,357	386,285	4,928
Total Revenues	2,001,697	1,942,251	1,979,934	37,683
Expenses				
11 Instruction	976,702	941,746	940,816	930
13 Curriculum development and instructional staff development	9,939	2,076	2,058	18
21 Instructional leadership	51,858	66,000	66,196	(196)
23 School leadership	158,300	188,000	193,109	(5,109)
31 Guidance, counseling and evaluation services	97,280	99,935	99,979	(44)
34 Student (Pupil) Transportation	172,470	154,000	157,789	(3,789)
35 Food services	48,520	45,000	55,084	(10,084)
36 Cocurricular/extracurricular activities	1,250	600	595	5
41 General administration	202,850	180,000	178,181	1,819
51 Plant maintenance and operations	156,605	154,100	156,679	(2,579)
53 Data processing services	40,213	53,144	57,887	(4,743)
61 Community services	7,000	1,000	725	275
71 Debt service	50,610	4,000	11,741	(7,741)
81 Fund raising	26,800	14,000	13,459	541
Total Expenses	2,001,697	1,903,601	1,934,298	(30,697)
Change in Net Assets	-	38,650	45,636	6,986
Net Assets, Beginning of Year	985,074	985,074	985,074	-
Net Assets, End of Year	\$ 985,074	\$ 1,023,724	\$ 1,030,710	\$ 6,986

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

Katherine Anne Porter School
Budgetary Comparison Schedule
For the Year Ended August 31, 2019

Explanation for Budget Variances for the year ended August 31, 2019 (unaudited)

Function 35:

Expenditures to start the new school year exceeded expectations.

Function 71:

Loan amortization was not projected correctly on the final budget.

COMPLIANCE AND INTERNAL CONTROLS SECTION

Paul J. Christensen & Associates, LLC

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Paul J. Christensen, C.P.A.
Gary L. Sauls, C.P.A.
Andrew W. Sauls, C.P.A.

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 (School) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, 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 21, 2020.

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.

Paul J. Carter + Carter, LLC

Waco, Texas

January 21, 2020

Katherine Anne Porter School
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2019

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

II. FINANCIAL STATEMENT FINDINGS

None