



Katherine Anne Porter School

Financial Statements

For the Year Ended August 31, 2020

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

TABLE OF CONTENTS

Certificate of Board	3
Independent Auditor's Report	4-5
Financial Statements:	6
Statement of Financial Position	7
Statement of Activities	8
Statement of Functional Expenses	9
Statement of Cash Flows	10
Notes to Financial Statements	11-17
Supplementary Information:	18
Schedule of Expenses	19
Schedule of Capital Assets	20
Budgetary Comparison Schedule	21-21
Compliance and Internal Controls Section:	22
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 <i>Government Auditing Standards</i>	23-24
Schedule of Findings and Questioned Costs	25

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, 2020 at a meeting of governing body of the charter holder on the 25th day of January, 2021.



Signature of Board Secretary
Gary Woolfolk



Signature of Board President
Ronnie Pinkerton

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

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, 2020, 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, 2020, 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.

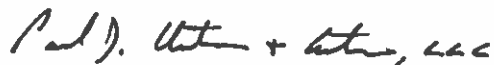
Other Matters

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 25, 2021, 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 25, 2021

FINANCIAL STATEMENTS

Katherine Anne Porter School
Statement of Financial Position
August 31, 2020

Assets

Current Assets	
Cash and cash equivalents	\$ 421,254
Due from governments	37,705
Total current assets	<u>458,959</u>
Property and equipment, net	<u>816,476</u>
Total Assets	<u><u>\$ 1,275,435</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 14,216
Accrued wages payable	35,313
Payroll deductions and withholdings	11,803
Deferred revenue	96,537
Current portion of long-term debt	43,781
Total current liabilities	<u>201,650</u>
Long-Term Liabilities	
Long-term debt - net of current portion	<u>95,179</u>
Total long-term liabilities	<u>95,179</u>
Total Liabilities	<u>296,829</u>
Net Assets	
Without donor restrictions	246,917
With donor restrictions	<u>731,689</u>
Total Net Assets	<u>978,606</u>
Total Liabilities and Net Assets	<u><u>\$ 1,275,435</u></u>

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

Katherine Anne Porter School
Statement of Activities
For the Year Ended August 31, 2020

	Without Donor Restriction	With Donor Restrictions	Total
Revenues			
Local support:			
Gifts and bequests	\$ 11,333	\$ -	\$ 11,333
Enterprising services	13,528	-	13,528
Interest income	634	-	634
Other income	7,414	-	7,414
Total local support	<u>32,909</u>	<u>-</u>	<u>32,909</u>
State program revenues:			
Foundation school program act	-	1,347,567	1,347,567
Other state aid	-	10,013	10,013
Total state program revenues	<u>-</u>	<u>1,357,580</u>	<u>1,357,580</u>
Federal program revenues:			
ESEA, Title I, Part A - Improving Basic Programs	-	72,225	72,225
IDEA-Part B, Formula	-	35,838	35,838
National School Lunch and Breakfast Program	-	16,389	16,389
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	-	111	111
Title IV, Part B - 21st Century Community Learning Centers	-	125,053	125,053
ESSER Grant	-	2,336	2,336
Title IV, Part A, Subpart 1 - Student Support and Academic Enrichment Program	-	342	342
Total federal program revenues	<u>-</u>	<u>252,294</u>	<u>252,294</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	1,679,182	(1,679,182)	-
Total Revenues	<u>1,712,091</u>	<u>(69,308)</u>	<u>1,642,783</u>
Expenses			
Program Services:			
11 Instruction	795,397	-	795,397
13 Curriculum development and Instructional and school leadership	1,969	-	1,969
21 Instructional leadership	57,226	-	57,226
23 School leadership	152,724	-	152,724
31 Guidance, counseling and evaluation services	84,629	-	84,629
34 Student (Pupil) transportation	123,295	-	123,295
35 Food services	44,757	-	44,757
36 Cocurricular/ extracurricular activities	584	-	584
Total Program Services	<u>1,260,581</u>	<u>-</u>	<u>1,260,581</u>
Support Services:			
41 General administration	226,818	-	226,818
51 Plant maintenance and operations	156,885	-	156,885
53 Data processing services	41,019	-	41,019
71 Debt services	9,439	-	9,439
Total Support Services	<u>434,161</u>	<u>-</u>	<u>434,161</u>
Fundraising Services:			
81 Fundraising	145	-	145
Total Fundraising Services	<u>145</u>	<u>-</u>	<u>145</u>
Total Expenses	<u>1,694,887</u>	<u>-</u>	<u>1,694,887</u>
Change in Net Assets	17,204	(69,308)	(52,104)
Net Assets, Beginning of Year	229,713	800,997	1,030,710
Net Assets, End of Year	<u>\$ 246,917</u>	<u>\$ 731,689</u>	<u>\$ 978,606</u>

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, 2020

	Program Services	Supporting Services	Fundraising Services	Total
Expenses				
Salaries and wages	\$ 980,347	\$ 157,880	\$ -	\$ 1,138,227
Benefits	78,027	8,812	-	86,839
Payroll taxes	34,369	2,130	-	36,498
Total Payroll Expenses	<u>1,092,743</u>	<u>168,822</u>	<u>-</u>	<u>1,261,565</u>
Legal services	-	3,233	-	3,233
Audit services	-	20,000	-	20,000
Contracted services	11,710	800	-	12,510
Tuition	199	-	-	199
Education service center	13,812	8,356	-	22,167
Repairs and maintenance	19,431	19,489	-	38,919
Utilities	-	32,793	-	32,793
Rentals	12,575	5,750	-	18,325
ESSER grant services	-	1,000	-	1,000
Miscellaneous contract services	22,037	66,754	-	88,791
Fuel - Vehicles	13,596	-	-	13,596
Maintenance supplies	787	4,139	-	4,926
Textbooks	39	-	-	39
Food	16,553	-	-	16,553
General supplies	39,395	3,278	-	42,673
Travel	1,836	4,625	-	6,461
Insurance	-	35,519	-	35,519
Depreciation	6,680	28,778	-	35,458
Dues	145	-	-	145
Miscellaneous	9,044	21,387	145	30,576
Interest	-	9,439	-	9,439
Total Non-payroll Expenses	<u>167,838</u>	<u>265,339</u>	<u>145</u>	<u>433,322</u>
Total Expenses	<u>\$ 1,260,581</u>	<u>\$ 434,161</u>	<u>\$ 145</u>	<u>\$ 1,694,887</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, 2020

Cash Flows from Operating Activities:	
Foundation school program payments	\$ 1,583,287
Grant payments	267,234
Miscellaneous sources	32,909
Payments to vendors for goods and services rendered	(392,971)
Payments to charter school personnel for services rendered	(1,300,067)
Interest payments	(9,439)
Net Cash Provided by Operating Activities	<u>180,953</u>
Cash Flows from Investing Activities:	
Purchase of capital assets	<u>(10,000)</u>
Net Cash Used by Investing Activities	<u>(10,000)</u>
Cash Flows from Financing Activities:	
Principal payments on long-term debt	<u>(41,171)</u>
Net Cash Used by Financing Activities	<u>(41,171)</u>
Net Increase in Cash and Cash Equivalents	129,782
Cash and Cash Equivalents - Beginning of Year	<u>291,472</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 421,254</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:	
Change in Net Assets	\$ (52,104)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	35,458
(Increase) Decrease in assets:	
Due from governments	145,610
Prepaid expenses	3,224
Increase (Decrease) in liabilities:	
Accounts payable	(7,769)
Accrued wages payable	(24,831)
Payroll deductions and withholdings	(13,672)
Deferred revenue	95,037
Net Cash Provided by Operating Activities	<u><u>\$ 180,953</u></u>

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

Katherine Anne Porter School

Notes to Financial Statements

August 31, 2020

Note 1 - Summary of Significant Accounting Policies

The financial statements of Katherine Anne Porter School (the "School") 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).

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

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. 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.

Katherine Anne Porter School
Notes to Financial Statements
August 31, 2020

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, 2020.

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, 2020 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.

Note 2 – Deferred Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The ASU provides a five-step analysis in determining when and how revenue is recognized. This new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an organization expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606 and Leases Topic 842): Effective Dates for Certain Entities*, to defer these two standards. Under the deferral for revenue recognition rules, private companies, and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. Under the deferral for leases rules, private companies and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021.

The School is currently evaluating the impacts these pronouncements will have on its financial statements and related disclosures.

Katherine Anne Porter School
Notes to Financial Statements
August 31, 2020

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents as of August 31, 2020 consist of the following:

Checking accounts	\$ 308,291
Money market accounts	112,963
	<u>\$ 421,254</u>

Note 4 - Due from Governments

At August 31, 2020, due from governments consisted of the following:

21st Century Community Learning Center	\$ 25,369
ESSER Grant	2,336
Safety Grant	10,000
Total	<u>\$ 37,705</u>

Note 5 - Net Assets with Donor Restrictions

At August 31, 2020, net assets with donor restrictions in the amount of \$731,689 consisted of unexpended state program revenue.

Note 6 - 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, 2020, the School released \$1,679,182 of funds with donor restrictions related to Foundation School Program and federal grants.

Note 7 - 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	10,000	-	1,109,675	449,653	660,022
Furniture and equipment	60,414	-	-	60,414	60,414	-
Vehicles	301,749	-	-	301,749	285,295	16,454
Total	<u>\$ 1,601,838</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 1,611,838</u>	<u>\$ 795,362</u>	<u>\$ 816,476</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, 2020 was \$35,458.

Katherine Anne Porter School
Notes to Financial Statements
August 31, 2020

Note 8 - 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, 2020, future debt service requirements for the note payable are as follows:

Year Ending August 31,	Principal	Interest	Total
2021	\$ 43,781	\$ 6,829	\$ 50,610
2022	46,366	4,244	50,610
2023	48,814	1,507	50,321
	<u>\$ 138,960</u>	<u>\$ 12,580</u>	<u>\$ 151,540</u>

Interest expense for the year ended August 31, 2020 was \$9,439.

Note 9 - 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.

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.

Katherine Anne Porter School
Notes to Financial Statements
August 31, 2020

Note 9 - Pension Plan Obligations (continued)

Contributions

State law provides for a member contribution rate of 7.7% for fiscal year 2020. The state's contribution rate as a non-employer contributing entity was 7.5% for fiscal year 2020.

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 7.5% of the School's covered payroll. The School's contribution to TRS for the year ended August 31, 2020 was \$41,744, which includes \$12,021 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 10 - Health Care Coverage

During the year ended August 31, 2020, 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, 2020 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 11 - 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 12 - 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, 2020.

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, 2020, there were no interest or penalties related to income taxes recorded or included in the financial statements. As of August 31, 2020, the School's tax years 2016 through 2018 remain subject to examination.

Note 13 - 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.

Katherine Anne Porter School
Notes to Financial Statements
August 31, 2020

Note 14 - 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 15 - Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and cash equivalents	\$ 133,230
Total	<u>\$ 133,230</u>

Per the Texas Education Agency, Foundation School Program revenues should be classified as revenue with donor restrictions. However, the funds do not have a time restriction, but must be used for education purposes in accordance with State law. As such, there are cash and cash equivalents, and amounts that are due from governments that are available for use for educational purposes.

Note 16 - Evaluation of Subsequent Events

The School has evaluated subsequent events through January 25, 2021, the date which the financial statements were available to be issued.

In addition, as a result of the spread of COVID-19 Coronavirus, economic uncertainties have arisen which may negatively affect the financial position, statement of activities, and cash flows for the Charter Holder. The duration of these uncertainties and the ultimate financial effects cannot be reasonably determined at this time.

SUPPLEMENTARY INFORMATION

Katherine Anne Porter School
Schedule of Capital Assets
August 31, 2020

		Ownership Interest		
		Local	State	Federal
1510	Land	\$ 140,000	\$ -	\$ -
1520	Buildings and Improvements	1,090,182	-	19,493
1531	Vehicles	23,900	-	-
1539	Furniture and equipment	6,198	54,216	-
1541	Vehicles	277,849	-	-
		<u>\$ 1,538,129</u>	<u>\$ 54,216</u>	<u>\$ 19,493</u>

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

Katherine Anne Porter School
Schedule of Expenses
For the Year Ended August 31, 2020

Expenses

6100	Payroll costs	\$	1,261,564
6200	Professional and contracted services		237,938
6300	Supplies and materials		77,788
6400	Other operating costs		108,158
6500	Debt		9,439
Total Expenses		\$	<u>1,694,887</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 26,500	\$ 19,500	\$ 19,381	\$ (119)
5750 Revenues from cocurricular, enterprising services or activities	22,500	13,525	13,528	3
Total local support	<u>49,000</u>	<u>33,025</u>	<u>32,909</u>	<u>(116)</u>
State program revenues:				
5810 Foundation school program act	1,669,353	1,510,143	1,347,567	(162,576)
5820 State program revenues distributed by Texas Education Agency	500	10,210	10,013	(197)
Total state program revenues	<u>1,669,853</u>	<u>1,520,353</u>	<u>1,357,580</u>	<u>(162,773)</u>
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	364,912	264,694	252,294	(12,400)
Total federal program revenues	<u>364,912</u>	<u>264,694</u>	<u>252,294</u>	<u>(12,400)</u>
Total Revenues	<u>2,083,765</u>	<u>1,818,072</u>	<u>1,642,783</u>	<u>(175,289)</u>
Expenses				
11 Instruction	893,561	841,224	795,397	45,827
13 Curriculum development and instructional staff development	5,400	2,800	1,969	831
21 Instructional leadership	59,716	60,500	57,226	3,274
23 School leadership	194,062	161,450	152,724	8,726
31 Guidance, counseling and evaluation services	126,300	89,500	84,629	4,871
33 Health services	1,500	-	-	-
34 Student (Pupil) Transportation	214,823	122,600	123,295	(695)
35 Food services	50,000	44,350	44,757	(407)
36 Cocurricular/extracurricular activities	500	600	584	16
41 General administration	218,175	224,000	226,818	(2,818)
51 Plant maintenance and operations	167,069	138,000	156,885	(18,885)
53 Data processing services	66,900	53,000	41,019	11,981
61 Community services	5,000	-	-	-
71 Debt service	50,610	9,500	9,439	61
81 Fund raising	25,600	200	145	55
Total Expenses	<u>2,079,216</u>	<u>1,747,724</u>	<u>1,694,887</u>	<u>52,837</u>
Change in Net Assets	4,549	70,348	(52,104)	(122,452)
Net Assets, Beginning of Year	<u>1,030,710</u>	<u>1,030,710</u>	<u>1,030,710</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 1,035,259</u>	<u>\$ 1,101,058</u>	<u>\$ 978,606</u>	<u>\$ (122,452)</u>

Function 51 Plant maintenance and operations - depreciation expense was not accurately calculated during budgeting process.

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

COMPLIANCE AND INTERNAL CONTROLS SECTION

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Paul J. Christensen, C.P.A.
Gary L. 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, 2020, 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 25, 2021.

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. White + White, LLC

Waco, Texas
January 25, 2021

Katherine Anne Porter School
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2020

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